EDITOR'S NOTE

The study of freedom and presentation of the findings in a manner helpful to anyone who is interested is the objective of the staff and the friends of the Foundation for Economic Education. The studies are distributed, as completed, in the form of separate releases and as articles in The Freeman, a monthly study journal. This is the fifth volume of essays on liberty, all of the selections in it having previously appeared as articles in The Freeman between April 1957 and May 1958. Volumes I and II of Essays on Liberty, published in 1952 and 1954 respectively, are still available, as are Volumes III and IV which were published in 1958.

Permission is hereby granted to reprint these essays in whole or in part, except the following:

Freedom of the Mind by Paul Valery
Imprisoned Ideas by W. J. Brown
Popular Causes and Unpopular Effects from the Guaranty Survey
The Sources of Invention by John Jewkes
Wages, Unemployment, and Inflation by Ludwig von Mises

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It is difficult enough to shoot a moth on the wing, but it is even more difficult to shoot a myth. In fact, it is all but impossible.

One reason is a matter of simple logic. As Professor H. J. Davenport once expressed it, in commenting on a myth which had been voiced by a student: "How can you, for instance, prove that water babies don't exist? The only sure way would seem to be to find some water babies not existing." And to prove it to those not there at the time one would also need a snapshot of their nonexistent profiles, I suppose.

The same thought was once stated more profoundly by the French philosopher, Henri Bergson:

I believe that the time given to refutation in philosophy is usually time lost. Of the many attacks directed by many thinkers against each other, what now remains? Nothing, or assuredly very little. That which counts and endures is the modicum of positive truth which each contributes. The true statement, is of itself, able to displace the erroneous idea, and becomes, without our having taken the trouble of refuting anyone, the best of refutations.

Dr. Harper is a member of the staff of the Foundation for Economic Education.
The real reason why myths are impossible to shoot is that the forms they can take are infinite in number, and also that they evade one's aim at an infinite speed.

As to the number of forms myths can take, consider the possible answers to 2 plus 2. The only nonmythical answer is 4. But there are infinite mythical answers.

It is similar with any other problem or question, however simple or complex it may be, since each problem has only one correct answer. So if one's aim were perfect and he could shoot a myth with every shot, he could spend his entire lifetime shooting myths released by only one myth factory, without ever demolishing all this factory could produce. For automation is well established in myth factories; their production can operate at a fantastic speed, with practically no cost.

Myths Are Like Fog

As I write this, my wife and I are on the North Atlantic on a Norwegian freighter. Last evening a heavy fog fell on us and our path. Captain Aaby had to leave in the middle of his dinner to oversee operations and was up all night watching things. The bits of moisture in the fog cloud may be compared to myths in their number. They impeded our view as myths becloud the truth. It is possible, of course, to "shoot" a fog particle. But how foolish it would have been for Captain Aaby to do that. Instead, he proceeded on his course the same as ever, guarding only against collision with another ship or an iceberg.
Such is the futility of the enticing sport of shooting at all existing myths. And in addition, they are hard to shoot because they flit here and there at the speed of force without resistance since they are not burdened by the weight and rigid confines of fact. And if you should happen to be so lucky as to hit one squarely, it is likely only to spatter into any number of sub-myths, as if you had hit a gob of mercury with a hammer; and then you will have only spread mythology rather than having demolished it.

Myths grow most freely in the soil of matters beyond the reach of our senses to detect directly. Religion, in coping with faiths about the far beyond, has abounded in myths throughout the existence of man, as evidenced in the wide differences of religious belief that have always existed. And every field of scientific contemplation has been full of myths before more certain scientific truths emerged as each science developed. Social science, being a young science, is still in the mythological realm so far as widespread understanding is concerned. Economic myths are too numerous to shoot—economic fog, we might call it.

The Major Myth

Perhaps the greatest economic myth of all is the one that the government should—and can—do for us what we cannot otherwise do for ourselves. In social science this is the counterpart of a principle that the whole is greater than the sum of its parts; for if you remove the "we"
out of any social agglomerate, nothing is left but the shell of a dream. And so if we translate this myth into its real equivalent, it becomes: "We can do for ourselves what we cannot do for ourselves." For in doing things for ourselves, we can do anything for each other, cooperatively and by means of exchange, to any extent we desire and are capable of doing under any man-made scheme that we can design.

The myth about government is comparable to what might be called a mythical law of social dynamics: "For no governmental action is there an equal and opposite reaction." Or in accounting terms, this myth is comparable to saying that when the government does things, you need not use double entry to balance accounts; that you can enjoy the debit side and forget the credit side; that people can generally get something from nothing; that the government is capable of spontaneous generation of the goodly things of life.

**Derivative Myths**

In a sense, the government seems capable of spontaneous generation—the generation of endless minor myths begotten from this major myth. The list of offspring is seemingly endless. A few items will illustrate.

When the government gives indiscriminate aid to mothers of children born out of wedlock, it seems like a fine, humane thing to do when viewed only on the debit side. Why should the innocent children of irresponsible parents be made to suffer privation? Why not legalize aid
to them? The myth of the matter comes into focus only when one looks at the credit side of the matter. You cannot legalize the economic support of illegitimacy without inducing more of the same thing—without stimulating the production of the subsidized product. The fruits of this action have become more and more conspicuous with passing time, as in the instance in Illinois where for the third generation one household is living on the alms of illegitimacy and has abstained from any other form of gainful employment. The process is not quite the same as profitable barnyard reproduction of calves and pigs since the cow and the sow do not resolve their economic welfare by choice in quite this same manner. But otherwise, there is some striking similarity. If the market pays for raising pigs, farmers will raise them. If the government pays for having illegitimate children, that product will be forthcoming, too. So if pity for one illegitimate child leads to one additional case of illegitimacy that would not otherwise have occurred, the merit of the process is certainly debatable; if two or three or more are the result, it is clear that the myth has generated the object of its pity. The myth is found by looking at the credit side. Why can't someone invent a means of myth control?

Compounding the Error

Even then, having generated that which was the object of our sympathy, other troubles arise as not only unmarried mothers but also myths reproduce offspring. Cook
County officials found that Elsie M. had illegally obtained $5,864 relief for ten children sired illegally by five men. So they sent her to jail for six months. The ten children then had to be kept in foster homes—all at an additional expense of $19,948.

As another illustration, take the case of alcohol production and consumption. Year after year has been found in the federal budget, on pages so far apart that their disharmony was not easily detected, two items of interest in relation to one another. On one page is an assessment for all taxpayers to help make up the deficit of the government-operated rum factory on the Virgin Islands; on another page is an assessment on all taxpayers to help cure alcoholism in the District of Columbia. Now whether the neurotic residents of that city of government officials overdid their alcohol consumption with the product from that particular factory, or on vodka, there seems to be a myth or two buried somewhere in this contrast. The two together seem like a make-work tax project of the first order.

The Taxpayer In Between

Then there is the case of untold millions of dollars of taxpayers' money being spent to increase agricultural production, while billions of what taxpayers have left thereafter are being spent to study the problem of how to dispose of "surplus" farm products, to buy and store those products, and to dump them at far below purchase price. The similarity between this and the alms to ille-
gitimate children, both produced in surplus because of reliance on the forthcoming alms, is too close to escape notice. The myth is evidenced on the credit side of the account.

It is traditional with consumers that they would like to pay less for what they buy. By one device or another—price ceilings or whatnot—the government enacts the “protective” legislation. Prices are forced down. Some producers quit producing. Then the myth emerges from its cocoon: Instead of consumers being able to buy the “necessary” product at a “reasonable price,” they can’t buy it at all because it hasn’t been produced. And for a desired product not to be available at any price is a more distressing situation for consumers than to have a price higher than they like to pay.

Tariffs and all sorts of international trade “protections” also offer innumerable illustrations of myths. Some producer wants the domestic market protected from foreign infiltration, and an appropriate mechanism is enacted into law. Perhaps it is for purposes of “national defense,” or sympathy for the workers of the local factory in Podunk, or whatnot. Looking at the debit side only, it appears reasonable and a good thing to do. The myth is found on the credit side. If we could see it all worked out, it is as though Farmer A and Farmer B are ready to trade two horses, even for even, but each adds a tariff of 10 per cent to protect himself against the other’s dumping his horse on the market; they still trade even, in the end—or perhaps don’t trade at all, to the disadvantage of both as separately judged by themselves.

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There are myths of this sort without end, for the myth factory is endless in output. The reader can add as many others as he likes from his own experience, illustrating their extent and form. But the point of this whole discussion is not to try to list them all. It is, instead, to suggest that shooting myths, like shooting fog particles on the high sea, may be a sport of sorts but it is no way to get to the port of truth.

**Truth to the Rescue**

Fog on the high seas is not man made, of course, whereas economic myths enacted into law are man made. And therein lies one difference perhaps worthy of note. Whereas man has no control over the creation of fog, in any detectable form or degree, he has control over the creation of man-made myths. And so birth control of myths is a worthy objective, while shooting them after their uncontrolled production is a rather futile sport. How to control their birth, then, is the question.

Birth control of myths is better and easier than their displacement with truth. As Dean Myers of Cornell used to say: "There is only one thing worse than ignorance, and that is to know something that isn't true. Unlearning is a difficult and painful process."

In any event, it is truth that serves the processes of both birth control and the displacement of myths; for in the displacement process, myths are like the human mind in abhoring a vacuum. So if you try to displace a myth by removal alone, instead of replacement by a
superior belief that will successfully push it aside, a situation is required akin to a vacuum, and this is difficult if not impossible to accomplish.

So to shoot a myth or push it aside, without displacement by first instituting a superior concept, merely means that the suction of the vacuum will promptly replace it with one of the innumerable substitute myths standing by.

Success in dealing with myths, then, would seem to be to work for the positive concept of truth rather than to work against the negative concept of innumerable myths. Then all the myths will fade away and die of neglect and disfavor. And your energies will have been most fruitfully employed that way.

To use a mathematical analogy, you can never attain a positive number merely by cancelling out endless negative numbers. It is the same with myths. It's fun to shoot myths but it's just a sport like shooting clay pigeons—which is fun but not the way to get anything for dinner.

Probably the best way to combat myths is to live strictly by the guide of truth as one sees it, insofar as choice can make the truth accessible.
IMPRISONED IDEAS

by W. J. Brown

There are many classifications into which men and women may be divided—as upper, middle, or lower class; rich, well-to-do, and poor; religious, skeptical, and atheist; conservative, liberal, labour; Catholic, Protestant; master and man; and so forth and so on, ad infinitum.

But, as I think, the only categorization which really matters is that which divides men as between the Servants of the Spirit and the Prisoners of the Organization. That classification, which cuts right across all the other classifications, is indeed the fundamental one. The idea, the inspiration, originates in the internal world, the world of the spirit. But, just as the human spirit must incarnate in a body, so must the idea incarnate in an organization. Whether the organization be political, religious, or social is immaterial to my present argument. The point is that, the idea having embodied itself in organization, the organization then proceeds gradually to slay the idea which gave it birth.

The Honorable Mr. Brown, British journalist, politician, and television personality, was a Member of Parliament for Labour (1929-31) and as an Independent (1942-50). This article first appeared in The Spectator of September 19, 1947.
For Example

We may see this process at work in many fields. Let us take one or two by way of illustration.

In the field of religion a prophet, an inspired man, will see a vision of truth. He expresses that vision as best he may in words. He will not say all he saw. For every expression of truth is a limitation of it. But he will, so to speak, express the sense of his vision.

What he says is only partly understood by those who hear him; and when they repeat what they understand him to have meant, there will already be a considerable departure from the original vision of the prophet. Upon what his disciples understand of the prophet's message, an organization, a church, will be built. The half-understood message will crystallize into a creed.

Before long the principal concern of the church will be to sustain itself as an organization. To this end any departure from the creed must be controverted and if necessary suppressed as heresy. In a few score or few hundred years what was conceived as a vehicle of a new and higher truth has become a prison for the souls of men. And men are murdering each other for the love of God. The thing has become its opposite.

In the field of politics, the dispossessed dream of a social order which shall be based on righteousness, a system in which men will not exploit their fellow men, in which each shall contribute according to his capacity and each shall receive according to his need. Upon this conception a political party is built. It gives battle, over
the years, to the existing order of things. As with the church, it is not long before the primary concern of the party is to sustain itself. Here, again, any departure from the political creed must be repressed. The "party line" must be kept straight and dissent kept under.

In the course of time the party achieves power. By this time it is led no longer by starry-eyed idealists, but by extremely tough guys—who then proceed to use their newly acquired power to establish a stronger despotism than the one they overthrew, and to sew up all the holes in it that they themselves discovered in the old. What emerges is not freedom and social justice, but a more comprehensive and totalitarian control, used to maintain a new privileged class, which, because of the earlier experience of its members, is still more ruthless than the old.

Organizational Demands

Similar illustrations could be drawn from all fields of life. But these two will suffice to demonstrate the truth with which I am here concerned. It is that, the idea having given birth to the organization, the organization develops a self-interest which has no connection with, and becomes inimical to, the idea with which it began. Now the thing which permits this process of diversion to take place, so that the organization comes to stand for the opposite of the idea which originally inspired it, is the tendency in men and women to become Prisoners of the Organization, instead of being Servants of the Spirit.
In this tendency there are many elements. There is a sense in which you cannot run an organization without becoming its prisoner. Organization has its own necessities, in the interests of which the original idea has to be somewhat qualified. As soon as the idea passes from the unmanifested and embodies itself in the actual, it begins to be invaded by what the poet called "the world's slow stain." In this there need be no conscious infidelity on the part of the leaders. Better, they may well argue, that the great idea should be only partly manifested than that it should remain merely an idea in vacuo. Better half the ideal loaf than no bread at all.

**Dilution of the Ideal**

Next, the wider the area to which the idea is introduced, the larger the circle of men and women to whom it is propagated through the organization, the more it must be "stepped down" for propaganda purposes. The idea which gives birth to a party which wants to establish the cooperative commonwealth must be translated into practical proposals, such as the eight-hour day, the five-day week, and what not, if it is to attract a mass backing. And so the organization becomes less the vehicle of the idea than a channel through which particular interests must be served.

The service of such particular interests attracts the backing of other organized bodies more interested in the limited objectives which the organization has now adopted than in the great idea itself. And the pressure
of such bodies is felt by the organization, with the result that the idea tends to retreat into the background in favor of less ambitious objectives. In this world the Devil walks, and it is necessary sometimes to hold a candle to the Devil.

The Prophet’s Problem

Another element is this. Prophets always stand a good chance of being bumped off. This chance is increased if they come down from the hills into the market place, and still further increased if they come down unarmed. Prophets should only go unarmed into the market place if they think that their work is done, and are prepared to depart hence. Some prophets take to arms. Even where the original prophet does not, his disciples may do so. The organization which they build will almost certainly do so. The Devil must be fought with the Devil’s weapons.

This is argumentatively sound but practically disastrous. For it means that the servants of God, the disciples of the idea, tend to descend to the Devil’s level. As the organization grows, it deteriorates. Its leaders are not the men they were.

Among the rank and file many things combine to keep them in the organization, even when they become uneasily conscious that there is a dawning, and even a yawning, gap between organization and idea. First there is the force of inertia. It is easier not to resign than to resign. Drift is easier than decision. Next there is the
factor of personal humility, the tendency to assume that, difficult as the thing seems, the leaders, after all, probably know best. Next there is the factor of sentiment. All of us tend to project onto the organization of which we are members the virtues we would like it to have, and to be blind to its defects. And, finally, men are gregarious creatures and dislike falling out of the ranks away from the comrades of years.

Gradually the organization changes. As it changes, it attracts new elements which approve the change. Not because of conscious calculation, which comes much later, when the idea has been deserted, but because organization develops its own logic, its own raison d'être, and because men tend to become the prisoners of the organization, the organization can finish up by standing for the precise opposite of the idea which called it into being.

*The Moral Is...*

What is the moral to be drawn from all this? One moral, it would not be wholly facetious to suggest, might be that the first rule for any organization should be a rule providing for its dissolution within a limited period of time. "This organization shall be dissolved not later than...." But the deeper moral is concerned with our attitude to organization as such. The moral is that even when we are members of an organization, our attitude to it should be one of partial detachment. We must be above it even while we are in it. We should join it in the knowl-
edge that there we may have no abiding-place. We should be weekly tenants, not long-lease holders. We should accept no such commitments as would prevent our leaving it when circumstances make this necessary. We should reckon on being in almost perpetual rebellion within it. Above all, we should regard all loyalties to organization as tentative and provisional. The whole concept of "my party, right or wrong," "my union, right or wrong," "my church, right or wrong" should be utterly alien to our thinking.

We must be Servants of the Spirit, not Prisoners of the Organization. We must keep in touch with the sources of life, not lose ourselves in its temporary vehicles. And whenever the demand of the spirit, the categorical imperatives of the soul, conflict with the demands of the organization, it is the first to which we must listen. But all this was said long ago. It is all contained in one of the legendary sayings of Jesus, and bears all the marks of authenticity:

"This world is a bridge. Ye shall pass over it. But ye shall build no houses upon it."

Bivouacs. Yes! Tents. Maybe! Houses. No!
WAGES, UNEMPLOYMENT, AND INFLATION

by Ludwig von Mises

Our economic system—the market economy or capitalism—is a system of consumers' supremacy. The customer is sovereign; he is, says a popular slogan, "always right." Businessmen are under the necessity of turning out what the consumers ask for and they must sell their wares at prices which the consumers can afford and are prepared to pay. A business operation is a manifest failure if the proceeds from the sales do not reimburse the businessman for all he has expended in producing the article. Thus the consumers in buying at a definite price determine also the height of the wages that are paid to all those engaged in the industries.

It follows that an employer cannot pay more to an employee than the equivalent of the value the latter's work, according to the judgment of the buying public, adds to the merchandise. (This is the reason why the movie star gets much more than the charwoman.) If he were to pay more, he would not recover his outlays from

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the purchasers; he would suffer losses and would finally go bankrupt. In paying wages, the employer acts as a mandatory of the consumers, as it were. It is upon the consumers that the incidence of the wage payments falls. As the immense majority of the goods produced are bought and consumed by people who are themselves receiving wages and salaries, it is obvious that in spending their earnings the wage earners and employees themselves are foremost in determining the height of the compensation they and those like them will get.

What Makes Wages Rise

The buyers do not pay for the toil and trouble the worker took nor for the length of time he spent in working. They pay for the products. The better the tools are which the worker uses in his job, the more he can perform in an hour, the higher is, consequently, his remuneration. What makes wages rise and renders the material conditions of the wage earners more satisfactory is improvement in the technological equipment.

American wages are higher than wages in other countries because the capital invested per head of the worker is greater and the plants are thereby in the position to use the most efficient tools and machines. What is called the American way of life is the result of the fact that the United States has put fewer obstacles in the way of saving and capital accumulation than other nations.

The economic backwardness of such countries as India consists precisely in the fact that their policies hinder
both the accumulation of domestic capital and the investment of foreign capital. As the capital required is lacking, the Indian enterprises are prevented from employing sufficient quantities of modern equipment, are therefore producing much less per man-hour, and can only afford to pay wage rates which, compared with American wage rates, appear as shockingly low.

There is only one way that leads to an improvement of the standard of living for the wage-earning masses—the increase in the amount of capital invested. All other methods, however popular they may be, are not only futile, but are actually detrimental to the well-being of those they allegedly want to benefit.

_The Fallacious Union Doctrine_

The fundamental question is: Is it possible to raise wage rates for all those eager to find jobs above the height they would have attained on an unhampered labor market?

Public opinion believes that the improvement in the conditions of the wage earners is an achievement of the unions and of various legislative measures. It gives to unionism and to legislation credit for the rise in wage rates, the shortening of hours of work, the disappearance of child labor, and many other changes. The prevalence of this belief made unionism popular and is responsible for the trend in labor legislation of the last decades. As people think that they owe to unionism their high standard of living, they condone violence, coercion, and intimi-
dation on the part of unionized labor and are indifferent
to the curtailment of personal freedom inherent in the
union-shop and closed-shop clauses. As long as these
fallacies prevail upon the minds of the voters, it is vain
to expect a resolute departure from the policies that are
mistakenly called progressive.

Yet this popular doctrine misconstrues every aspect of
economic reality. The height of wage rates at which all
those eager to get jobs can be employed depends on the
marginal productivity of labor, or, in other words, on
the worker's contribution to the usefulness of the prod-
uct. The more capital—other things being equal—is in-
vested, the higher wages climb on the free labor market,
i.e., on the labor market not manipulated by the govern-
ment and the unions. At these market wage rates all
those eager to employ workers can hire as many as they
want. At these market wage rates all those who want to
be employed can get a job. There prevails on a free labor
market a tendency toward full employment. In fact, the
policy of letting the free market determine the height of
wage rates is the only reasonable and successful full-
employment policy. If wage rates, either by union pres-
sure and compulsion or by government decree, are raised
above this height, lasting unemployment of a part of the
potential labor force develops.

These opinions are passionately rejected by the union
bosses and their followers among politicians and the self-
styled intellectuals. The panacea they recommend to
fight unemployment is credit expansion and inflation,
euphemistically called "an easy money policy."
Credit Expansion No Substitute for Capital

As has been pointed out above, an addition to the available stock of capital previously accumulated makes a further improvement of the industries' technological equipment possible, thus raises the marginal productivity of labor and consequently also wage rates. But credit expansion, whether it is effected by issuing additional banknotes or by granting additional credits on bank accounts subject to check, does not add anything to the nation's wealth of capital goods. It merely creates the illusion of an increase in the amount of funds available for an expansion of production. Because they can obtain cheaper credit, people erroneously believe that the country's wealth has thereby been increased and that therefore certain projects that could not be executed before are now feasible. The inauguration of these projects enhances the demand for labor and for raw materials and makes wage rates and commodity prices rise. An artificial boom is kindled.

Inflation and Unemployment

Under the conditions of this boom, nominal wage rates which before the credit expansion were too high for the state of the market and therefore created unemployment of a part of the potential labor force are no longer too high and the unemployed can get jobs again. However, this happens only because under the changed monetary and credit conditions prices are rising or, what is the
same expressed in other words, the purchasing power of the monetary unit drops. Then the same amount of nominal wages—wage rates expressed in terms of money—means less in real wages—in terms of commodities that can be bought by the monetary unit. Inflation can cure unemployment only by curtailing the wage earner's real wages. But then the unions ask for a new increase in wages in order to keep pace with the rising cost of living and we are back where we were before, in a situation in which large scale unemployment can only be prevented by a further expansion of credit.

This is what happened in this country as well as in many other countries in the last years. The unions, supported by the government, forced the enterprises to agree to wage rates that went beyond the potential market rates, that is, the rates which the public was prepared to refund to the employers in purchasing their products. This would have inevitably resulted in rising unemployment figures. But the government policies tried to prevent the emergence of serious unemployment by credit expansion—inflation. The outcome was rising prices, renewed demands for higher wages and reiterated credit expansion; in short, protracted inflation.

But finally the authorities became frightened. They know that inflation cannot go on endlessly. If one does not stop in time the pernicious policy of increasing the quantity of money and fiduciary media, the nation's currency system collapses entirely. The monetary unit's purchasing power sinks to a point which for all practical purposes is not better than zero. This happened again
and again, in this country with the Continental Currency in 1781, in France in 1796, in Germany in 1923. It is never too early for a nation to realize that inflation cannot be considered as a way of life and that it is imperative to return to sound monetary policies. In recognition of these facts the Administration and the Federal Reserve Authorities some time ago discontinued the policy of progressing credit expansion.

What Causes the Slump

It is not the task of this article to deal with all the consequences which the termination of inflationary measures brings about. We have only to establish the fact that the return to monetary stability does not generate a crisis. It only brings to light the malinvestments and other mistakes that were made under the hallucination of the illusory prosperity created by the easy money. People become aware of the faults committed and, no longer blinded by the phantom of cheap credit, begin to readjust their activities to the real state of the supply of material factors of production. It is this—certainly painful, but unavoidable—readjustment that constitutes the depression.

One of the unpleasant features of this process of discarding chimeras and returning to a sober estimate of reality concerns the height of wage rates. Under the impact of the progressing inflationary policy the union bureaucracy acquired the habit of asking at regular intervals for wage raises, and business, after some sham
resistance, yielded. As a result these rates were at the moment too high for the state of the market and would have brought about a conspicuous amount of unemployment. But the ceaselessly progressing inflation very soon caught up with them. Then the unions asked again for new raises and so on.

The Purchasing Power Argument

It does not matter what kind of justification the unions and their henchmen advance in favor of their claims. The unavoidable effects of forcing the employers to remunerate work done at higher rates than those the consumers are willing to restore to them in buying the products are always the same: rising unemployment figures.

At the present juncture the unions try to rake up the old hundred-times-refuted purchasing power fable. They declare that putting more money into the hands of the wage earners—by raising wage rates, increasing the benefits to the unemployed, and embarking upon new public works—would enable the workers to spend more and thereby stimulate business and lead the economy out of the recession into prosperity. This is the spurious pro-inflation argument to make all people happy through printing paper bills.

Of course, if the quantity of the circulating media is increased, those into whose pockets the new fictitious wealth comes—whether they are workers or farmers or any other kind of people—will increase their spending.
But it is precisely this increase in spending that inevitably brings about a general tendency of all prices to rise. Thus the help that an inflationary action could give to the wage earners is only of a short duration. To perpetuate it, one would have to resort again and again to new inflationary measures. It is clear that this leads to disaster.

There is a lot of nonsense said about these things. Some people assert that wage raises are "inflationary." But they are not in themselves inflationary. Nothing is inflationary except inflation, i.e., an increase in the quantity of money in circulation and credit subject to check (checkbook money). And under present conditions nobody but the government can bring an inflation into being. What the unions can generate by forcing the employers to accept wage rates higher than the potential market rates is not inflation and not higher commodity prices, but unemployment of a part of the people anxious to get a job. Inflation is a policy to which the government resorts in order to prevent the large scale unemployment the unions’ wage raising would otherwise bring about.

**The Dilemma of Present-Day Policies**

The dilemma which this country and many others have to face is very serious. The extremely popular method of raising wage rates above the height the unhampered labor market would have established would produce catastrophic mass unemployment if inflationary credit expansion were not to rescue it. But inflation has not only very pernicious social effects. It cannot go on endlessly
without resulting in the complete breakdown of the whole monetary system.

Public opinion, entirely under the sway of the fallacious labor union doctrines, sympathizes more or less with the union bosses' demand for a considerable rise in wage rates. As conditions are today, the unions have the power to make the employers submit to their dictates. They can call strikes and, without being restrained by the authorities, resort with impunity to violence against those willing to work. They are aware of the fact that the enhancement of wage rates will increase the number of jobless. The only remedy they suggest is more ample funds for unemployment compensation and a more ample supply of credit, i.e., inflation. The government, meekly yielding to a misguided public opinion and worried about the outcome of the impending election campaign, has unfortunately already begun to reverse its attempts to return to a sound monetary policy. Thus we are again committed to the pernicious methods of meddling with the supply of money. We are going on with the inflation that with accelerated speed makes the purchasing power of the dollar shrink. Where will it end? This is the question which Mr. Reuther and all the rest never ask.

Only stupendous ignorance can call the policies adopted by the self-styled progressives "pro-labor" policies. The wage earner like every other citizen is firmly interested in the preservation of the dollar's purchasing power. If, thanks to his union, his weekly earnings are raised above the market rate, he must very soon discover
that the upward movement in prices not only deprives him of the advantages he expected, but besides makes the value of his savings, of his insurance policy, and of his pension rights dwindle. And, still worse, he may lose his job and will not find another.

**Insincerity in the Fight against Inflation**

All political parties and pressure groups protest that they are opposed to inflation. But what they really mean is that they do not like the unavoidable consequences of inflation, namely, the rise in living costs. Actually they favor all policies that necessarily bring about an increase in the quantity of the circulating media. They ask not only for an easy money policy to make the unions' endless wage boosting possible but also for more government spending and—at the same time—for tax abatement through raising the exemptions.

Duped by the spurious Marxian concept of irreconcilable conflicts between the interests of the social classes, people assume that the interests of the propertied classes alone are opposed to the unions' demand for higher wage rates. In fact, the wage earners are no less interested than any other groups or classes in a return to sound money. A lot has been said in the last months about the harm fraudulent officers have inflicted upon the union membership. But the havoc done to the workers by the union's excessive wage boosting is much more detrimental.

It would be an exaggeration to contend that the tactics
of the unions are the sole threat to monetary stability and to a reasonable economic policy. Organized wage earners are not the only pressure group whose claims menace today the stability of our monetary system. But they are the most powerful and most influential of these groups and the primary responsibility rests with them.

**Capitalism and the Common Man**

Capitalism has improved the standard of living of the wage earners to an unprecedented extent. The average American family enjoys today amenities of which, only a hundred years ago, not even the richest nabobs dreamed. All this well-being is conditioned by the increase in savings and capital accumulated; without these funds that enable business to make practical use of scientific and technological progress the American worker would not produce more and better things per hour of work than the Asiatic coolies, would not earn more, and would, like them, wretchedly live on the verge of starvation. All measures which—like our income and corporation tax system—aim at preventing further capital accumulation or even at capital decumulation are therefore virtually antilabor and antisocial.

One further observation must still be made about this matter of saving and capital formation. The improvement of well-being brought about by capitalism made it possible for the common man to save and thus to become a capitalist himself in a modest way. A considerable part of the capital working in American business is the coun-
terpart of the savings of the masses. Millions of wage earners own saving deposits, bonds, and insurance policies. All these claims are payable in dollars and their worth depends on the soundness of the nation’s money. To preserve the dollar’s purchasing power is also from this point of view of vital interest to the masses. In order to attain this end, it is not enough to print upon the banknotes the noble maxim, *In God we trust*. One must adopt an appropriate policy.
ROBINSON CRUSOE
AND FREE TRADE

by Frederic Bastiat
(1801-1850)

ROBINSON CRUSOE discovered that his island was suitable for both hunting and agriculture. So he and Friday soon developed a 12-hour work schedule that ensured them an adequate supply of food. But it is not generally known that they once had an opportunity to secure the same amount of food at a 25 per cent reduction in their labor—and turned it down!

As the fable goes, one day a canoe arrived from a foreign island. Since there was plenty of game but no agriculture on that island, the foreigner wanted to trade game for vegetables. He offered to supply Robinson and Friday with all the game they needed—and thus to cut six hours from their working day. In return, they were to give him two baskets of vegetables each day. This would increase the time they devoted to agriculture from six hours to nine hours. Thus the foreign trade would result in a net saving of three hours of labor each day for

both Robinson and Friday. They walked away from the
foreigner to discuss his offer in private.

It soon developed that Friday was in favor of the
trade, and Crusoe was opposed. Their reasoning went
somewhat as follows:

Robinson pointed out to Friday that if they accepted
the foreigner's offer, their own hunting industry would
thereby be ruined. In turn, Friday pointed out to Robin­
son that they would still have as much game to eat as
they now had. True, they would have to work longer at
agriculture, but they would still save three hours of labor
on the total transaction.

Then Robinson argued that the three hours of saved
labor was not a gain but a loss, since everybody knows
that labor is wealth. Anyway, what would they do with
those three hours?

Friday replied that they could use them to fish, or
to improve their house, or to read, or merely to loaf.
But Robinson was too firmly grounded in the labor the­
ory of protectionism to be convinced. He honestly be­
lieved that labor itself (rather than the net product of
that labor) is the measure of wealth.

Political Expediency

Robinson then added that there were also political
reasons for rejecting the offer of the perfidious foreigner.
For example, the foreigner wouldn't make the offer un­
less he expected to gain from it. Friday agreed, but
pointed out that they also would gain from the trade.
Next, Robinson explained to Friday that this trade would make them dependent on the foreigner. Again Friday agreed, but argued that the foreigner would likewise be dependent on them.

Then Robinson pointed out that the foreigner might learn to grow his own vegetables on his own island. If that happened, he would no longer bring game to them, and they might starve. Or, even worse, he might bring vegetables as well as game, and thus destroy two of their industries instead of merely one.

Friday was of the opinion that if the trade ceased altogether, they would be no worse off than now. And if the foreigner brought both game and vegetables, they would then have to produce something else to exchange with him.

But Robinson thought that Friday's arguments were impractical and based on mere theory. So, refusing to listen further, he returned to the foreigner, and spoke as follows:

"Stranger, before we accept your offer, we must be sure of two things. First, you must assure us that your island is not richer in game than is ours, for we wish to fight with equal weapons. Second, since in all exchange there is necessarily a winner and a loser, you must lose by the exchange. Now what do you say to that?"

"Nothing," said the foreigner. And laughing loudly, he regained his canoe and paddled away.
AN INDIVIDUAL does not adopt authoritarian ways because he knows so little. More likely than not, he behaves in this manner because he is unaware of how little he knows—unaware of the significance that his personal stock of knowledge has in the context of the whole.

But, first, what is meant by an authoritarian? Julius Caesar, Napoleon, Mussolini, Hitler, Stalin, Perón qualify all right. The list, however, goes far beyond the few who have gained renown as political tyrants. And it includes others in addition to Robin Hood, Jesse James, Al Capone, racketeering labor and business leaders, and the like who become governments on their own terms. Further, the list includes more than the supporters of political plunder—those who use the police force to take from some and give to others; those who employ violence to support the claim that their ways of disposing of the fruits of your labor are better than your ways. The list must also include the intellectual authoritarians, those believing that all who do not see eye-to-eye with them are to that extent “off beam”—or fools. The authoritarians are a numerous lot!

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Now, it is perfectly obvious that many authoritarians are richer in an encyclopedic type of knowledge than are many libertarians. But, does this necessarily mean that they are wiser? Socrates, reputedly wise, said, "This man thinks he knows something when he does not, whereas I, as I do not know anything, do not think I do either."

It would seem that a person who has gained an awareness of how little he knows could hardly behave as an authoritarian. Such an awareness, however, must be exceedingly elusive; few seem to achieve it. Most of us assume that reality does not go beyond those things and events which fall within the purview of our five senses. We assume that other people are only what they seem to us; that the light we see is the light that is; that the sounds we hear and the odors we smell are the only sounds and odors; that we are the captains of our own souls and the lords of all we survey.

**Recognizing One's Limitations**

Persons unaware of a creation, a force, an intelligence, a consciousness, far over and beyond selves are susceptible to a belief in their own omniscience. And, those who believe in their own omniscience, logically, cannot envision a perfect society except as others are cast in their little images. It is difficult to imagine anything more responsible for authoritarianism than this type of unawareness.

One young man, a naval chaplain, who is aware of how little he knows explained how this awareness took
root in him. As a student at the University of Michigan, visiting the great library for the first time, he became overwhelmed with the fact that there were over two million volumes on its shelves! At that moment he knew that he didn't know much.

One way to gain an appreciation of how little we know is by conscious effort to expose ourselves to ideas, things, experiences lying outside our own small orbits. For, if we aren't daily standing more and more in awe of every­thing within and without our beings, we can count on it, we simply aren't growing in wisdom. To illustrate how exposure to the wholly new can create an awareness of how little we know, visualize a sheet of black, infinite in its dimensions. Now, assume that in childhood one had carved out an amount of light—understanding—visualized by a small circle of white on the black sheet. But, in the years since, he has enlarged his understanding, visualized by a much larger circle. In the latter case, the amount of darkness to which he has exposed himself is much greater. The more one knows, the more awareness he should have of the unknown.

One Billion Corpuscles

There are all sorts of helpful exercises—such as an occasional rehearsal of the startling facts of life—that can induce an awareness of how little one knows. For example, while reading the above three paragraphs, there will have been created within the reader nearly one billion new red blood corpuscles. Astounding as this is, each of
these billion corpuscles is a mystery in itself. For, "every substance is a system of molecules in motion and every molecule is a system of oscillating atoms and every atom is. . . ." Well, what is an atom?

The Calcium Atom

One noted chemist in trying to make simple an answer to this question began by asserting that there were more atoms in his hand than there were grains of sand on all the beaches of the earth. To dramatize the nature of an atom he asked his listeners to take an Alice-in-Wonderland growing pill, one that would shoot them through the roof, past the clouds, through the stratosphere, past the moon, past the sun and some of the planets, until each person was enlarged by a factor of a trillion. Thus magnified, an atom of calcium from the bone of one's thumb would be in manageable proportions for inspection.

Enlarged by this factor of a trillion, the atom of calcium becomes a ball about one hundred yards in diameter. Inside there will be twenty luminous spheres about the size of basketballs moving in great circles like planets around the sun. These, says the scientist, are the electrons, the particles of negative electricity which make up the outer part of the atom. Some of them occasionally swing out and circle around neighboring atoms like folks doing a square dance, and this motion provides the forces which tie the atoms together in a chemical structure.

If, continues the scientist, you try to find what the
“sun” is, about which these planetary electrons are circling, you have to look at the center of this calcium atom; and there you see a tiny whirling point of light, smaller than the head of a pin (after being multiplied 1,000,000,000,000 times). This is the atomic nucleus which contains practically all the mass of the atom, as well as its atomic energy.

If you ask the scientist what else is in the atom, his reply is “Nothing.” Since we are made of atoms, we, too, are nothing much but empty space. Apply an imaginary press to a human being and squeeze out all of the space, and there would remain a speck, smaller than a particle of dust that could be seen on a sheet of white paper!

*Extending the Horizon*

What is the lesson to be learned from such phenomena? Increase knowledge and understanding as much as one will, and the unknown, instead of being domesticated by man’s mind, looms ever vaster and more improbable. We are not justified in believing that what we see with our eyes and what we hear with our ears constitute the whole of reality. Greater understanding is but a means to an awareness of the Infinite. No one of us gets more than a casual glance of all creation, and each of us experiences a different view.

Go a step further with our scientist. Consider the hydrogen nuclei in your own person. Now, assume that you know the secret of converting the energy of these nuclei into controlled electrical energy. You alone could
supply power enough to operate all the factories and all the lights for the entire United States for many weeks. Or, suppose that you know how to fuse the hydrogen in your body. You could explode with a force one hundred times greater than the atom bomb dropped on Hiroshima!

“Marvelous Are Thy Works”

Just these smatterings of information leave me with a feeling of utter awe, humility. I can now repeat with meaning, “for I am fearfully and wonderfully made. Marvelous are Thy works.” It is the next sentence, however, that carries the greatest knowledge of all: “And that my soul knoweth right well.” Here is the soul cleansed of know-it-allness, the precondition to fulfillment.

When the soul knows this about the self, it must, to be logical, know this about others. It must know that in each person there is an enormous potentiality, an unimaginable creativity, working to manifest itself, evolving, emerging. What human being, with any such awareness, could possibly suggest that his relatively ignorant little will should be imposed on others, substituted for this Creative Force? What person, thus humble, would attempt forcibly to direct or control what another shall invent, discover, create, where and at what he shall work, what the hours of his labor shall be, what wage he shall receive, what and with whom he shall exchange, or what thoughts he shall entertain?
Assuming this awareness of how little one knows, how could one behave as an authoritarian, play the role of God? On the contrary, isn’t it such an awareness that can aid one in overcoming man’s original sin, in thwarting his continuous temptation, namely, the substitution of his will for that of his Creator?

Authoritarian attitudes and behaviors, however, are not to be done away with merely to relieve the pain of their affliction on others. Their destructive influence on the self which exercises them must be weighed.

Plato suggested that the real authoritarian is the real slave; that he is obliged to practice adulation, servility, and flattery. His desires are impossible of satisfaction and thus he is truly poor. He grows worse from having power; for power necessarily promotes jealousy, faithlessness, injustice, unfriendliness, and impiety. Not only is he miserable himself, but he also makes others equally as miserable. The authoritarian attempts to be the master of others when, obviously, he is not even master of himself. Plato likens the authoritarian to the man who passes his life, not in the building of his inner self, but in fighting and combating other men. Need we do more than look about us to confirm the rightness of Plato’s observations?

Stop Meddling: Be Free

Change is a law of all living things. That which is not growing is atrophying; that which is not progressing is retrogressing; that which is not emerging is regressing.
The authoritarian act, or even thought, is time off from growth, progress, emergence. One cannot be attentive to the inner self while exerting coercion on others. The person who has me on my back holding me down is as permanently fastened on top of me as I am under him. To me, at least, this explains why Lord Acton was right when he said, "Power tends to corrupt and absolute power corrupts absolutely."

For any person to become aware of how little he knows—not a very difficult attainment—is a sure way to reduce the number of authoritarians by one. Who knows? The awareness might even catch on. And, if it did? Millions of us would forsake society's most corrosive pastime—meddling in the affairs of others—meddling not only through the political apparatus, but personally. Millions of us could then concentrate on the wholly rewarding venture of freeing ourselves from our own fears, our own superstitions, our own imperfections, our own ignorance. The individual human spirit, neglected while we play the futile and authoritarian game of imposing our wills on others, cries out for its freedom.
Almost everyone says he's in favor of free enterprise but hardly anyone really is. Slogans like "Make free enterprise work" or "Preserve capitalism" are the usual rallying cries of all kinds of programs to impair freedom of enterprise. A lot of this is disingenuous.

These disingenuous slogans of the false friends of free enterprise don't bother me nearly as much as the fact that many real friends of free enterprise have hazy notions about how such a system is supposed to work. Even they fail to understand that most so-called "welfare" objectives can be achieved better by free enterprise than by collectivism. In debate they are too often easy pushovers for the collectivists.

I am continually impressed by the fact that most individualists and most collectivists are surprisingly close together in their general objectives of social welfare—elimination of poverty, reduction of inequality, and provision for hardship. The differences between the individualists and the collectivists are differences not in values but in technical analysis of means to attain these values.

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For this reason, I shall make an attempt to picture in very broad strokes the basic mechanism of a free enterprise economy—to describe the way it should—and mostly does—work.

170 Million Individuals

Here in the United States is an area of about three million square miles containing 170 million people. Suppose you were asked how to organize these people to utilize the resources available to them for their material satisfactions. You can imagine you have a fairly detailed inventory of the natural resources of the country, of the people and their knowledge, energies, and abilities, and of their wants. Imagine that all these resources are as unorganized as a set of chessmen just poured out of their box and awaiting organization on the chessboard. Your problem is to organize the resources so that wants will be filled as well as possible.

Organization Problems

If you can get your head working at all in the face of so staggering a prospect, it will occur to you that one of the first things you are going to need is some way of establishing goals and measuring achievement. Which of the many things wanted are going to be produced, in what quantities, and with what priorities?

And after you establish these goals and priorities, you will need a method of assigning the various pieces of
capital, the various natural resources, and the various people to particular activities. Each will have several alternative uses; you will need a method of coordinating the resources assigned to cooperate in each task.

Then, third, you will have to have some system for dividing the product among the people; who gets how much of what, and when?

Fourth, you will probably realize that for one reason or another your system will not work perfectly but will sometimes have overproduced some things and underproduced others. You will need some system of adjustment to these temporary shortages and abundances, until your method of measuring achievement and your method of allocating resources can get the basic situation corrected.

A fifth kind of problem you may worry about is that of providing for the expansion and improvement of your capital equipment and technological knowledge.

These five functions have to be provided for when you establish any organization, even a small and relatively simple one. When we consider the large and complex organization of an entire economy, what are some of the alternative ways of arranging for them?

**Alternative Systems**

The most obvious way to arrange things is the way an army does. You set up a commander or general staff. They decide on goals, they decide who shall do what to attain them, they decide how to apportion the product,
and they issue orders accordingly. Another method is that used in beehives and ant colonies in which caste and custom determine who does what. Things go on in the same way, generation after generation.

A third way is to introduce money and let each person decide which he will perform of the activities that others will pay for, and what he will buy of the things that others offer for money.

Under this system, goals are set by the money offers of individuals for goods and services. Resources are allocated to one activity or another by the desires of their owners for money income. Goods are distributed to individuals according to their willingness and ability to pay the prices. Thus prices become the crucial organizing element in such an economy. Indeed, this system is often called the "price system."

**Efficient and Voluntary**

The price system has two outstanding features. First, it is by all odds the most efficient system of social organization ever conceived. It makes it possible for huge multitudes to cooperate effectively, multitudes who may hardly know of each other's existence, or whose personal attitudes toward one another may be indifference or hostility. Second, it affords a maximum of individual freedom and a minimum of coercion. And since people can cooperate effectively in production even when their attitudes on other issues are hostile, there is no need for unity and conformity in religion, politics, recreation, and
language—or even in patriotism and good will except in the very broadest sense.

Although one of the big features of the price system that commends it is the voluntary nature of individual actions, the system nevertheless exerts powerful inducements and even compulsions.

Guides to Action

A consumer who has it in mind to use up a lot of a scarce commodity highly prized by others is forced to forego consuming other commodities to an extent judged by others to be equivalent. A producer who tries to get more income than his services are judged by others to be worth is prevented from doing so by the freedom of buyers to buy elsewhere and of other sellers to underprice him. A business manager who tries to waste labor, capital, and raw materials is prevented from doing so because he will find himself taking in less money than he pays out. As long as he can make good the deficit, by giving up his own right to consume, this can continue; but when he can no longer make good—that is when he can no longer pay for the labor, capital, and raw materials—he is forced to stop wasting them just as firmly as if a cease and desist order were issued by a Federal Bureau of Efficiency. Maybe more firmly, for his congressman may be more influential with the federal bureau than with his creditors.

The freedom of the system produces inducements or compulsions for individuals to act efficiently in the
general interest. It is not by any means true that each enterprise is free to do what it pleases. It is restricted by the freedom of consumers to buy elsewhere; of the owners of labor, capital, and raw materials to sell elsewhere; and of business managers to enter the same business in competition with it.

**Price Communications**

This freedom of others to compete for advantages is effective in checking individual self-aggrandizement because economic information is effectively disseminated by prices. Prices represent one of the most efficient communication devices ever invented.

Indeed, we might look on the problem of organization as hinging on communication. The problem is to bring to bear on each decision two very different kinds of information. On one hand, any decision depends on general, over-all economic data; for example, how much a certain product is wanted, and how abundant the resources are from which it could be made. On the other hand, it depends on minute special knowledge; for example, knowledge of peculiar abilities, of unused resources, of possible changes in ways of doing things.

**Centralize or Disperse?**

Now the problem is whether to transmit the detailed knowledge of special circumstances to a central agency, or to transmit the general information to the individuals
who have the detailed knowledge. The detailed knowledge is too voluminous and nebulous for transmittal or for assimilation, and no one could know what parts should be selected. The general information, however, is summarized in prices.

Just that part of the general data that is relevant to an individual's decision is summarized in prices. If a price goes up, that tells him everything he needs to know to guide his action; he does not need to know why the price went up; the fact that it did go up tells him to try to use a little less or it tells him to produce more of the commodity, and how far to go in his efforts.

Not only do prices convey information on how an individual should act, but they provide at the same time a powerful inducement for him to do so.

An understanding of the theory of a price system is essential to any efforts to improve our economic organization or to any comparison of alternative modes of economic organization. To me, the most depressing thing about the prospects for a free society is not the hydrogen bomb, or international politics, or communist agitation; it is the fact that so very few have any understanding of economics.

For a superb explanation of the fundamental role of prices in a free economy, uncluttered by technical details, I recommend highly the following two references which are, in fact, the source of my own remarks above:

1. Frank H. Knight. The Economic Organization. New York: Augustus M. Kelley, Inc., 1951. This small book was written in the late 1920's, but until the early 1950's was available only in limited editions, which were used extensively in teaching economics at the
University of Chicago, and occasionally at a few other colleges and universities. The framework which Knight introduced here has influenced writers of several widely-used textbooks in economics.

2. F. A. Hayek. “The Use of Knowledge in Society.” *American Economic Review* 35:519-530. September 1945. Though written for a more technical audience than was the author’s famous book of about the same date (*The Road to Serfdom*), this short article is equally lucid and important.
ADMINISTRATIVE LAW IN GREAT BRITAIN

by George Winder

The great heritage that ancient Rome left to modern civilization was the conception of the Rule of Law. Perhaps the greatest service that the British people have performed for mankind has been to develop and spread this heritage throughout many parts of the world which have never known the sway of Rome—including her own Dominions and, not least of all, the United States of America.

If there is one institution of which the British people are proud, and which, until a few short years ago, possessed their absolute trust and confidence, it is their legal system which, under the aegis of the High Court, has evolved over many generations until it has become the admiration of lawyers of many lands.

In an article in the Reader's Digest of December 1952, condensed from the Winnipeg Tribunal, the American lawyer, Karl Detyer, writes: "I am convinced that British justice is fairer and faster than its American counterpart.

Mr. Winder, formerly a Solicitor of the Supreme Court of New Zealand, now farming in Sussex, England, is perhaps best known for his writings on behalf of freedom in economic affairs.
Punishment of the guilty is more certain, the innocent are more vigorously protected, and public safety is better served." He gives, as his reason for this, the complete freedom of the British Courts from the machinations of the politician. "No political influence," he writes, "direct or indirect, is tolerated anywhere in the administration of British justice."

This American lawyer's opinion accords with that of no less a man than Voltaire, who, over 150 years ago, wrote that, in traveling from France to England, he had passed out of the realm of despotism into a land where the Courts might be harsh but where men were ruled by law and not by caprice.

When the British legal system can be praised so highly, why has there lately developed concerning it a measure of doubt, as yet like a cloud on the horizon but nevertheless persistent in the minds of some British lawyers?

As far as the traditional British Courts are concerned, the confidence of the people is as justified as ever. The doubt lies in the fact that, alongside these ancient institutions, there is growing up a new form of legal tribunal which is beyond the jurisdiction of the High Court, and quite new to British legal principles.

One Code for All

Before 1914—a year which marks the end of so many accepted ideas—the authority of the High Court over the British legal system was complete. No one could be pun-
ished, no fine imposed, no injury received, nor any tort inflicted, without the victim having the right to appeal to a British Court of Justice. As that great guide to the British Constitution, Professor Dicey, has pointed out, the very basis of British justice was the fact that the whole of her legal system came under the one authority—that of the High Court.

The legal code was not split into two parts as it was in France—one interpreted and enforced by the ordinary Courts, the other a system of so-called administrative law applied by officers. The idea of administrative law and administrative Courts was wholly repugnant to Dicey. It implied that the executive and the administration could be independent of the judiciary. Such an independence he believed to be contrary to the British conception of the rule of law.

There are strong reasons for believing that the unity of the British legal system under the High Court was due to the fact that, in Great Britain, the State played little part in the economic activities of the people. The great work of the Courts, apart from their criminal jurisdiction, was to see that the rights of individuals were enforced. As the State was seldom involved, it allowed the Courts complete freedom from political pressure of any kind. Such administrative rules as there were—as, for example, those under the MerchantShipping Act or the Factory Acts—being comparatively few, could be enforced quite easily by the ordinary Courts.

The economic system of France, on the other hand, had been subject, ever since the days of Louis XIV, to
a wide system of control exercised by the district Intendants, who took the greatest care that their exceptional jurisdiction should be continually extended. These controls were one of the primary causes of the French Revolution, but as de Tocqueville pointed out, they survived to a far greater extent under the Republic than is popularly supposed; and, so that they might be effectively enforced, administrative law survived with them.

Changes after World War I

It was not until after World War I that ideas inimical to the free economy began to be extensively reflected in British legislation, and the powers of certain Ministers of the Crown and their officers were increased beyond anything hitherto known in modern times. Under the old system, the sole concern of the British Courts was justice for the individual. Consequently, all their rules of evidence and procedure were evolved solely with that consideration in view. It was never conceived that they should have to deal with the thousands of regulations necessary to administer an economy with speed and efficiency. As a result, they were quite unprepared and unsuited to meet the changed conditions brought about by economic planning.

Parliament realized this, for with the new legislation, it provided for forms of legal enforcement under tribunals, which were quite new to British legal tradition. It also provided that the Ministers of the Crown and the officials responsible for enforcing the new legislation
should have wide discretionary powers which were placed beyond the jurisdiction of the High Court.

These new tribunals are so alien to British ideas that their true nature is not yet fully recognized, but there is no gainsaying the fact that they are able to inflict very heavy fines on those who appear before them; and to enforce those fines, they may sell the offender’s property. For the first time in many generations, a British subject can stand before such a tribunal defenseless in that he is deprived of his ancient right of appeal to a British Court of Law.

*Milk Board Tribunals*

Perhaps the most typical example of the new kind of “administrative court” is provided by the Tribunal of the Milk Board. In 1932 the British government decided that the free contract system should no longer apply to the sale of milk, and that its distribution from the farm to the consumer’s doorstep should be completely within the control of the state-created Milk Marketing Board. The imposition of the necessary discipline upon farmers to effect this was not so very easily enforced. Shortly after the Board’s inception, it had to deal with farmers who undercut its fixed prices in the hope of increasing their sales. It is interesting to speculate what might have happened to these offenders had they been arraigned before the ordinary Courts, charged with the entirely new crime of selling perfectly clean milk too cheaply. Fortunately for the Board, it was able to bring such
recalcitrants before tribunals under its own control. These were made up of milk producers little inclined to bias in favor of a rival who had undercut the price of their product. After listening to such a trial before such a tribunal, one lawyer has described how he saw the accused pronounced guilty and heavily fined—on the unsworn hearsay evidence of the Board's own servants. He also pointed out that the Board acted as judge, prosecutor, and recipient of the fines it inflicted.

It must not be thought that British judges were unconcerned at this limitation of their jurisdiction. The Milk Board's judgments could only be enforced by a Court order. When applications were made for such orders, some judges put up considerable resistance and attempted to review the reasons for such judgments.

Judge Tobin, asked to sign such an order, said: "Am I to understand that certain of the King's subjects can be fined by some kind of tribunal sitting in a room to which the public are not admitted?" On being assured that this was so, he added: "It seems contrary to our law. I thought the essence of British justice was openness."

However, the disapproval of British judges was of no effect, and it soon became evident that there was a new punitive body in Great Britain, completely beyond the reach of a High Court judge.

The State Can Do No Wrong

To allay public suspicion, however, a Departmental Committee under the chairmanship of Viscount Fal-
mouth was set up to report on this new legal procedure. In its finding supporting the tribunals, the Committee stated:

There is also a possibility that the Courts, either from imperfect understanding of the schemes, or from lack of sympathy with them, might not inflict adequate penalties, particularly in the case of such offenses as undercutting, where the interests of producers as a whole might appear, on a short view, to be contrary to those of the public. Even in serious cases under the ordinary law, these Courts do not usually impose the maximum fines for offenses; indeed, the expectation that smaller fines would be imposed by the Courts than by the Marketing Boards has been used as an argument in favor of the former tribunal. Moreover, undue leniency to offending producers under the marketing schemes might cause such dissatisfaction to other producers, and so place a severe strain on their loyalty, thus leading to a breakdown of the schemes.

So the principle was accepted that, when the judgments of the Courts are unlikely to suit the purposes of the State, then in the name of expediency, a more compliant tribunal should be appointed in their place. So might Louis XIV have reasoned when he promulgated the following decree: "It is moreover ordered by his Majesty that all disputes which may arise upon the execution of this order, with all the circumstances and incidents thereunto belonging, shall be carried before the Intendant to be judged by him, saving an appeal to the Council, and all the courts of justice and tribunals are forbidden to take cognizance of the same."

De Tocqueville, who quotes this decree in his State
of Society in France before the Revolution of 1789, also reminds his readers of the unity of the British legal system and the difficulty British people had of even conceiving an idea so alien to their thoughts as “Administrative Law”:

The difficulty of rendering these terms into intelligible English, arises from the fact that at no time in the last two centuries of the History of England has the executive administration assumed a peculiar jurisdiction to itself, or removed its officers from the jurisdiction of the courts of common law.... It will be seen that the ordinary jurisdictions of France have always been liable to be superseded by extraordinary judicial authorities when the interests of the government or the responsibility of its agents were at stake. The arbitrary jurisdiction of all such irregular tribunals was, in fact, abolished in England in 1641 by the Act under which fell the Court of Star Chamber and the High Commission.

De Tocqueville did not conceive that, many years after his death, those irregular tribunals beyond the reach of the High Court would be re-established in the country whose legal system he so much admired.

The Agricultural Act

After World War II, the advance of administrative law in Great Britain continued apace. The most outstanding addition to the new system was the Land Tribunal, set up under the Agricultural Act. This Act provided for the dispossession of farmers from their land if Agricultural Committees considered them inefficient. Their age-old right of access to the ordinary Courts was

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denied them, and instead, they were permitted to appeal to this entirely new court, the Land Tribunal.

The members of this body were appointed by the Minister of Agriculture himself, but as his servants had initiated the proceedings against the farmer, this practically made him the judge in his own case.

When the Conservatives were returned to power, they amended the Agricultural Act by providing that appointments to the Tribunal were, in future, to be made by the Lord Chancellor instead of by the Minister. Otherwise, they left the Act very much as it was passed by the socialist government.

Land Tribunals above the Law

Although they have the power to inflict heavy fines and, in the case of the Land Tribunals, can recommend to the Minister that a man be deprived of his farm, all these new administrative courts are perfectly free to decide their own rules for the conduct of the cases before them. They can ignore those principles of procedure and evidence which, in the ordinary courts, have grown up over the years with the sole aim of protecting the rights of the individual. Their power is very nearly absolute in their particular field, as they are answerable only to the Minister under whose authority they have been set up. In his turn, the Minister may act with a wide discretionary power completely beyond the reach of the High Court.

C. J. Hamson, Professor of Comparative Law at the
University of Cambridge, has pointed out the danger to the British legal system arising from the new administrative tribunals. In his book, *Executive Discretion and Judicial Control*, he writes:

What we have to observe today is that the English system of a universal jurisdiction has in reality broken down, with the result that the entity which today wields the most real power—the Minister and his Department—is in England subject to a merely formal legal control, and is beyond all effective judicial supervision.

Professor Hamson rather nostalgically recalls Dicey's fears of administrative law, but he believes that with the growing power of the State, the extension of such a jurisdiction is inevitable. He suggests, as a remedy, that a special Court be set up to control the activities of administrative officials. He points out that this is the function of the French Conseil d'Etat, and recommends that body as a model for a similar court in Great Britain. Many concede that if an administrative jurisdiction must be accepted as a necessary part of the planned economy, a court with an overriding authority such as Professor Hamson suggests, can be some check on arbitrary power. But was the great Dicey wrong when he praised British law for being free from a separate administrative jurisdiction?

*Justice versus Welfare State*

The fact is that the British legal system, which reached its highest development in the nineteenth century, is the
product of a civilization which based its economic activities on the freedom of the individual. Its traditional Courts are concerned wholly with the rights of the individual and not at all with the efficient working of the economic system. They are, in consequence, unsuited to enforce the vast accumulation of new regulations made necessary by the modern ideas of economic planning.

In Eastern Europe where the economic system is wholly planned by the State, the Rule of Law—as it was conceived by Rome and developed by Western civilization—has been completely destroyed. Its place has been taken by the wide discretionary powers of the state official.

In Great Britain, state economic planning as yet controls the producers only in a small section of the total economy, but it is already clear that the right of access of these producers to the traditional Courts must be curtailed. If the planning of the economy is allowed to extend into new fields, we can only conclude that the jurisdiction of the High Court will be correspondingly limited; and Great Britain will have substituted for her traditional legal system, concerned only with justice, a new system of law concerned primarily with the efficient working of the economy according to the ideas of the government in power.

Dicey's conception of the Rule of Law, under the one centralized authority of the High Court, was perfectly sound; but it would appear that it is only applicable to a free economy. The question is: Can the Rule of Law survive in a state-planned economy?
ORGANIZED INCENTIVES
NOT TO WORK

by J. A. Harper

When visiting Sweden recently to study the impact of their advancing socialism, I was surprised to find almost universal acceptance of the principle of paying workers on a piecework basis. And I recall that early in World War II a political leader of the United States was severely criticized by our Russian allies because he opposed bonuses to individuals for extra output in the war plants.

These anomalies were brought to mind recently by the assertion in an issue of the AFL-CIO Collective Bargaining Report (Vol. 2, No. 12) that unions in the United States "ordinarily are opposed to wage incentive plans."

The AFL-CIO argues that incentive pay "puts a strain on the entire collective bargaining process . . . creates friction between workers." It charges that such schemes are "based on the notion that workers will not perform an 'honest' day's work unless they are 'bribed' by the promise of 'extra' money," and that employers, in hope

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of higher profits, promise monetary reward to induce workers to "produce more than a 'fair day's work.'" Then comes the frank admission: "When workers are paid according to their individual efforts, the union's function of securing high guaranteed wages for all workers becomes more difficult. The local union's ability to present a unified position for base rate increases is weakened."

In other words, incentive pay plans take over the presumed union function of getting a fair and reasonable wage and thus threaten the maintenance of union power. "Wage incentives de-emphasize the union's role in securing higher wages," according to the report, and "may threaten the union's entire existence."

A Continuing Problem

There is no denial, of course, that incentive pay plans are often difficult to design. But this problem is not peculiar to incentive pay plans. It is a problem with any plan of pay determination. Incentive pay involves the question of how much Jones produces relative to Smith, his co-worker. This is the same sort of question that is involved in deciding how much of a product is "produced" by tool operators vs. tool investors vs. the electrical power and telephone suppliers, etc.

Problems of accurate determination of a fair wage exist, to be sure. But that only emphasizes that they should be solved as fairly as possible. Incentive plans may be one way to do this.

It will be readily admitted that in some instances the
fruits of an incentive pay system may not be worth its cost. Many of the points raised by the AFL-CIO report are important questions. But whether in an incentive pay system the cargo will be worth the freight, is a matter which management must judge in each case. To say that no industrial plants should design and use an incentive plan is as foolish as to say that all should use them. The former is the position of the AFL-CIO and of most other unions in the United States, whereas even socialist Russia and Sweden reject this form of equalism.

When unions oppose the general policy of extra pay for extra work, under incentive or piecework payment, they are merely extending the practice of featherbedding which is so common in union contracts. The difference is only one of degree—equal pay for less work is like equal pay for no work at all.

**Something for Nothing**

Labor unions are not alone in demanding equal pay for less work. This is a policy which has been adopted again and again in our economy. Farmers demand a price for products not produced and a rent for land not farmed. Teachers demand about equal pay for unequal jobs of teaching, with salary based almost entirely on hours spent in training and in the classroom rather than on proficiency at the task. Many other illustrations could be given, too.

The whole question of incentive pay needs a point of focus. And, to me, it is this: So long as economic goods
and services are to be made available for exchange in our society, they will be made available either with or without incentive to the one who receives them.

There is no avoidance of this choice, no possible compromise. A person gets goods in exchange for something, or he gets them in exchange for nothing. A "laborer" receives pay for working, or he receives pay for not working. What other alternative can there be?

On the question of incentive pay, it would appear that union leaders find it to their advantage in maintaining themselves in power to uphold the principle of pay for not working. This is just another instance where personal rights are being sacrificed for the furtherance of personal power. When incentive pay is denied in principle, the least diligent worker gets as an excess part of what the most diligent worker has earned but is not to be allowed to receive, according to the union policy propounded in this report.

It is a late day for individual justice in the United States when we have to look to Russia and Sweden for some leadership in rejecting equalism—for leadership in upholding the rights of the more productive employee to receive the fruits of his handiwork.
TWO WAYS TO DEVELOP A COUNTRY

by Dean Russell

Shortly before the Civil War in the United States, H. R. Helper produced a book dedicated to the proposition: Slavery is economically unsound.¹

Mr. Helper proved statistically that the free market economy of the North was superior to the Southern economy of compulsions and restrictions. Both the owners and the employees in the industrial North were rapidly becoming the world’s richest people because they operated under the competitive conditions of a free market. The absence of a free market for labor and services in the South was keeping its people poor, discouraging the accumulation of capital, driving away the capital that already existed, and delaying the development of the abundant natural resources to be found there.

This Southern author was telling his slave-owning fel-


Mr. Russell, formerly a member of the Foundation staff, was studying at the Graduate Institute of International Studies in Geneva during 1957. This article is from a paper delivered in a seminar there.
low countrymen that they would make more money—not less—by freeing their slaves and paying the high wages established by a competitive market economy. He warned his neighbors that the South would remain underdeveloped and backward as long as it continued to reject the market economy.

In effect, he explained that progress, prosperity, and profits are based on a governmental and social system that permits each person to use his individual skills and resources as seems to him most profitable and pleasing. He claimed that when peaceful persons are forced to do what they would not do voluntarily—or are prevented from doing what they want to do—the results are always second best, if not disastrous.

Mr. Helper’s research showed that there was far more production per acre of land in the market economy of the North than on comparable land in the unfree market of the South. The production per man-hour in Northern industries was far higher than in Southern industries. Because of the general absence of competition in a slave economy, even the free workers of the South were far less efficient than the industrial workers of the North. In fact, the North was ahead of the South in every meaningful economic area that the author of this study could measure. And in all of these areas, the North was steadily forging further ahead.

My thesis today is the same as that advanced 100 years ago by Mr. Helper: Any restriction of the free market—legal or illegal—will ultimately result in less production of wanted goods and services than there
would be in an unrestricted market economy. It makes no difference whether the restrictions concern minimum or maximum wages, minimum or maximum profits, import or export embargoes, subsidies, allocations of raw materials or markets, monopolies, controlled currencies, tariffs, domestic or foreign trade, or development of resources within or without a country. In any country in the world, the people over a reasonable period of time will have more of the goods and services they want if the government limits itself to protecting the free market where independent and peaceful persons may trade their skills and services as seems best to them.

Ways and Means

Undoubtedly, all of us want the people of underdeveloped countries to have more of the material comforts of life. All of us are persons of good will, and our goal is the same. But I suspect that the means advanced by us to reach this desirable goal would vary from complete government control to an absolutely free market. So let us examine a few ideas and examples behind these two general ways—government versus the free market—to develop an underdeveloped country.

The free market way means that persons voluntarily use their own money and skills to back their own economic decisions. They reap the rewards of good judgment and suffer the consequences of poor judgment. In this way, no person buys or sells or participates unless his best judgment says to do so.
The Compulsory Way

The government or socialistic way to develop a country means that government officials compel you against your will and better judgment to contribute a portion of your money or time to implement their ideas and schemes. There is no sure way to determine if the decisions of these officials are economically sound because the only economic measurement available—the test of the market—is forbidden. It is true that as long as a free market in similar goods and services exists either within or without a socialistic country, the government officials can still make rough comparisons to determine the economic status of their projects. But since they know in advance that their projects would not meet the test of the free market (otherwise there would have been no reason to resort to compulsion), these government planners seldom make effective use of this comparative measurement.

The Middle Way

Now someone is sure to claim that there is a third way to develop an underdeveloped country or region—the "middle-of-the-road" way that avoids the free market on the one side and government ownership or control on the other. I am convinced that this alleged third way is mostly a delusion.

Mr. Nehru of India aptly described the nature of this third way in one of his speeches when he promised that

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his government would give “encouragement in every way” to privately owned industries in his country. He promised that the government “would not touch them for at least ten years, maybe more.” He added: “We do not know when we shall nationalize them.”

This third way is also inherent in the promises of officials of various underdeveloped countries to permit new private companies to operate tax free for a period of years—usually ten.

This third way inspired Nikolai Lenin to establish his New Economic Policy in Russia in an effort to persuade the farmers to increase their agricultural production.

The government agency popularly known as the World Bank is following this third way when it speaks favorably of private development and offers its bonds for sale to private investors.

The hard reality behind this third way to development is written large in both history and current events. Mr. Nehru will continue to nationalize whatever he pleases and whenever he pleases. When a businessman is granted a tax concession in any country, he would be well advised to prepare himself for the confiscatory taxation or nationalization that will soon follow. Lenin’s return to limited free enterprise was designed only to fool the people who enjoy being fooled. The World Bank was deliberately and purposefully designed to promote government ownership and control, not a market economy.

A 1942 opinion by the Supreme Court of the United

States succinctly summed up the fundamental reality behind this alleged third way when it ruled that "it is hardly lack of due process for the government to regulate that which it subsidizes."

"This Time Is Different"

I suspect that most union leaders, farmers, businessmen, and other recipients of these subsidies that accrue to them for endorsing this third way, are well aware of the reality behind the favoritism and special privileges they now enjoy. But they fondly imagine that this time it is different; that all history and logic to the contrary, this time it will work.

Well, it won't. And here's why. By definition, the third way is not the voluntary free market way; it is the way of government and compulsions. The fact that a government may permit a great deal of private ownership and initiative in these partnerships doesn't deny that the government is in charge of the situation. When you think about it, why should the government bother to compel persons to conform or to refrain or to cooperate when it can persuade them to conform or refrain or cooperate voluntarily? Joseph Stalin would never have murdered anyone if he had been sure that everyone would have done exactly as he wanted them to do. The only realistic test of whether a project or method is, or is not, government is this: Would the people do this voluntarily if the government stayed out of it completely? In every third-
way project I know, the answer would be a resounding "no."

True enough, the advocate of the third way may sincerely and indignantly deny that he favors government ownership—or, at any rate, claim that he is in favor of only 10 per cent control by government. But he thereby opens the way for complete government control because he no longer has any principle or logical reason to protest 11 per cent control by government, or 49 per cent, or 51 per cent, or 100 per cent. Thus the defenders of the so-called third way are in reality endorsing the government way and repudiating the market way—even though they themselves may not be aware of the ultimate implications of their acts.

I agree that if we are forbidden a free market, then a half-free market is far superior to no market economy at all. This is merely another way of saying that the degree of freeness and competition in the market is directly related to the degree of production of the goods and services that the people want.

**Market vs. Compulsion**

In reality then, there are two ways—and only two ways—to develop an underdeveloped country. First, there is the way of the market, with each person voluntarily backing his economic ideas with his own money and skills. Second, there is the way of government, wherein the capital is collected by the tax officials; wherein the participants are compelled to participate by the police force;
wherein the market is by-passed. And under this second way—government—there is a subheading that might be titled "governmental direction of resources that remain in private hands." Now let's see how these two ways operate in practice.

I contend that there is no real economic difference between domestic and foreign trade—although there are certainly political differences. And so it is in developing an underdeveloped country; although there are political differences, the same economic factors apply to internal and external development of underdeveloped areas. Thus the following examples of government development versus private development will cover both situations.

**The TVA Idea**

Everyone knows of the Tennessee Valley Authority and the attempt of the United States government to develop the admittedly underdeveloped resources of the State of Tennessee. People from all over the world have come to America to admire this project, to study it, and to reproduce something like it in their own countries.

Among other things, the Tennessee Valley Authority is designed to control floods, improve navigation, and produce electricity. Without going into detail, here are some conclusions based upon my own studies of the situation.³

1. More land has been permanently flooded, and thus permanently taken out of production, by the TVA project than the records show was ever temporarily flooded by nature.

2. There was more traffic on the Tennessee River in 1930 before TVA than there was in 1939 after TVA had poured several hundreds of millions of taxpayers’ dollars into the improvement of navigation on the river. Subsequent increases in traffic on the Tennessee have been comparable to increases on other American waterways, improved or not. The four cents per ton-mile cost to taxpayers for traffic on the Tennessee waterway in 1939 compares with the price of one per cent per ton-mile charged by privately owned railroads in the same area.

3. When all expenses are considered and properly allocated, the cost of TVA-produced electricity is almost one-third higher than the cost of electricity produced by neighboring power companies that are privately owned and operated.

**Russia Builds a Dam**

Now let’s go to Russia and briefly examine a similar project there—the great Dneprostroy hydroelectric dam. Not surprisingly, it has many resemblances to the Tennessee Valley Authority. In 1935, an exiled Russian economist who had worked on this and similar projects in Russia wrote a book on the subject. When you hear what he had to say, you will readily understand why he was exiled. Here is a part of it:
The rapid construction of the great power station on the Dnieper rapids (Dneprogez) is accounted one of the most brilliant feats of the Soviet government, and it has already won for the government the support of many foreign travelers. But from an economic point of view the rapid construction of Dneprogez cannot be justified at all, because many years must elapse before the factories which it is supposed to serve will be completed; there seems, indeed, to be no urgent need for them. Meanwhile no funds are available for house-building in Magnitogorsk, and it is very probable that the unsatisfactory results yielded by this smelting works are the direct outcome of the disgusting conditions in which the workers are compelled to live. 4

Nasser Follows Suit

Moving down to Egypt, let's speculate for a moment about another similar government plan to develop an underdeveloped nation or region—Colonel Nasser's Aswan high dam. Is it economically feasible? Well, by the only realistic test of economic feasibility that exists—what people are willing to do with their own money—it is not. Even the greatest planners of all, the Russian experts, say that this particular project is impractical. I cannot imagine that any independent economist would pronounce it an economically sound project for Egypt. The truth of the matter seems to be this: In Egypt today, we find all the trimmings of capitalism—engineers, machinery, financial experts, and so on—but there is a serious curtailment of the philosophy of capitalism, such as government pro-

tection of private property, sanctity of contract, personal savings for domestic investment, profits, and so on.

**Venezuela Tries Freedom**

Compare this Egyptian dilemma with the development now under way in Venezuela. Venezuela wants the world's capitalists to invest their money and skills in exploiting the natural resources of that country. The government has guaranteed noninterference in the strictly business and economic affairs of the foreign companies established in Venezuela. In traditional free market fashion, the government sells mineral and other concessions to the highest bidder and on the best possible economic terms for Venezuela. But once the contract is signed, the government keeps its promise. The foreign capitalists are free to make as much profit as they possibly can. In fact, the more they make, the more the Venezuelans make.

As a result of this practical and effective method of exploiting natural resources, the level of living in Venezuela is rising steadily. So is the educational level. The economy is booming and, I predict, will continue to do so—unless some softheaded Venezuelan patriot persuades the people that they should nationalize the foreign companies and keep all those exorbitant profits for themselves. If that happens, Venezuela will begin to sink back into one of the world's most backward nations.

Many persons in underdeveloped lands complain that foreign capitalists are primarily concerned with profits
and would take out of the country more than they bring in. Certainly they would! The investors in General Motors and the United States Steel Corporation also take from those companies in profits a great deal more than they put in them in the form of capital. I know it is dangerous to make blanket statements, but here is one that I will stand on: This chance to make high profits in a competitive economy is the only reason that the United States has become the greatest industrial producer the world has ever known, with a level of living for even the poorer citizens that is higher than that enjoyed by the richer citizens of socialist countries. My choice of the phrase above, "the only reason," is not an accident because if competition and this chance for profits were abolished, the other corollary reasons for progress would be of little or no value. And, conversely, the only reason that any country now remains underdeveloped is because its laws and customs are hostile to competition and the profit motive.

Cultural Underdevelopment

For example, take India. Both law and custom in that underdeveloped country are antagonistic to efficient economic development. The iron grip of the inflexible caste system of the Hindu civilization has stunted individual initiative, and repressed every attempt to deviate from traditional standards, for hundreds of years. As long as it continues, capitalism can't possibly make much headway there. Admittedly, Mr. Nehru is doing his best to
abolish the caste system, and is apparently having considerable success. But he is doing it not for economic but for social reasons. In fact, while he is attempting to free the Indian people from this repressive caste tradition, he is at the same time using the law to bind them down with an equally repressive economic system. And the United States government, with the help of the World Bank, is doing all it possibly can do to aid Mr. Nehru in his attempt to make sure that the market economy shall never be permitted to flourish in India. It seems that Mr. Khrushchev of Russia is also anxious to help forestall this dreaded possibility of a market economy for India.

I could now move on to Great Britain and point out the inevitable results of a few of their government plans like the nationalization of the coal mines, or the East African Groundnuts scheme (sometimes known as the Great Peanut Fiasco), and other similar grandiose projects that required the use of the police force to recruit investors and capital. But instead, I'll dwell for a moment on a remarkable speech once made by the late Foreign Minister, Ernest Bevin. He pointed out that it used to be possible for an Englishman to go to Victoria Station, buy a ticket to any place in the world, and go there—without the permission of his own or any other government. Mr. Bevin complained that this was now no longer possible and that something ought to be done about it.

The whole world applauded his sentiment. But apparently neither Mr. Bevin nor his applauders stopped to think that Mr. Bevin's own philosophy of government and economics was solely responsible for the condition
he claimed to deplore. It was the economic policies of Mr. Bevin and his fellow government planners all over the world that required passports and visas, trade barriers, pegged currencies, a limit on the amount of money a citizen could take from his own country or into another country, and various other curtailments of the traditional right of a person to travel and to trade as seemed to him best.

In contrast to the above examples of government mismanagement, consider West Germany since the German people finally abolished the worst features of the planned economy that the United States government saddled them with from 1945 to 1950. The West German people are now well on their way to the highest level of living in Europe. They are doing so well that American manufacturers are beginning to demand that our government protect them against German competition not only in the world markets but even within the United States itself. That protection—if they get it—will deprive the American people of various products they want, and it will increase the cost of similar goods produced at home.

**The Buying of Friendship**

Now I could recite a great many other examples of the disastrous results that occur when a nation invites the investment of foreign capital and guarantees that the investments and any resulting profits will be protected. And conversely, I could go on with many other examples of the disastrous results of government planning in vari-
ous underdeveloped countries. Instead, however, I want to mention another aspect of foreign investment that is frequently discussed. It is claimed that government loans or gifts by the United States to foreign governments will gain allies against Russia and will prevent the spread of communism.

If I were an Italian citizen, for example, I would resent this idea that I could be bribed not to become a communist. And the evidence seems to indicate that the Italians have resented it. At any rate, the membership in the Communist party in Italy seemed to increase with each additional million dollars that the United States poured into that country. Then suddenly the Communist party in Italy suffered a blow from which it probably will never recover. This disaster is due not to American money in any way but exclusively to the fact that the Russians began shooting Hungarians. Did the promise of American money have anything to do with this revolt in Hungary? No. How about Poland? Again the answer is no. Thus we now have good reasons to suspect that our best allies against Russia may well be the people to whom we haven't given a penny!

It seems to me that this idea of buying allies—either with outright gifts or with funds disguised as capital to develop the underdeveloped areas—is highly questionable. Whatever else Mr. Nehru may be, certainly he is an honorable man, and he can't be bought. The Indian people under his leadership are following many of the blueprints and objectives of the old Russian "five-year plans" because they want to. The money being supplied to India
by the World Bank will, of course, help them do it. It will do exactly that, and little else.

Let Freedom Reign

If the government of any underdeveloped country truly wants its resources and people developed to the fullest possible extent in the shortest possible time, here is all it needs to do: First, abolish all trade and currency restrictions—all of them, internal and external. Second, enact laws guaranteeing the protection of the private property of its own citizens. Third, enact laws that guarantee the same treatment to foreigners and foreign capital as is then guaranteed to its own citizens and their capital. Fourth, convince both its own citizens and the world in general that this is a permanent policy. Fifth, be prepared for an immediate and dramatic start toward the development of both the resources of the country and the skills of the people to their maximum capacity in the shortest possible time.
FREEDOM OF OPPORTUNITY

by Darryl W. Johnson, Jr.

One of the characteristics of our educational system in the past decade or so has been its preoccupation with the welfare of the "slow learner," or poorer student. This has resulted in "passing" many who should have failed. We are now beginning to realize that the granting of such unearned benefits to the intellectually poor or the plain lazy has only compounded and perpetuated the difficulty.

Concentration on the poor student has been accomplished only by a corresponding neglect of the better student, and this neglect has been costly. The lesson to be learned is that excessive concentration on the welfare of the intellectually poor has not only failed to help him but that such policies have had an effect of causing the intellectually rich to lose initiative in providing brain power for progress.

There is no way for schools to "give" an education. An education must be earned. Schools provide the opportunity for education, but that is all. If schools "guarantee" that you will pass, why learn? If God guaranteed heaven,

Mr. Johnson teaches mathematics at Hialeah Senior High School in Florida. He described this article as "one of the three-minute lectures I generally give at the beginning of each math class."

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why be virtuous? If government guarantees a living, why work? Of course, none of these things can be guaranteed. The schools and the government are incapable, and God is too wise. All that can reasonably be provided is opportunity.

*The Same Holds for Government*

These policies and the lessons to be learned from them have an important parallel in the field of government. Socialism, with its pretended concern with the welfare of the poor, "social equity," and the like, has the same results. Progressive taxation and other schemes supposedly designed in the interest of the poor do not actually aid the poor at all, but result in loss of initiative on the part of the better and more successful members of society, so that the total contribution to the material welfare of the whole is diminished.

The alleged humanitarian motives of socialism constitute an argument which is beginning to wear rather thin. No amount of commendable reasons behind certain actions can excuse the actions themselves, especially when such actions have proved destructive for century upon century. If we really want to help the poor have adequate housing, good medical service, and other advantages, let's try something that works...which involves keeping the dead hand of government out of these things and making sure that private enterprise is not paralyzed by taxation.

The next time anyone says, "We ought to tax the cor-
porations more and spare the people,” let us remind him that you cannot tax a corporation as such, or a state, or anything else except people, and that his words really mean, “We ought to tax those who were frugal and saved and took the risk of investing those savings so that a corporation could be formed, so that jobs could be created, and so that the things we all want and need could be produced.” Viewed in this light, such policies appear to be what they actually are—a direct attack on the very mainsprings of our welfare.

To promote true welfare, let’s do all we can to preserve the one characteristic that only freedom can provide—opportunity.
SOCIALISM AT ITS BEST

by Paul L. Poirot

Take a good look around the world today. Turn back through the records of history. Peer ahead as far as the imagination allows. For what? For a time, and a place, and circumstances as ideal as man could hope to find or arrange for carrying on an experiment in socialism! Why do that? Simply to give the believers in socialism the best chance in the world to prove to others the soundness of their theories—or to see for themselves the falsity of their claims.

What conditions, then, would one prescribe for such a test? First of all, he'd probably look for a well-developed industrial society, a wealthy people who have known the productivity and abundance of private capitalism and who could afford such costs as a socialistic experiment might involve. He'd probably look for a complex exchange economy with many highly skilled and highly productive specialists—many persons of great ability from whom goods and services might be drawn. Also required would be the needy—persons who would submit willingly to identification and classification as

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deserving dependents of the society. Such an experiment surely would be facilitated if all the people had been more or less conditioned for controls—perhaps having experienced a series of world wars, much international bickering and unrest, a prolonged period of heavy taxation, a huge government debt—yes, and a debauched currency.

Other conditions may come to mind as you enter the spirit of this search. Or perhaps you will agree that we have already provided an ideal testing ground for socialism, right here in the United States, during the 25-year period since the depth of “The Great Depression.” The tests have been underway for a full generation, and many examples could be cited. But to be specific, let’s look at the cotton business, an experiment in socialism under conditions as ideal as anyone—or any committee—could have planned.

A Perfect Set-up

When and where else in the world has there been more skilled planning, more effective control, more able and willing participation, and less resistance or interference? We’ve been taught socialism in the schools, read it in the papers, heard it on the radio, seen it on television, and even lived it in our daily affairs. Surely, cotton growers—with a few outstanding exceptions—have been well-organized and persistent in acknowledging and proclaiming their need. And who on earth really has stood and denied it? This test of socialism—involving the cot-
Some persons may protest, of course, that the cotton business has not been socialized. And it is true enough that the name of socialism is not popularly associated with the program which has substituted compulsory government direction and control for competitive private enterprise as the regulator of cotton production and distribution in the United States. Indeed, many of the formalities of private ownership and control have been retained. The farm land is nominally under private ownership. The cotton is planted, cultivated, and harvested by so-called private operators. But in order to grow cotton on “his own land” or sell “his cotton,” the farmer is obliged to obtain a license, or permit or quota or certificate; he must ask permission. In other words, the freedom of choice that is the essence of private ownership does not exist for the cotton farmer.

Instead of a free market in which willing buyers and sellers bargain to arrive at a price that tends to balance effective demand against available supplies, the price of cotton is fixed by the government—and variations in supply and demand for cotton show up either as shortages or, more likely, as unmarketable surpluses. The name socialism quite properly describes such an arrangement.

As the Secretary Sees It

So what do we have to show for this experiment? How well has socialism functioned under these nearly ideal
conditions? Let's consult the person who has had charge of the experiment since early 1953. The following quotation is from a book published in 1956, *Farmers at the Crossroads*, by Secretary of Agriculture Ezra Taft Benson (as told to Carlisle Bargeron)¹:

The story of cotton is a tragic one. Becoming frightened at the problem of abundance, cotton farmers elected to live by rigid high price supports. What has been the result?

Twenty-five years ago, cotton grew on 43 million acres of United States farm land. In 1956 the acreage is not 43 but 17.4 million.

Twenty-five years ago, before American cotton growers began to hold the price umbrella for foreign producers, cotton production abroad totaled 12 million bales. This past year foreign production was not 12 but 25 million bales.

Twenty-five years ago the United States exported 7 million bales of cotton. During the past year our exports were not 7 but 2 million bales.

Twenty-five years ago, before cotton tied its own hands, synthetic fiber consumption in the United States totaled the equivalent of about a quarter of a million bales of cotton. Today synthetic fiber consumption has reached the equivalent of about 4 and a half million bales.

Cotton producers, frightened by abundance, had a carryover of nearly 15 million bales before the 1956 crop was harvested. This carryover was the largest in history and posed a major threat to world cotton markets.

After twenty-five years of the utmost government solicitude, cotton has lost markets everywhere. Its producers have lost freedom. Cottonseed crushers are limited in the availability of their raw material. Cottonseed oil supply is limited and soybean oil is increasingly taking its place.

¹ New York, Devin-Adair. $2.75.
The pity is that the road back is a long, long one, even if cotton should set its feet firmly in that direction. Markets once lost are not easily regained.

The Farm Bureau Comments

If one chooses not to rely entirely on the report of the administrator of the cotton experiment, he may check with one of the major farm organizations. Early in 1957, the American Farm Bureau Federation published a “discussion sheet” on “Subsidies,” with these observations:

Through price support, the government has guaranteed agriculture a market. This guaranteed market causes farm production to increase in spite of production controls. In other subsidized industries overproduction is checked either by limits on the amount of the subsidies or by the fact that production must be sold on the open market.

The restrictions and waste in agricultural programs are an inevitable result of price supports. For it is well to remember—we have wheat and cotton export subsidies because of price supports; we have quotas and allotments because of price supports; we have surpluses, surplus removal programs, and diverted acre problems because of price supports.

With all of the experience we have had with government attempts to boost farmers’ income, which is down while the income of “free” industries is up, it seems wise to take a hard look at what subsidies really do.

The total cost of these programs is almost impossible to calculate. However, the realized cost of efforts to stabilize prices from 1933-1956 has been in excess of $14 billion. In addition, payments in excess of $3½ billion have been made to “conserve the soil.” Examples of program costs in stabilizing prices during this period are:
corn — $1-3/4 billion  
cotton — $2-1/5 billion  
wheat — $3-1/3 billion  
peanuts — $183 million  
rice — $100 million  
tobacco — $241 million

Estimated soil bank payments for 1957 are $1.2 billion. The export subsidy programs, while moving surpluses, have been expensive. For example, the International Wheat Agreement for the export of wheat has cost $759.6 million since 1949.

Cotton exports are costing an estimated $45 per bale on 6.5 million bales in 1956-57. In addition, public funds totaling $476.2 million have been made available to finance about half of these exports through loans, gifts, and foreign currency sales.

Farmers must live under laws, rules, regulations, and orders that divide up the right to produce. Under government controls the tendency to "level down" all farmers to a low "common denominator" gathers momentum every year.

**Views of a Cotton Dealer**

In Houston, Texas, recently, before the Agriculture Committee of the United States Chamber of Commerce, Mr. Lamar Fleming, Jr., board chairman of Anderson, Clayton & Company, the world’s largest private cotton dealer, offered his appraisal of the cotton experiment:

We have tried to perpetuate prices that would support cotton production on marginal farms. Experience shows that we cannot do it without creating prices that make cotton production a bonanza on more efficient lands without acre-
age restriction—or even with it, under intensive fertilization and care. Experience shows that we cannot do it without also creating huge government cotton stocks, eventually to be liquidated at tremendous losses, and without having to choose between the loss of our foreign cotton markets to foreign cotton and rayon, or perpetuation of a dumping policy which challenges the World to economic warfare—anyhow not without losing more of our domestic market to rayon.

What would we accomplish that is worth all this?

For a while, we would keep some people in a precarious living, growing cotton where it cannot be grown economically or efficiently. This would help them continue a struggle in which ultimate defeat is certain. If you have a friend engaged in a hopeless undertaking, do you give him money to help him continue in it? Or do you help him to get into an occupation that offers hope of success? The answer is obvious.

I believe a time has come when efficient cotton growers who are truly thoughtful will come in increasing numbers to the conclusion that a business which depends on government support, obtained through log-rolling, with the inevitable accompaniment of government restrictions, is a dangerous business; because, what government gives today, it too easily can take away tomorrow.

**Aggravating Influences**

As if to compound its failure, the same government that squanders tax funds to restrict production and boost the price of cotton simultaneously attempts to increase yields per acre and to improve the techniques of cotton production and harvest. Tax supported colleges and experiment stations, along with USDA's own vast field force, spread the findings of their research on matters such as disease resistance, more and larger bolls per
plant, longer and finer and stronger fiber, adaptability to mechanical harvesting, seed bed preparation, insecticides, fertilization practices, and weed control, to mention a few. As a consequence of this, as well as much privately financed research and development, the average yield of cotton lint per acre in the United States has climbed from about 200 pounds in the early 1930's to more than 400 pounds in recent years.

The Failure of Monopoly

So, the record is clear for anyone who cares to observe the results of a socialistic experiment under conditions as ideal as could be contrived by the mind of man and his powers of compulsion. The intended relief program for American cotton growers has turned the cotton business into a government monopoly, with laws to exclude competition. This is the usual pattern for attempts at socialism; the good intentions succumb to the corrupting influence of power.

Monopoly power is difficult to assemble and wield, for the competitive spirit has great vitality. Suppress competition among growers of cotton in the United States, and foreign suppliers will enter the market. Restrict a man's production of cotton, and he will produce a substitute. Overcharge a customer, and he will take his business elsewhere. Overtax a citizen and, sooner or later, he will institute a new government. Such are the reasons why socialism must fail, even under the most favorable circumstances in the world.
The cotton fiasco in the United States can be concluded if the government will sell its holdings and get out of the cotton business completely—no more support programs, acreage and production controls, research, or any other intervention in what is none of the business of government. Nor is there any reason why this much-needed corrective should be applied gradually. The only way to be rid of socialism and excessive taxation is to allow freedom for the creative activities of men.
UNION POWER AND PUBLIC POLICY

by Leo Wolman

Institutions, public or private, which are allowed to accumulate power may be expected sooner or later to abuse their power. This is the moral to be drawn from what a United States Senate investigating committee is learning about the management of the International Brotherhood of Teamsters and the behavior of that union's officers. If there is a known cause of the corruption and abuses that feature the operations of this union, it consists of wrong public policy and the incapacity or unwillingness of public officials to enforce simple laws—state, local, and federal—when they apply to organized labor.

What is surprising about the Teamsters' case is that Congress, the public, and the newspapers are so surprised at the Senate Committee's disclosures. For the fact is that the history of the Teamsters' union is a history of lawbreaking. The record of the unionization of the laundries of Seattle is one of force, violence, and intimidation. In a law-abiding community such conduct would

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be unthinkable. But, in Seattle where the union got its start, and in many other parts of the United States, these and similar actions are regarded as legitimate instruments of trade union growth, as accepted means for "stabilizing" business, and as the appropriate methods for increasing and applying union power.

**Dangerous Premises**

The law and public policy which account for the great growth of union power during the past twenty years have rested on highly dangerous assumptions, as recent events have shown. It was assumed that the goals of organized labor were so beneficial and pressing that nothing should be allowed to stand in the way of their realization. Beginning with the passage of the Wagner Act in 1935, the machinery of government devoted itself to promoting unions, to removing obstacles from their path, to assisting them in achieving their objectives, by fair means or foul. In the process, law enforcement was suspended or held to be inapplicable to union activities. It was only natural that unions came to consider themselves above the law and behaved accordingly. It was equally natural that union leaders and officials should feel free to use their newly acquired power and resources without fear or restraint.

In this setting, the Teamsters' affair is simply a detail on a large, national canvas. For, where organizations possess great power, the abuses and corruption associated with it are bound to take on a variety of forms, from the
misuse of union funds for personal gain to the cutting of cables in a telephone strike. What these have in common is the disregard of people's rights and of the law. Violence, or threats, or intimidation come to be widely practiced; adherence to unions is made increasingly compulsory; dues, assessments, initiation fees and, often, other union charges flow automatically into the union treasuries; and union political influence has become so considerable and widespread as to challenge the public authorities at nearly all levels of government.

Few of us realize how universal and persistent this flouting of the law and denial of men's rights have become in this country and how little is being done to attend to these evils. Yet, the daily press and periodicals of all sorts constantly carry stories of what goes on in this respect in one or another part of the United States. A few examples, culled at random from current publications, show the way law and civilized standards of conduct are defied with impunity in the operations of union labor.

Organizational Picketing

A bill to prohibit organizational picketing in New York State was introduced in the state legislature by the Senator from Rye and was withdrawn by him the end of March. He withdrew his bill because he believed it lacked sufficient votes for passage. A special dispatch to the New York Times from Albany says the bill was "solidly opposed by Democrats, influenced by the lead-
ers of organized labor." It was doubtlessly opposed by some Republicans, also.

Organizational picketing is a pure and simple holdup and racket. The picket line is set up to force an employer to require his employees to join a union to which they neither belong nor wish to belong. The practice is a common one in New York and elsewhere. Often the picket line will be withdrawn for a consideration, i.e., for money. The courts, the civil authorities, the police are all familiar with this device by which unions undertake to impose their will on employers and employees alike. What is here practiced would seem to entail abuse of power of the first order. But neither organized labor nor the authorities behave as if the matter is any of their concern.

Union Rackets

A close, but puzzling, variant of this type of intimidation is described by the chief labor reporter of the *New York Times* in an article in that paper, March 31, 1957. With names omitted, the true story runs as follows:

A family-run furniture factory in a suburban community was visited by a union representative, with a pocket full of [union] charters. . . . These gave him the technical right to organize almost any kind of worker in any kind of plant.

He threatened to call a strike unless the company agreed to a cash down payment of "several thousand dollars." In addition, the employer was to put a relative
of the organizer on its payroll at $100 a week. His sole duty would be to collect his pay.

Rather than submit to what they felt would be a ruinous pattern of extortion, the owners decided to seek advice from legitimate labor sources. They were told that it was time to end their seventy-year-old policy of resisting unionization.

The conclusion of this story ought to be evident. At a midnight meeting the company and the "legitimate" union got together, with the result that the racketeering union was defeated by the bona fide union, and the employer was saved from extortion. Of course, a skeptical reader of this tale might well wonder where the public authorities, the police, and the courts were during the unfolding of this episode and why the employer found it necessary to turn to a union rather than to the authorities to protect him from gangsters or their equivalent.

**Unions and the Public Authorities**

Many years ago, Dave Beck began his career as a union official by organizing the teamsters and the companies they worked for in Seattle, Washington. If the accounts of these organizing campaigns can be trusted, they were strong-arm enterprises with no holds barred. Beck came out of them a successful labor leader and a prominent and accepted figure in the community. He could not at that time have accomplished what he set out to do without either intimidating public officials or
operating with their support. In any case, the seeds of corruption and the abuse of power must have been sown early in his career.

It stands to reason, of course, that powerful labor organizations will apply their power to public agencies and officials whenever they stand to gain by doing so. Mass picketing and its attendant violence affords the simplest and most usual example of such pressure and the fruits it yields. In the now famous Kohler strike, the United Auto Workers, the striking union, prevailed upon the officials and unions of municipal employees of Sheboygan to prevent a ship from unloading a cargo of clay, raw material for the Kohler shops.

**Nationwide Boycott**

In the nationwide boycott of Kohler products by the UAW, the union has undertaken by exerting political pressure to keep public agencies from purchasing Kohler products, however satisfactorily these products may meet competitive specifications. The Reverend Edward A. Keller of the University of Notre Dame, in a highly informative article in *Human Events* (Vol. XIV, No. 8, February 23, 1957), points out that nine government bodies have adopted boycott resolutions against Kohler and that a resolution introduced in the Minneapolis City Council would excuse the city from the performance of any unexecuted contract where there were "labor troubles or disputes... from whatever cause arising, and whether or not the demands of the employees involved
are reasonable and within the power of any party to bid or contract to concede. . . ."

No one knows how many arrangements that bear the earmarks of collusion between public and private agencies exist throughout the country. But, whether numerous or not, examples of them are not difficult to find. In the March issue of The Contractor, the official organ of the builders and contractors of Maryland, attention is called to efforts to prevent open-shop contractors, who were low bidders, from being awarded the contract for a fraternity house on the campus of the University of Maryland. The specifications warned prospective bidders that over $4,000,000 worth of construction was under way on the campus with 100 per cent union labor, and stated that "the university reserves the right to protect itself against any situation which may place the progress of these jobs in jeopardy."

This obvious attempt to scare away nonunion contractors was brought to the attention of the Baltimore Evening Sun. When that paper focused the light of publicity on the University's practice, its president announced that the statement in the specifications was unnecessary.

The extent to which union influence or pressure is exerted against the public interest, denying people their right to work, to bid for jobs, or to stay in business is, of course, unknown. But, as more and more examples are disclosed, it becomes clear that the ramifications of this form of union conduct are much broader than was commonly supposed. It was, for example, only during the last year that the Interstate Commerce Commission
was asked to require trucking companies to carry cargo boycotted by the Teamsters' union. In April of this year an examiner of the ICC recommended that the Commission cancel operating permits of truck lines refusing to handle freight labeled "hot cargo"—goods coming from establishments involved in labor controversy—by the Teamsters.

These random examples of the exercise and misuse of power suggest that the investigating committee of the United States Senate, now deep in the personal scandals of officers of the Teamsters' union, might profitably turn its attention to the deeper issues of that situation and of others like it. For what this country should be concerned with are mistaken public policies which build up aggregations of power that inevitably and in manifold ways violate the public interest and destroy individual rights and liberty.
THE EXCEPTION MAKERS

by Leonard E. Read

THE BACKBONE of socialism in the United States gets all of its starch from the inconsistencies of countless Americans, most of whom believe in freedom everywhere except in the case of their own pet projects. They say they want universal freedom, "but this is neither the time nor the place..." Or, stated in another way, our rapidly growing socialism has nothing to sustain it except the alarming aggregate of nearly every person's "but." The exception maker is socialism's only ally!

A few examples of the exception maker's "but":

I am for free enterprise but I favor federal aid to education.
I believe that each person has the right to the fruits of his own labor but I am for compulsory social security.
I stand four-square for private property but we need subsidized navigation in order to obtain cheaper coal for our steam plants.
I favor the market economy but TVA has my endorsement.
I subscribe to the principles of limited government but it is quite all right for the State to prescribe and enforce minimum wages and maximum hours of work.
You bet I am for the American way of life but we must

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have a foreign aid program to protect it against communism. Besides, it helps our prosperity.

Although in common with all business firms we would like to see a reduction in federal expenditures wherever possible, it seems to us that this is scarcely the place to begin. (A book publisher arguing against a cut in the government's rural library program.)

Similar declarations by the exception makers could be cited endlessly. My point is that socialism rests on nothing more than these inconsistencies—aggregated.

Intellectually, every tenet of socialism has been demolished; practically, the beheaded corpse shows a frightening vitality. Its intellectual demise is reflected in the fact that neither Marxist nor other socialistic schemes are any longer defended as consistent theoretical systems; instead, they are relied upon merely as practical politics or devices of sabotage. This writer does not believe there is a consistent supporter of socialism inside or outside of the Iron Curtain. This statement, however, needs explanation.

Socialism Means Coercion

Socialism, the brand here discussed, the kind that is the enemy of society, can be defined as the government ownership and control of the means of creative activity or production. Its essential ingredient is coercive force. Be it federal aid to education, subsidies to farmers, grants-in-aid, TVA, social security, foreign aid, the rural library program, government housing, or whatever, the
attainment of the objective calls for coercive force.

Government housing is as useful for illustrative purposes as any other of the socialistic items. There was a time when we relied entirely on voluntary exchanges to supply our housing. First, we relied on the person who wanted a house; second, on the one who competed to construct it; and third, on the one who saw some advantage to himself in loaning the money for the material, the tools, and the labor. And, this system was successful. It resulted in more square feet of housing per person than otherwise existed in any country at any time in all history.

"Ah," imply the exception makers, "we can have all of this and heaven, too." And they proceed forthwith to apply coercive force as the means of attaining what to them are worthy ends. They use government—the organized police force—forcibly to take some of everybody's income in order that they may give it, in the form of housing, to those they rate as needy. The point is plain enough: Remove the coercive force, and there can be no such thing as government housing or any socialism at all, as here defined.

 Degrees of Intervention

Now no person consistently believes (100 per cent) in coercive force as a means to creative or productive accomplishments. No one believes that initiative should be dispensed with entirely. No one believes in total enslavement. No one believes:
The greatest principle of all is that nobody, whether male or female, should be without a leader. Nor should the mind of anybody be habituated to letting him do anything at all on his own initiative; neither out of zeal, nor even playfully. But in war as well as in the midst of peace—to his leader he shall direct his eye and follow him faithfully. And even in the smallest matter he should stand under leadership. For example, he should get up, or move, or wash, or take his meals... only if he has been told to do so.... In a word, he should teach his soul, by long habit, never to dream of acting independently, and in fact, to become utterly incapable of it.¹

Shouldn't Happen to a Dog

Indeed, no one believes that the above “greatest principle of all” should apply even to dumb animals, let alone to human beings. Yet, the sponsor of legal plunder—from each according to his ability, to each according to his need and by coercive force—goes beyond this. He doesn’t attempt to persuade by this sponsorship that we should merely train ourselves to become abject followers; he would compel us to be servile by coercive force. Does this sound farfetched? Well, it isn’t at all. Said sponsor insists that we should exercise no initiative whatever over that portion of the fruits of our own labor which his particular government grant-in-aid would require. This takes on real significance when one realizes that the wherewithal to sustain life is an integral part of life itself. Remove the right to sustain life, and the right to life is meaningless.

¹ Plato of Athens. A satirical statement, no doubt.
The TVA exception makers have succeeded in removing from the realm of initiative, from freedom of choice, a fraction of every citizen’s income. Other exception makers with their successes at other politically extorted pittances are responsible for the grand total of socialism in America today. Nothing else is to be blamed.

Even this country’s leading socialist is not a consistent believer in coercive force as a means of creative or productive accomplishment. He is on record as saying, “There is room . . . for individual ownership and individual effort.”

**Dictators Also Make Exceptions**

Marx, Lenin, Stalin were glaring examples of exception makers. Their “buts” were simply more numerous than the “buts” of most Americans. Proof of this is Stakhanovism, introduced into the Soviet Union in 1935, a plan which approved piecework, reward according to merit, higher wages for greater individual production. The Kremlin crowd—exception makers all—differ from American exception makers only in degree, not in kind.

Most exception makers would cease and desist if they were aware that their “buts” give the evil principle of coercive force as a means to creative ends the only backing it has and if they knew that these little drops of corroding action were the stuff that is destroying “the last best hope of earth.” However, until they gain this aware-

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ness, they no doubt will continue to believe in and insist upon a little coercive force providing it seems to help them or gives the appearance of gaining ends they think good. Short of awareness, they will favor coercive behaviors in particular instances while vigorously condemning the general practice of the destructive principle.

Russians are much less our Nemeses than are the "buts" in the belfry of Americans who more or less prefer freedom to coercive force.
It seems to be almost universally assumed that the launching of the space satellites was made possible only by employing vast teams of technicians working together in large research institutions under close central guidance and with unlimited resources and equipment. This may be true, although nobody in the Western world can actually know that it is so. Any suggestion that the difference between failure and success might have resulted from a pathbreaking discovery by some worker not in a large institution and perhaps not even interested primarily in high-altitude rockets would, nearly everywhere, be instantly dismissed as ludicrous. All this is indicative of the degree to which we are now dominated by the doctrine that technical progress can come only from mass attacks upon set problems.

In fact, a glance at the history of the high-altitude rocket hardly supports such a theory. Some of the more important early scientific writings on this subject, published in 1903, were those of a Russian schoolmaster,
K. E. Ziolkowsky. He made many fundamental contributions to rocket technology. (Russia was probably further ahead of other countries in thought and work on rockets in 1903 than now.) Perhaps the most important scientific contribution to rocket theory, however, was made by Hermann Oberth, a teacher of mathematics in Transylvania, who in 1923 published his classic, *By Rocket into Interplanetary Space*.

**German Rocket Experts**

Between the two world wars practical interest was maintained by a group of young German amateurs, some of whom were destined to become later outstanding figures in this field. During the war the German military authorities took up the development of the rocket and finally produced the V2, which covered a distance of 120 miles with a deflection of only 2½ miles from the target, reached a speed of 3,000 miles per hour and a height of nearly 60 miles. When Germany was finally overrun, the Peenemünde experts were scattered. Some went to the United States and Britain; more finished up in Russia.

Considering the rapid progress made by Germany in a relatively short period during the war, the development of high-altitude rockets since that time seems to have been fairly slow everywhere; for by 1945 there was no doubt that a satellite could be placed in the sky by the use of rockets and there was no great mystery about how, in general, this could be done. The fundamental discoveries in regard to high-altitude rocket propulsion, as distinct from the refinement and development of these
ideas, were made by independent enthusiasts working with limited resources under discouraging conditions and for long ridiculed or ignored by the main bodies of organized science and technology.

**A New Theory of Progress**

Even, however, before atomic energy and the sputniks, new notions had been gaining ground about how inventions could best be stimulated and how scientists and technologists might be employed to the best effect. (These ideas began to be strongly advocated only during the 1930's. Before that time, it will be recalled, it was commonly believed that the problem of production was solved and that the distribution of wealth was the important task to be dealt with; that technical progress was perhaps going on too quickly and that scientists and technologists were probably doing more harm than good in the world.)

The new doctrines really amount to a claim that the world has suddenly become a different kind of place, that the lessons of the past have largely become irrelevant and that we must all now adjust ourselves and our thinking accordingly. This "modern" view can be summarized as follows.

In the nineteenth century, most inventions came from the individual inventor who had little or no scientific training and who worked largely with simple equipment and by empirical methods and unsystematic hunches. The link between science and technology was slight.

In the twentieth century, the argument runs on, the
characteristic features of the nineteenth century are rapidly passing away. The individual inventor is becoming rare; men with the power of originating are largely absorbed into research institutions of one kind or another where they must have expensive equipment for their work. Useful invention, in particular, is to an ever-increasing degree issuing from the research laboratories of large firms which alone can afford to operate on an appropriate scale. There is increasingly close contact now between science and technology. The consequence is that invention has become more automatic, less the result of intuition or flashes of genius and more a matter of deliberate design. The growing power to invent, combined with the increased resources devoted to it, has produced a spurt of technical progress to which no obvious limit is to be seen.

In this article are set down some of the results of an inquiry, shortly to be published in full, designed to test these opinions against the observable facts. It was hoped in this way to make some contribution to a better understanding of the dynamics of industrial societies. The study, it must be repeated, covered a period before atomic energy and space satellites. It may be that these latest spectacular discoveries, and the circumstances in which they have arisen, rob earlier experience of all pertinence for thinking about the future. I personally have doubts about this but cannot enlarge on them here.

Further, the study was confined to *inventions* as contrasted with the *development* of those inventions; it was concerned with the early crucial periods of radical innovation and not the later stages of improvement and exploitation of the original discoveries. It is, of course, impossible to draw a sharp dividing line between the two. On the other hand, it would be futile to deny that some new ideas are more revolutionary than others, that certain conceptions start a long chain of consequential improvements and that, unless the flow of these seminal ideas can be maintained, technical progress will finally come to a stop.

**Twentieth-Century Inventions**

The first task was to pick out a group of twentieth century inventions which might be regarded as a fair cross-section of the technical progress of the past fifty years; to make as detailed a study as possible of the conditions under which they had arisen and, in particular, to try to identify the respective parts played by individual inventors, the research activities of firms of varying size, of universities, and of other institutions where research is conducted. A list of about sixty inventions was studied, ranging from acrylic fibers to the zip fastener, from air conditioning to xerography.2

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2 Acrylic Fibres, Air Conditioning, Automatic Transmissions, Bakelite, Ball-point Pen, Catalytic Cracking of Petroleum, Cellophane, Cellophane Tape, Chromium Plating, Cinerama, Continuous Casting of Steel, Continuous Hot Strip Rolling, Cotton Picker, Crease-Resisting Fabrics, Cyclotron, DDT, Diesel-Electric Railway
The clearest conclusion emerging from the inquiry was that simple generalizations are not possible. The important twentieth century inventions have arisen in all sorts of ways and through the activity of all the different possible agencies. More than one-half of the cases can be ranked as individual invention in the sense that much of the pioneering work was carried through by men who were working on their own behalf without the backing of research institutions and often with limited resources and assistance or, where the inventors were employed in institutions, these institutions were, as in the case of universities, of such a kind that the individuals were autonomous.

The jet engine was invented and carried through the early stages of development almost simultaneously in Great Britain and Germany by men who were either individual inventors unconnected with the aircraft industry or who worked on the airframe side of the industry and were not specialists in engine design; the aircraft engine manufacturers came in only after much pioneering had been carried on. The gyro-compass was invented

by a young man who was neither a scientist nor a sailor but had some scientific background and was interested in art and exploration.

The process of transforming liquid fats by hardening them for use in soap, margarine, and other foods was discovered by a chemist working in an oil industry, who pursued his researches and his efforts to get the process adopted, singlehanded. The devices which made practicable the hydraulic power steering of motor vehicles were primarily the work of two men, one of whom worked strictly on his own, while the other was the head of a small engineering company.

The foundations of the radio industry were laid by scientists; but the majority of the basic inventions came from individual inventors who had no connection with established firms in the communications industry or who worked for, or had themselves created, new small firms. In the case of magnetic recording, the early crucial invention came from an independent worker, as did a number of the major inventive improvements; the interest of the companies arose much later. The first successful system for the catalytic cracking of petroleum, which opened up the way for many later advances, was the product of a well-to-do engineer who was able to sell his ideas for development to the oil companies.

No Standard Pattern

The history of the evolution of the cotton picker reveals two main lines of progress: in each case, individ-
ual inventors working with limited resources were able to take their ideas to the point where large firms were prepared to buy or license their patents for subsequent development. Bakelite, the first of the thermosetting plastics, was produced by a brilliant sole investigator. The first, and still the most important, commercially practicable method of producing ductile titanium was conceived of by a metallurgist working in his own laboratory.

In the application of automatic transmissions to motor vehicles, the credit for mechanical novelty has to be shared between individual inventors and companies, but the former should probably rank above the latter; actually, the ideas of a shipbuilding engineer lie behind much of the modern progress, but both in Britain and the United States inventors working singlehanded have contributed a great deal to the present-day mechanisms. Up to 1938, only one large aircraft manufacturer had taken much interest in the helicopter and even that only as the result of the personal interest of the head of the firm: the progress was made by the enthusiasm of individual inventors, usually with limited resources, obtaining backing in unlikely quarters in a manner which would parallel the many stories of "heroic" invention in the nineteenth century.

To mention one or two inventions from the field of consumer goods, the groundwork for the successful Kodachrome process was laid by two young collaborators, both musicians, whose ideas were taken up by a large photographic firm; the safety razor came from two
individuals who struggled through financial and technical doldrums to great success; the zip fastener came from the minds of two engineers and was only taken up for large-scale production many years later; the self-winding wrist watch was invented by a British watch repairer.

**Small Companies Contribute**

The list next contains several important inventions emerging from firms which were small or of only moderate size. Terylene was discovered by a small research group in the laboratory of a firm which had no direct interest in the production of new fibers. The continuous hot strip rolling of steel sheets was conceived of by an inventor who might well be considered an individual inventor and perfected in one of the smaller American steel companies. The crease-resisting process emerged from a medium-sized firm in the Lancashire cotton industry. Cellophane tape was the product of what was virtually a one-man effort in a then small American firm. The virtues of DDT were found by a Swiss chemical firm which, for that industry, was of modest dimensions.

Some outstanding successes arose out of the research of very large firms. Nylon was discovered by a small research group, headed by an outstanding chemist, in the laboratories of du Pont. Slightly later another very large firm, I. G. Farbenindustrie, produced and developed a similar fiber, Perlon. Several firms, all large, in Germany and the United States have devised methods of producing successful acrylic fibers. Freon refrigerants
and tetraethyl lead were both produced in General Motors by small groups under Midgley and Kettering; the cases are interesting in that a motor engineering firm made these two important contributions in the chemical field and in that their discovery involved a strong element of chance.

In the story of television, one outstanding figure was an employee of the Radio Corporation of America, but a number of the crucial inventions were made by a second American inventor who worked independently; and the first complete system for television broadcasting was created for the British Broadcasting Corporation by a British firm of modest size. The transistor was produced in the Bell Telephone Laboratories, a case which comes nearer than most to research directed towards a predetermined result.

**An Accidental Discovery**

Polyethylene was discovered, in the course of some very broad scientific studies and as the immediate outcome of a fortunate accident, in the laboratories of Imperial Chemical Industries and developed by them; but methods of producing polyethylene at low pressures were later discovered at about the same time in one of the Max Planck Institutes in Germany and by American companies. Krilium was the discovery of research workers in the Monsanto Chemical Company, the result being attained by a combination of chance and a systematic search of a very wide field. In the discovery of
the methyl methacrylate polymers, known variously as Perspex, Lucite, and Plexiglas, two large firms were primarily involved: I.C.I. and Röhm & Haas; but an independent research student appears to have made an important contribution. The diesel-electric locomotive probably embodied less inventive effort than many of those mentioned above; it represented the development by European and American firms, and especially by General Motors in the United States, of nineteenth century inventions.

The recent remarkable growth in the use of silicones represents the discovery of practical applications for compounds produced by a British university scientist, the usefulness of which was first realized by scientists in an American company. The discovery of Neoprene is a romantic story in which a priest, occupying a chair in chemistry in an American university, was responsible for observations which were taken up by a large chemical firm and carried much further by them to a successful conclusion.

Miscellaneous Developments

Finally, some of the cases quite defied classification: where a research worker in an industrial laboratory produced an invention outside his own professional field; where an individual inventor and a company reached much the same results at the same time; where a government research station, an industrial company, scientists in the universities, and individual inventors all made
important contributions to the final result, and so on. Such cases, of course, heighten the impression of a picture which admits of no simple explanation.

The cases taken as a whole reveal that no one country has a monopoly of inventive power. The outstanding names and groups are widely spread over many industrial countries.

*The Communists Had None*

One significant exception is that, in none of the sixty cases studied, had contributions been made by Russian workers subsequent to the Revolution. Before that date, numerous names of distinguished Russian contributors crop up: the early Russian work in rockets has already been mentioned; in the early efforts linked with television occurs the name of Rosing; Zworykin, who later on in the United States was to make one of the vital contributions to the perfection of television, acquired his interests in this field in St. Petersburg before the first world war; Sikorsky, the great American helicopter pioneer, had in fact built two helicopters in Russia as far back as 1909.

But, after the Revolution, it seems clear that Russia made no important contributions in radar, television, the jet engine, the antibiotics, the man-made fibers, the newer metals, the catalytic cracking of petroleum, the continuous hot strip rolling of steel, silicones or detergents, until others had shown the way and revealed what could be done.
Facts about Earlier Inventions

The twentieth century has, therefore, been much enriched by many inventions attributable to men who have worked under the kind of conditions associated, by long tradition, with the "heroic age" of invention in the nineteenth century. The next step in the inquiry was to look once again at what happened during the last century. Was this an age when uneducated inventors, ignorant of science, working in isolation in garrets and cellars, blindly and unsystematically tried one thing after another and occasionally stumbled by accident upon something worth-while but were invariably robbed of their due rewards by predatory financiers?

Such a picture seems to be a travesty of the facts. The links between science and inventive technology were often close. There were many distinguished scientists who were also important inventors: Kelvin, Joule, Davy, Dewar, Hofmann, Bunsen, Babbage, and Playfair. It was frequently true that those inventors who were not formally trained in science showed a high respect for scientific knowledge and an anxiety to acquire it. James Watt spent much of his time with the most distinguished scientists of the day; Charles Parsons was a university graduate and the son of a President of the Royal Society; Trevithick, of the high pressure steam engine, consorted with members of the Royal Society; Cartwright was a Fellow of Magdalen College; Henry Maudsley was a close friend of Faraday; Wheatstone and Morse were professors; W. H. Perkin was a student at the Royal
College of Chemistry; Edison made use of the Princeton University laboratories and worked closely with many scientists; C. F. Cross, the inventor of the viscose process, was a consulting chemist. This is to mention only some of the more famous names; the list could be greatly extended of nineteenth century inventors with similar scientific contacts and interests.

No Significant Trend

Many of these men collaborated in ways which, in these days, would be dignified as teamwork. Nor is it the whole truth that invention in the nineteenth century was merely empirical and accidental whilst that of the twentieth century has become scientific. It is far too large a subject to be argued in full here, but it is at least a tenable view that there has been just as much "accidental" invention and discovery in the present century as in the last.

The evidence, therefore, suggests that much of the history of invention written up to the present day, by somewhat distorting the picture of what occurred in the nineteenth century and by then distorting it in the opposite sense for the twentieth century, has exaggerated the fundamental differences between the two periods and has understressed the continuity which runs through the whole story. Perhaps the world, in the matter of technical progress, is not such a new place as it is sometimes made out to be.

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In Matters of Policy

It was not the purpose of the inquiry to concern itself with policy; for what is needed, first and foremost, for a better understanding of the forces which influence the flow of innovations is more evidence in a field of study up to now sadly neglected. But the findings have some bearing upon major questions to which industrial societies ought properly to be addressing themselves.

We are in these days caught up in a great boom in industrial research and development which, in its present intensity, may be transient and in some ways artificial. It has been greatly stimulated by defense needs in the past year or two. It has been fostered by what are probably over-sanguine views about the value of science and technology in increasing the profits of individual firms or in raising general standards of living. But even when full allowance has been made for all this, there still remains a strong and newly-found belief that, by taking thought, it ought to be possible to increase the flow of new and useful technical and scientific ideas and to make fuller and more rapid use of them for material improvement.

The policies which, in consequence, are being pressed have already been referred to. The maximum number of people should be given a basic training in technical matters; the different specialists must be encouraged or forced to share their knowledge and ideas in cooperative teams; scientists and technologists should be employed in large research institutions where, secure from
the vicissitudes of the life of the independent inventor and provided with ample equipment, guidance can be given to the main lines of their interests.

That, in fact, is what is happening in varying degrees everywhere. In Russia, we are informed, the whole body of scientists and technologists pursue their labors within a framework of purposes laid down by the central authority, benign but all-seeing. But, even in the Western world, the institutionalization of research and invention is going on apace. A steadily increasing proportion of those with scientific and technical training are now employed under conditions in which they are not free to follow their own bents and hunches; they are tied men. In some countries, even the autonomy of the universities is being threatened by their heavy dependence upon ad hoc grants for specified tasks.

Striking a Balance

Are these conditions most favorable to the flow of really new ideas? Or are they the conditions which, while perhaps increasing the number of minor improvements, will finally stifle originality? As John Stuart Mill once put it, the question is “whether our march of intellect be not rather a march towards doing without intellect, and supplying our deficiency of giants by the united efforts of a constantly increasing multitude of dwarfs.” In trying to strike a balance here it is worth-while looking at the side of the shield which in these days is so frequently ignored.
Inventors Are a Race Apart

First, men with great powers of originality are in many ways a race apart. Like any other group, of course, they differ between themselves, but on the whole they are constitutionally more averse to cooperation than the rest of us. "I am a horse for single harness," wrote Einstein, "and not cut out for landau or teamwork." This follows because their great gifts arise from the habit of calling everything, even the simplest assumptions, into question; because they are in the grip of inner compulsions which lead them to assume the right of deciding how their special powers should be employed and how best a task should be approached, to resent interference, and to be thrown out of balance by it. Many of them are, by temperament, wholly unsuitable for work in any research institution which is formally organized. And, beyond that, it is even conceivable that, in many cases, their native powers of innovation might be weakened or destroyed by overprolonged scientific or technical education.

Overemphasis on Teamwork

Second, it seems to be possible to exaggerate the virtues of teamwork. Of course, as knowledge grows and forces more specialization upon scientists and technologists, systems of communication between the specialists must be progressively strengthened. And it is true that in some directions in recent years small teams are tending
to replace the individual worker, although this is often because the man of original powers is given more assistance for his routine tasks.

It is, however, a far cry from the useful, voluntary collaboration of a few like-minded people to the popular conception of serried ranks of Ph.D.'s moving forward into the scientific unknown as an army guided by some common purpose. The working groups even in a large industrial research laboratory are normally small. The real moving spirits are few and the rest pedestrian, although of course useful, supporters. Quantity cannot make up for quality.

The reasons for the limitation of teamwork are obvious. Teamwork is always a second best. There is no kind of organized, or even voluntary, co-ordination which approaches in effectiveness the synthesizing which goes on in one human mind. Because of the growing specialization, teamwork undoubtedly is inescapable. But it carries with it a countervailing loss of power inevitable when several minds are groping towards mutual understanding. And the loss becomes the greater the larger the team and the less voluntary it is in character.

Nor must it be overlooked that the members of a team must always go the same way; that the strength of a team may be determined by its weakest link; that friction even in small groups of men with original powers of mind is not uncommon; that all cooperation consumes time; and that a large team is essentially a committee and thereby suffers from the habit, common to all committees but especially harmful where research is con-
cerned, of brushing aside hunches and intuitions in favor of ideas that can be more systematically articulated.

**Size May Be No Advantage**

Third, it is erroneous to suppose that those techniques of large-scale operation and administration which have produced such remarkable results in some branches of industrial manufacture can be applied with equal success to efforts to foster new ideas. The two kinds of organization are subject to quite different laws. In the one case the aim is to achieve smooth, routine, and faultless repetition, in the other to break through the bonds of routine and of accepted ideas. So that large research organizations can perhaps more easily become self-stultifying than any other type of large organization, since in a measure they are trying to organize what is least organizable. The director of a large research institution is confronted with what is perhaps the most subtle task to be found in the whole field of administration; a task which calls for a rare combination of qualities, scientific ability commanding the respect of colleagues, and also an aptitude for organizing a group.

There are many cases to support the conclusion that a large research organization may itself prove to be an obstacle to change. Ideas emanating from outside may be belittled or passed over. "Is not every new discovery a slur upon the sagacity of those who overlooked it?" And it will always be seductive for an established organization to take the smaller risks and more prudent routes when
the rare and larger prizes are likely to be found in other
directions.

**Can the Pace Be Forced?**

Here, then, is the dilemma which confronts any com-
munity trying to make the best of the native scientific
and technical originality of its members. On the one side
are the views of those, at the moment it seems in the
majority, who conceive of the possibility of forcing the
pace, as it was recently put by one research director:

We find the self-directed individual being largely replaced
by highly organized team attack in which we employ many
people who, if left entirely to their own devices, might not
really be research-minded. In other words, we hire people to
be curious as a group... we are undertaking to create re-
search capability by the sheer pressure of money....

On the other hand are the fears of those, at present
much in the minority, who suspect that such forcing
tactics will mean that we may frustrate the awkward,
lonely, inquiring, critical individuals who, to judge by
past experience, have so much to give but can so easily
be impeded. To pose the question in concrete form: the
last time that a new form of propulsion, the jet engine,
came to be conceived it was pressed forward by indi-
vidual workers who had to meet frustrations and
indifference, even resistance, on the part of established
institutions. We are, presumably, not at the end of such
innovations; there may be other new forms of motive
power to come.

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And if, on some future occasion, the initiative comes in much the same way, do we resign ourselves to the idea that it must once again run the gauntlet of resistances from established interests? Are we further prepared to resign ourselves to the thought that, as research becomes more highly organized and the subject of institutional effort, any outside inventor will in the future have even less chance than in the past to force his ideas upon reluctant authority?

It may be that there are no clear-cut answers to such weighty questions. But the study of the inventions of the twentieth century would seem to support the following generalizations. Knowledge about innovation is so slender that it is almost an impertinence to speculate concerning the conditions and institutions which may foster or destroy it. But, in seeking to provide a social framework conducive to innovation, there would seem to be great virtues in eclecticism. If past experience is anything to judge by, crucial discoveries may spring up at practically any point and at any time.

As contrasted with the ideal ways of organizing effort in other fields, what is needed for maximizing the flow of ideas is plenty of overlapping, healthy duplication of efforts, lots of the so-called wastes of competition, and all the vigorous untidiness so foreign to the planners who like to be sure of the future.
THE CANDLEMAKERS’ PETITION

by Frederic Bastiat
(1801-1850)

We candlemakers are suffering from the unfair competition of a foreign rival. This foreign manufacturer of light has such an advantage over us that he floods our domestic markets with his product. And he offers it at a fantastically low price. The moment this foreigner appears in our country, all our customers desert us and turn to him. As a result, an entire domestic industry is rendered completely stagnant. And even more, since the lighting industry has countless ramifications with other native industries, they, too, are injured. This foreign manufacturer who competes against us without mercy is none other than the sun itself!

Here is our petition: Please pass a law ordering the closing of all windows, skylights, shutters, curtains, and blinds—that is, all openings, holes, and cracks through which the light of the sun is able to enter houses. This free sunlight is hurting the business of us deserving

manufacturers of candles. Since we have always served our country well, gratitude demands that our country ought not to abandon us now to this unequal competition.

We hope that you gentlemen will not regard our petition as mere satire, or refuse it without at least hearing our reasons in support of it.

First, if you make it as difficult as possible for the people to have access to natural light, and thus create an increased demand for artificial light, will not all domestic manufacturers be stimulated thereby?

For example, if more tallow is consumed, naturally there must be more cattle and sheep. As a result, there will also be more meat, wool, and hides. There will even be more manure, which is the basis of agriculture.

Next, if more oil is consumed for lighting, we shall have extensive olive groves and rape fields.

Also, our wastelands will be covered with pines and other resinous trees and plants. As a result of this, there will be numerous swarms of bees to increase the production of honey. In fact, all branches of agriculture will show an increased development.

The same applies to the shipping industry. The increased demand for whale oil will then require thousands of ships for whale fishing. In a short time, this will result in a navy capable of upholding the honor of our country and gratifying the patriotic sentiments of the candle-makers and other persons in related industries.

The manufacturers of lighting fixtures—candlesticks, lamps, candelabra, chandeliers, crystals, bronzes, and so
on—will be especially stimulated. The resulting warehouses and display rooms will make our present-day shops look poor indeed.

The resin collectors on the heights along the seacoast, as well as the coal miners in the depths of the earth, will rejoice at their higher wages and increased prosperity. In fact, gentlemen, the condition of every citizen of our country—from the wealthiest owner of coal mines to the poorest seller of matches—will be improved by the success of our petition.
I have had a continuing interest in the schools of our country ever since, as a boy, I was plunged into the socialist experiment started in the Denver public schools in 1925 and 1926. In one way or another I have kept an eye on school matters throughout my own school and college life, during thirteen years of newspaper work, and ten years as seminarian and priest in the Episcopal Church. So, in the two parishes I have served, the weekday education of children has been one of my major concerns, and I have helped to found two schools, Southwest Episcopal School in Houston and St. John's School in Abilene.

There were three main reasons for founding these schools. First, there was the conviction that all instruction, or teaching, or education (whatever we call it) is basically religious and therefore of primary concern to the Christian Church. Second, there was a general agreement that schools now controlled by tax-supported agen-
cies are unsatisfactory. Not only are they unable to offer the desired kind of doctrinal instruction, but also they are falling behind the traditional high standards of Christian scholarship. Third, there was, and is, a need to use our money to the full advantage since we are a community of strictly limited resources.

**Church Duty To Teach**

Convinced of the correctness of the thesis that all education is basically religious, it follows that we as a church are forced to accept responsibility in society for this duty. Just as the church is a place to worship, so is the church also a place to acquire, interpret, and evaluate knowledge. We cannot expect non-Christians to do Christian teaching, and we do not look for Christians who are not active in the church to do so. Moreover, since we believe all education is a religious function, and since as Christians we believe the Church and the State are separate and autonomous organisms of society, we believe it is a primary duty of the Church to supervise and conduct its own schools. It should not pass the buck to the State, whose social function is quite different.

The Old Testament authority to teach may be found in the famous sixth chapter of Deuteronomy: “And these words, which I command thee this day, shall be in thine heart: and thou shalt teach them diligently unto thy children.” These mighty words echo and color the Great Commission of the Risen Christ: “Go ye therefore and teach all nations.”
Consult the Record

The obligation of the Christian Church to provide schooling is thus inherent in her very existence. Her ability to do so in the United States today has been demonstrated dramatically in the last five years. The extent of the Roman Catholic school system is well-known. The Lutherans of the Missouri Synod are equally well-established. And a virile school movement has developed in Baptist, Evangelical, Episcopalian, and other groups in this decade.

A program of weekday education is well within the capacity of any active church. All that is needed is that strange ingredient of conviction that flowers into deeds. This may be accomplished without hostile action of any kind against any other schools.

Church people do not need to overthrow the "public" school system; they do not need to organize a political machine; they do not even have to formulate a philosophy of education. Nobody who rejects the idea of a school system run as part of the Christian Church need be forced to support the church school with his earnings, or to send his children there. But if freedom includes the right of churchmen to send their children to a school where education is consistent with their faith, then churchmen have a similar right to establish their own schools. Certainly nobody else can be expected to undertake this necessary job on their behalf.

The principle that schooling is a function of the Church is one that was never questioned by the Found-
ing Fathers of our country, and has been lost sight of for only a few decades—a relatively short time in the life of Christendom and of our people. Until 1837 when Horace Mann introduced in Massachusetts the first state board of education, even tax moneys for schools were expended largely through church institutions; and even Mann did not live to see his Prussian-inspired plan run its course to the removal of religion itself. That this end result was clearly foreseen and greatly feared in Mann’s own time, however, is shown by the repeated assurances he had to give that he had no such intention and that he agreed that religion was the foundation of education. In 1848 he wrote:

I avail myself of this, the last opportunity which I may ever have, to say in regard to all affirmations or intimations that I have ever attempted to exclude religious instructions from the schools, or to exclude the Bible from the schools, or to impair the force of that volume, that they are now, and always have been, without substance or semblance of truth.

School and Church Combined

The church-controlled structure of schools is still to be seen in our nonstate universities and colleges, all but a few of which were founded under the auspices of some branch of the Church. The return of primary and secondary schools to the sphere of church control is no departure from either tradition or reason, but rather a restoration of both.

It is a lie to speak of “freedom in education” if par-
ents have no choice of what is to be taught to their children, but must accept a majority political decision as to curriculum. In tax-supported schools, this is the case, and must be the case. It would certainly breach a principle if sectarian doctrines were taught in schools operated by any unit of government, federal or local. Yet when religious bodies have their own schools, the possibility of choice thus made available for churchmen in no way militates against the “freedom” of statists to continue to tax everyone for state-run schools to which they can send their children. Since we may reasonably suppose the statists will continue to thrive in our midst for a long time, the fear that there will be no state-supported schools if there are also church schools is groundless. The devotees of the tax-supported school system often complain that to allow such sectarian schools would be a divisive force, making for disunity. This argument, however, begs the real question. The real question is simply what is the real source of our unity—Caesar or Christ?

Those who believe that the only binding force for a people is in the police power—civil government—would, as a corollary of that belief, see this cohesive power threatened by the mere existence of denominational school systems. More mature people, however, know that uniformity under the sword is not the unity we want anyway. The real unity for even a religiously variegated people lies in a universal principle that reads: “Whatever you are, be a good one.” There is no necessary disunity for Americans in our diversified religious picture. The
variety of privately supported religious bodies is rather
the ground for our astonishing national harmony. In any
event, people who put their trust in God, as Americans
profess with their very money to do, must rely on the
unity derived from allegiance to God rather than from
a monolithic system of education answerable only to civil
government.

That this truth has come home with real force to many
in our nation today is evidenced by the number of
church schools that have sprung up from coast to coast
since World War II. I am in touch with developments
among various denominations, but I will limit my re-
marks to my personal experiences.

A Plan Carried Through

In my present parish, school and church were planned
and developed together. St. Thomas was a new parish,
and so it was possible to conceive church and school as
a unit from the start, and to plan every phase of growth
as a whole. This was particularly helpful in laying out
buildings and buying property. By the winter of 1954,
the Vestry had found a site for its proposed church and
school and set a timetable for moving to the site and
opening school in the fall of 1955.

There was no cash on hand except for a small building
fund, and no financial guarantee. If we wanted a church,
it was going to cost us less than $150,000 for minimum
requirements of land, Sunday school rooms, and a place
to worship. At least a third of this cost would go for
Sunday school rooms. We did not have enough money to spend $50,000 for rooms to use for one hour each week, especially when we would also be required to pay taxes for the public school building that our children would attend during the week. While one building was in use, the other would be empty. We think one building in one community is enough. Now it is true we have to pay school taxes anyway. We have to pay more, therefore, than we would if church schools were the rule rather than the exception and more church buildings were so used. Nonetheless, we felt we would be getting value received for what we would pay extra in the quality of schooling for our children.

A headmaster was engaged in April, a school board appointed by the Vestry, teachers hired for kindergarten and six grades of school, and registrations opened. I remember talking to one parent in my temporary office in a rented house adjoining the new site. She said, “Where is the school?" I pointed to the vacant five acres. “There,” I said. She signed up. Southwest Episcopal School is now completing its second year of operation with enrollment of 112.

**Cost per Pupil**

The average tuition is $250 a year. That compares with the cost in the two fine Houston private schools of like operation of $700 a year. We are making available to people of modest means an education that will equip their children to compete on the highest levels in the
finest colleges and most exacting professions in the nation. Moreover, we think our economics are of vital concern to the general public—the tax-paying public. We think it is good sense dollar-wise for the general public—which is already under extreme pressure for school buildings—to make use of church educational buildings or parish houses already in existence in every city. Many of the same people pay for them anyway. Why build more? Why build double and parallel facilities?

The actual cost per pupil at Southwest Episcopal School in 1956-57 was $260 per year. This was an inefficient year, with two classes of only 11 or 12 students each. Estimated cost per pupil next year, with low enrollment of 180 now in sight, will be $225. With a school of 210 students, or only six less than the capacity, the average annual cost would be $191.60. This is for a school whose teachers are paid salaries comparable to those in the public schools; a school where classes are limited to 24; a school where there are available the resources of the entire church community which includes a score of Doctors of Science, Doctors of Philosophy, university professors, and other professional people to say nothing of business executives. By comparison the cost to the general public of educating each child—apart from the expense of construction and maintenance of school buildings—was $230.40 a year per pupil in 1953-54. Salary increases last year raised this nearly 10 per cent to at least $245.00. If the general public can have top quality education at a cost of at least $50 per pupil less than it costs in tax-supported schools; and if it can at
the same time eliminate the duplication of classroom buildings by restoring the schools to church control and supervision, the savings will be enormous. The benefits of school construction now being asked for through federal financial grants, can be made immediately available from coast to coast simply by using existing church buildings. No time is lost in construction, no more money spent.

The best index of the Southwest's strength and achievement is in the enthusiasm of the parents and the reputation in the community. This has been so favorable that a second section of kindergarten and of first grade will be added during 1957-58 and the present combined fifth and sixth grades will be separated. There is a good possibility of a capacity enrollment of 216. Four new teachers are to be added to the staff, and three classrooms. This has been accomplished with no advertising except the enthusiasm of parents of children now in school.

**Limitations of Tax-Supported Schools**

Tax-supported schools are required to take all comers and work with them for at least ten to twelve years in most states. Obviously, they cannot conform to any particular church's sectarian position. In addition, since the schools must accommodate all children, they can neither point toward the slow scholars, nor the fast ones. They cannot establish a discipline of learning expected, not of the majority, but of the skilled and expert few.
As a result, unless there are special schools to provide the highest possible scholastic equipment to those who want it, our nation can in one generation be stripped of an irreplaceable resource.

My experience has shown that any ordinary American community which can support a church can operate a school in connection therewith. If we could do it, anybody can. No extra capital funds are necessary, no fancy window dressing. All that is required for a school are teachers, pupils, and a place to meet. I believe it was Mark Hopkins who taught on the end of a log. The school can pay its own operating expenses with modest tuition, or the cost can be absorbed by the congregation.

It is not a matter of merely arguing for the soundness of a theory. This can be done.
SERMON

by Mallory Cross Johnson

What is war but death and taxes?
How will killing make men free?
Good will never come from evil;
As the seed, so grows the tree.

Taxes sap the life away from
Every source of future wealth,
Thrift and honesty discourage—
How can sickness bring us health?

Nor can bombing draw together
Men in friendship in the way
Voluntary operations
Draw men closer every day.

If you burn to fight for freedom
Know the source wherein it lies:
By respecting every person
Each will help the other rise.

Mrs. Johnson and her husband, formerly of the Foundation staff, continue their study of freedom from Malaga, Spain.
YOUR TAX BURDEN

by J. A. Harper

Taxes are now taking your earnings for almost twenty minutes out of each hour of work, if you are a typical United States citizen. The proportion is higher than that which was taken by the governments of any of the leading European nations a quarter of a century ago, including Germany and the dictatorship of Russia.

Not only are these taxes a terrific economic burden on everybody at all levels of income, but they represent a serious loss of liberty as well.

Some careful students of the subject, who have watched our taxes increase rapidly over the last half century and have compared our experience with that of other nations, believe we have already gone beyond "the point of no return." They believe, in other words, that despite our surface evidences of prosperity and welfare and a carefree life, we have already gone as far as to undermine the economic, intellectual, and moral foundations of our civilization to a point where we shall surely slide into another dark age. The undermining, they believe, is as hidden from common view and realization as

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are the depredations of termites which eat away the foundation of a building before anything serious happens to what can be seen on the surface—happens while the roof and outside walls remain intact, and appear as sound as ever when viewed superficially.

Such a prophecy of doom is gloomy indeed. We all tend to dislike having shadows cast on the horizon of the rosy future for which we yearn. All pessimism is detested, even when it is soundly based on correct analysis. If the going is currently pleasant, we are prone to project our momentary pleasures into future hopes. And that seems to be the reason why most persons prefer to walk into their troubles blindfolded to reality.

*Can We Learn in Time?*

I do not know whether such a gloomy prophecy is correct or incorrect. It is a question too large for me to presume to be able to answer. But I at least reject it as an *inevitable* future in store for us. Every collapse of a civilization must have been a man-made destruction. And in theory, at least, all man-made destruction is avoidable by man. The only question is: Are we wise enough to avoid it? Can we learn in time to avoid another dark age?

Time alone will reveal the answer. But an initial step in prevention is for us to understand the problem. One must know what it is that can lead to a collapse of our civilization. Knowing the problem and the cause, we then know the means of its avoidance.
So, in this article I shall begin to diagnose the tax problem. Taxes, in one way or another, have provided the path over which civilizations have collapsed economically throughout history. What, really, are taxes?

**Taxes Defined**

*Taxes are the economic burden we impose upon one another by means of force through government, in attempting to deal with those human differences which we refuse to tolerate. They are the expenses incurred when some persons try to control or change the conduct of other persons by means of the government as a monopoly agent of force.*

In explaining the meaning of taxes, I have not included any qualifier as to whether or not these differences between persons should be tolerated. The definition merely states that taxes are a cost of attempting to repress or eliminate these differences by the governmental agency, without either approving or condemning these differences per se. The definition of taxes does not attempt to ascribe to any particular aspect of conduct the quality of either good or evil.

Those moral aspects of human conduct are important, to be sure, and will be considered later. At another point we shall consider conduct from the standpoint of good and evil, together with a consideration of various methods of dealing with evil conduct from the standpoint of the wisdom and effectiveness of the method employed.

The condition which gives rise to taxes can be seen
most clearly, I believe, if we will consider first and in some detail this problem of human differences from which taxes are spawned as an economic cost in society.

**Good and Evil**

Superficial observation blinds us to the extent of human variation among us. We hear remarks like this, for instance, from our first day on earth: “He looks exactly like . . . .,” or, “He is a spit and image of . . . .”

I recall how all Chinese persons looked almost exactly alike to me when first I met a few of them. They appeared as alike as grains of rice. Only after becoming better acquainted with them did their innumerable differences come into focus for me, which at first I had been unable to discern. Only after closer observation did I come to realize that Chinese persons are as different from one another as are Englishmen, Irishmen, and Germans.

You, too, at an earlier age, have probably sensed this seeming alikeness among some race of humans then unfamiliar to you, or perhaps among trees or elephants or something. But as your perception became sharper, the differences—differences which had always been there—came into focus.

**Human Variation**

Perhaps one of the most distinctive things about humans is their extreme variation. Humans are said to
be the most advanced and complex form of life, thus exhibiting differences that are presumably greater, one individual from another, than for any other form of life.

No two persons are exactly alike, not even so-called identical twins. Terrific differences exist among us in size, shape, color of hair and skin, muscular development, sensory astuteness, mental equipment, and in many other features.

Take, for instance, the one matter of man's "mind." One authority, who has made extensive study of the human mind, claims to have identified over forty totally separate dimensions of the mind. He speculates further that there are probably as many as sixty dimensions in all.¹ Ponder the scope of just this one aspect of variation. With sixty separate dimensions of the mind, each of which can be anywhere along a wide range from high to low for any one person, an endless variety of patterns of the human mind becomes possible. The mental processes of any one person may, therefore, be quite beyond the comprehension of most other persons.

It is only the most learned observers who can see these innumerable human differences of all sorts. They know best how infinite is the extent of human variation. So I shall not attempt to explain human variation in full here. I shall leave that to the masters of biological and philosophical knowledge, such as Professors Roger Wil-

¹ "The Structure of Human Intellect" by Professor J. P. Guilford, University of Southern California. A paper presented before the meeting of the National Academy of Sciences, Pasadena, California, November 2-4, 1955.
liams and Hans Thirring.\textsuperscript{2} I shall pass that over and go on to the point of our concern here. We need only, for our purposes here, to realize the extent of human variation and to appreciate the nature of its terrific impact on all affairs of man's relationship to man in society.

Human variation becomes, on the one hand, a price we must pay for the exceedingly high development embodied in the human form of life. For if we were a simple form of life like the algae, variation would be far less extensive and life would be far less complex. The algae do not have the problems we have, such as that of taxes with which we are here concerned. But, on the other hand, neither do the algae have the potential of attainment that humans have.

So in our variation we live with a powerful tool for attainment, which is also a powerful tool for self-destruction. If we can learn how to deal with these human differences so that they fructify rather than sterilize attainment, variation can be a blessing instead of a suicidal plague. The consequences of failing to use it as a good instead of an evil could mean the extermination of our civilization. The consequences could even eliminate human life itself, though I believe this to be unlikely.

If we should persist in pursuing suicidal endeavors on which we have embarked, however, we could dive into another dark age.

It is precisely this quality of human variation which develops into all sorts of problems, at all levels of social contact—within the family, within organizations, within and between nations, and the like. Our immediate concern, however, is to focus the way in which human variation becomes involved in the matter of taxes—the economic burden of government which we impose upon one another by means of force, in an attempt to cope with certain human differences which we refuse to tolerate.

**Government: To Govern**

Government is engaged in governing—government. To govern means to rule, control, hold back, restrain, shackle, bridle. Government refers to the means or the agency in the name of which one or more persons govern others.

Governing, of course, means the forcing by some persons upon other persons of some form or degree ofunfreedom. For it would obviously be ridiculous to say that a person who is being governed is being left alone to do as he deems proper and wise—who is, in other words, being allowed to operate as a truly self-governed and self-controlled person. On the contrary, he is being governed to the extent he is not allowed to be self-governed, self-controlled.

In common usage and as related to taxes, then, the
word government refers to the sole legal agent of compulsion among persons. It refers to the business that is engaged in performing the "service" of governing.

Compulsory or Forbidden

In a completely governed society, as the saying goes, everything that is not compulsory is forbidden. A completely authoritarian government holds unlimited powers to rule, to control, and to restrain all the citizens except the governor himself, who sets the rules of restraint for all others. The governor is the victim of his task, but he is not otherwise in a condition of involuntary servitude.

I should point out again that I am not attempting here to differentiate between acts which should be restrained and those which should not be restrained, from the standpoint of morals or propriety. Governing is composed entirely of restraint, which may be the restraint of the good as well as of the bad. It is unrealistic to assume that all governing will be of one moral hue. And so to govern is to restrain, whether of good or of evil.

We govern one another as a consequence of our differences rather than our similarities. If we were all completely alike in all respects, including our beliefs as well as our conduct, I fail to see how there should be any governing demanded at all. For then everyone would be conducting himself exactly as others must deem proper. Any constabulary under such a circumstance would be a foolish wastage, and surely we would not burden ourselves with taxes for such as that. So there would
presumably be no government among a completely homogeneous population.

All governing, then, arises from differences rather than from similarities among people. Yet, not all differences grow into government, either. Some differences are tolerated or even welcomed. In those instances no control of one another is attempted. To illustrate, differences that are accepted and even enjoyed are reflected in the admissions paid to see major league ball games or the opera, or to view some human freak exhibited in the side show at the county fair. We are willing to pay in order that these may endure; we do not want them destroyed or restrained.

*Intolerable Differences*

Some differences, however, are ones we refuse to tolerate. And these are the ones which become embodied in the processes of government. That is why the human form of life, with its highly developed differentiation between individuals, is so susceptible to the threat of a cancerous growth of government. For with infinite variation between persons, intolerance of differences can easily lead to inordinate growth and economic suicide.

When such intolerance grows unchecked, we more and more engage ourselves in a futile attempt to remake mankind from his biological pattern of variation; to saddle ourselves with more and more of the costs and wasted effort involved, toward an end where we would eventually starve. Fortunately, however, the urge to survive
always exceeds the urge to reform. And so it is that the human race has never yet laid itself entirely on the altar of any sacrificial efforts to attain conformity among humans. The robber Procrustes, whose bed of violent conformity became legendary, never became much of a success as a leader of societal betterment.

Costs Become Taxes

The task of governing requires both material means and human effort. These both have value in the market. They are among our economic goods and services, in competition with the production of bread and shoes and shelter. And that is why there is a money cost in governing. That is why taxes are assessed to pay the costs of this collectivized service of governing, collectively hired and performed by government.

True, some governing may be gratuitous, as when the citizens join voluntarily in a posse to track down a murderer, and the like. When that is the case, there is no direct money cost involved and no taxes are collected for it. The only cost involved is what the participants might otherwise have done with the time and tools they devoted to the hunt.

It is probably fair to say that as governing moves further and further away from controlling those forms of conduct which essentially all the people deem to be reprehensible, the process becomes more and more expensive. This is because fewer and fewer people are willing to contribute their time and means voluntarily.
under these circumstances. Governing then becomes merely a job for those employed in governing. They demand pay for their work—as much pay as the market would offer them, perhaps, to dig ditches, to practice medicine, or to do something else in workaday life.

As things stand today, an insignificant part of the processes of government is in the form of contributed time and means by those who do the tasks of governing. Essentially all of it, other than conscripted military personnel, is now hired and bought in the wage and product market places. And the price may be high.

**Collected by Force**

The service of governing involves, then, costs which are financed by these taxes. Taxes are collected by force from the citizens on some predesigned pattern of assessment. Customarily, government employees themselves decide to whom the bills shall be sent.

Using an analogy, and remembering that governing is merely a service performed at a price, the process is something like this: Let us say that a lady—as does the government—goes shopping to buy a hat or a dress or a mink coat, which she "needs." After she has decided what she wants, she buys it. She then decides to whom the purchase will be charged: "Put this on the bills of all persons in the nation, in the following amounts. . . ."

Government must pay its costs this way because it has no net worth. It is constantly insolvent, obligating itself to spend something it does not yet have. It has no earned
revenues from prior services rendered and sold in the market at a net gain, as you do when you go shopping with money you earned at yesterday's work. The government, instead, must obtain by force of taxation the revenue with which to pay its bills.

No Real Exceptions

An exception to this description might seem to be certain fees charged those who use certain government services. But the revenue from such sources is minor and insignificant as compared with the total cost of government. And furthermore, even in these instances, with hardly an exception, the service which the government offers is one which it has assigned to itself under a strict monopoly. So even these exceptions are charges that you must pay at a monopoly price, or go without the service altogether.

Tax assessments to pay almost all the costs of government are imposed by force. Payment is obligatory on everyone, whether he wants the "service" or not—whether he uses it or not. He must accept it from the government source at a dictated price, even though he may know a better and cheaper way of obtaining a service he wants. So all tax collection rests on intolerance—intolerance for all persons who may believe that those human differences being governed should be tolerated rather than controlled; all who believe that even if there is to be an attempt to control, there is some better and more efficient way to do it.
The Long-time Pattern of Taxes

With this background of the nature of government and taxes, the long-time changes in the tax burden in the United States may become especially meaningful in new perspective.

The accompanying chart shows, for almost the entire period of our nation's history, the changing level of taxes. The tax burden is shown on the chart in terms of the part of each hour of work taken to pay the costs of government. It represents the part of our labor product taken to govern one another, taken to restrain and control

TAXES IN THE UNITED STATES

Source: Derived from Department of Commerce figures on national income.
human differences. By expressing the tax burden in this manner, the problems of changing population, of changing hours of work, of changes in rates of pay, and the like, are all eliminated from view so that we can more clearly see the point of our concern—taxes.  

The concept may be seen by first considering only two persons on a desert island. If one of them should become so concerned with restraining the peculiarities of his neighbor that he catches the neighbor and sits on him all the time, a full 60 minutes out of each hour of his work would then be devoted to governing the island's population. And the victim, being totally restrained, could produce nothing either. So all the island's "production" would be absorbed by government. Both would then starve, unless they were to discover how to tolerate some of their human differences and do something besides govern.

Now suppose that some ungoverned action is to be allowed. Some time can now be spent gathering coconuts and catching fish. As more and more freedom is allowed, the proportion of the time absorbed in controlling one another would decline to 50 minutes, 40 minutes, etc., out of each hour of work.

Perhaps the two would never be able to figure out how to reduce government to zero. Perhaps intolerable differences would persist. These become "government," due

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3 The method by which this is done is to relate the total costs of government in the United States to the total of all personal incomes. All incomes finally become the incomes of one person or another. This ratio was then expressed in terms of minutes out of each hour of work, taken as taxes.
to efforts to control what is not tolerated. This part would persist as a cost of governing. Let us say, for instance, that one of the two persons persists in trying to filch the coconuts which the other has gathered, causing the other to devote some time standing guard or building some sort of protective storage. This would become a cost of government, in one form or another. In this instance, the process would be considered as "good business," and a wise expenditure of time and means. And in that sense, governing would be a valid cost of doing business, a wise way to spend part of one’s time.

But it is likewise true that the process described above might be exactly reversed and be worse than wasteful. Perhaps the one bent on filching what someone else has produced is the bigger and brawnier man of the two. By one means or another, then, he will become the governor, living on loot taken by force of sheer strength from the hard-working producer of coconuts and fish.

So the costs of government are not necessarily the costs of controlling evil acts of other persons, in the interests of what you and I deem to be moral, or ethical, or proper. It may be precisely the reverse. Witness, for instance, the predominant pattern of governments throughout all history, as they have become more and more corrupt.

All we can say—all we shall say at this point—is that the costs of government are the costs of controls which the dominant faction in any nation is able to impose on the others. These controls may take any form. The one sure thing is that it will be the rule of coercive might.
One-Third of Our Effort

Referring to the chart again, we see how the proportion of our productive effort in the United States which has been taken in the attempt to control the actions of one another has grown fabulously and dangerously over the years. It was relatively insignificant in earlier years. But for a century it has grown and grown, until now taxes take about twenty minutes out of each hour of work.

This growth is in spite of all the business efficiencies which should have made it possible to cut costs in the devices of governing—automobiles for the policemen, business machines to help in all sorts of tasks, and all the rest.

The question with which I shall end this discussion is: Has the average person in the United States become so much more corrupt and evil over the years that we must spend one-third of our time in controlling each other? Does the present generation require six times as much governing as their grandparents and great-grandparents did? I think not. But even if they do, is this the means by which to regain honor and self-control?

If we are not so much more evil than our ancestors, then we must look upon this growing burden of government as a suicidal expression of growing intolerance for human differences—differences which are the mark of a higher order of creation in the form of mankind which could, instead of inducing a cancerous growth of government, become the means of unbelievable human attainment.

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ONE-MAN PRESSURE GROUP

by Duke Burgess

Who am I? Just an ordinary American who deeply represents the way our major political parties seem to be working night and day to plunge us into the depths of slavery.

If I have any political leanings, they are to the right—the right of the individual against the might of the group.

Rabble rousers for the left have convinced many that freedom isn’t very important. They’ve sold a sugar-coated dose of poison by advertising a utopia, the purchase price of which is hate, strife, and revolution—only they don’t mention the price; they let us believe it’s all for free. And the customers are persons who want to believe that they can have something for nothing.

There aren’t very many who genuinely believe in individual rights and freedom. Of course, most people will swear by all that’s holy that they are pure believers in freedom. Yet when they are pinned down, they believe in freedom for themselves but not for the fellow across the street.

A number of years ago when I first became concerned

Mr. Burgess is Vice-president of Glenn Advertising, Inc. of Dallas.
about individual freedom, I heard of a man who said he would probably die of shock if he ever met a businessman who didn’t believe in free enterprise. Another fellow said he’d drop dead if he ever encountered one who actually did believe in it. That amazed me at the time, but now I am convinced he was tragically right.

Too often in recent years I have heard one businessman or another say there ought to be a law to control his competitors, while his competitors were probably busy dreaming up laws to control him. So, what happens? They all end up promoting socialism and dictatorship by running to government to solve something that could have been solved more quickly and cheaply by a friendly chat across the back fence.

I know a man who owns more than 100 stores, yet he hates Safeway and thinks there should be some drastic law to prevent any company from having as many stores as Safeway has. It doesn’t seem to occur to him that to the man with one store—or even five or ten—his 100 stores are unreasonable competition. I know another man whose main livelihood is derived from one of the General Motors cars, yet he frequently expresses verbal hatred toward the “big fat greasy capitalists” who ride around in Cadillacs. Obviously, it doesn’t occur to him that he and the other folks who ride around in his brand of car would also be classed as fat capitalists by millions of people. To go a step farther, anybody who owns a 1925 Maxwell might also be considered a “big fat greasy capitalist” by countless other millions throughout the world.
Is Size a Sin?

The idea that size of a business in itself can be sinful is so widely accepted that hearings go on almost continuously in Washington to determine at what point a company becomes a "monopoly." Legislation is always pending which would limit the percentage of business any company could do in its industry.

I think it is one of the most dangerous pieces of legislation ever to be considered by Congress. I spoke of it to a man I know who is legal counsel for a manufacturing concern. His company does more than half of the business in its field, and it does more than half for one reason only—that more than half of the people buying that item prefer that brand. It has lots of competition. To limit the company to 50 per cent of the market would not only deprive its owners and employees of a place honestly gained in a free market, but, just as important, it would keep some persons from buying the product they like.

Now you would think that the company's legal counsel would be especially alert to the dangers in such a law. But what do you think he said? He said, "I think that might be a good law. You know it's criminal for a company such as United States Steel to get as big and powerful as it is." When I suggested that to his competitors his own company looked big enough to be outlawed, he failed to see the connection. He thinks of his own company as "small" business, yet its sales run into several million dollars a year—big enough so that many of his
smaller competitors think it is a monster and there ought to be a law!

I know a man who used to be in the margarine business and thought it was a crime that butter makers could color their product when he couldn't. Now he owns a dairy and he thinks it's a crime that the margarine makers are now allowed to color it! Not long ago on a train, I was talking with a farmer who was loud in his condemnation of government spending. When I suggested that a good stopping place might be to withdraw subsidies on wheat, he couldn't see it. Another man I know is a strong advocate of government price control. He thinks it's wrong for the merchant to make a profit, or for landlords to get enough rent to keep up their properties. But he buys and sells oil leases, and thinks it's just good business to buy a lease for a dollar and sell it for a thousand. Any suggestion to control his margin sends him into a frenzy!

The Fault Is Ours

Is it any wonder that the government reflects such thinking, and tries to break up the A & P mainly for the "crime" of having sold too many groceries to too many people too cheaply? Before we start wondering why we have a government like that, however, maybe we ought to ask ourselves why we are like that.

Let's place the blame for our unholy position today right where it belongs—right in the laps of the people and their myriad pressure groups. Just to name a few of them, there are the business groups, the veterans groups

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all the way back to the Revolutionary War, the school groups, the labor groups, the social welfare groups, the political spoils groups, the church groups, and on and on ad infinitum. One can’t put too much blame on the politician—after all, he’s just human—and with every kind of a pressure group imaginable under the sun pushing and pulling at him, what can you expect?

The answer? Well, let’s start right close to home. What kind of a pressure group do you belong to? What kind of a subsidy, or special privilege, or law to regulate somebody else, are you working for? Be honest with yourself first, and then you can go full steam ahead.
FREEDOM RESTS ON PRIVATE PROPERTY

by W. M. Curtiss

The question of "what is mine and what is thine" is one of tremendous importance throughout the world today. It has always been a basic issue, but with all our material progress—our vaunted educational advantages—and our world-wide communication of ideas, it seems safe to say there has never been more confusion over this relatively simple concept. The way in which we answer this question will surely shape the events which lie ahead.

A libertarian believes in the private ownership of property, in the supreme importance and dignity of individuals, and in the right of a person to the fruits of his own labor. He believes an individual should have the right to make choices—conceding that many of us will make unwise choices, at least in the sight of others.

Underlying such libertarian concepts are various foundation stones. First, and perhaps most important, is a belief in an ordered universe. Call it Natural Law if you will, or God, or the Supernatural. But by whatever name you choose, I believe there are certain laws of cause and

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consequence which you and I are powerless to change. We may violate them—break them—but they cannot be changed. We see this very clearly in the physical sciences—the law of gravity, the principles of aerodynamics, and many many others. But in the area of human relations the laws are not nearly so clear. The fact that these Natural Laws are not entirely revealed to us, however, does not prove that there are no such laws.

So, the idea of an ordered, moral universe suggests a timeless right and wrong; causes have consequences just as surely as night follows day; and we cannot change these principles. These are eternal truths, and they exist whether or not we have discovered them.

**Let Majority Decide**

In contrast to this view is the growing belief that people can decide right and wrong by majority vote. This assumes a completely capricious universe wherein an action is judged right or wrong by popular opinion and by how well it seems to work at the moment; there are no eternal truths—no laws that cannot be changed by man.

This, of course, gets into a philosophical area difficult to document statistically. Some call it the area of faith—this belief in Natural Law or God. But how can one view the wonders of the universe—and of man—without some such faith in an ordered, moral force back of it all?

Tied closely to this first assumption—and perhaps a part of it—is the question: What is the nature of man?
Why are we here? The great minds of the ages have directed their attention to this question and it probably will be pondered as long as man is here. But for the moment, let us assume that man's primary purpose is to develop, to the fullest extent he can in his lifetime, those creative potentials with which he is endowed.

The Right to Life

From these two basic assumptions—that this is an ordered, moral universe and that man's purpose is to develop his creative potentials in harmony with these laws—we can derive certain rights of man that seem to spring from them.

First, and perhaps foremost, of these rights, is the right to life itself. There seems to be a natural right to life, in harmony with Natural Law. In speaking of this as a "right," I do not mean to imply that life, as we observe it, cannot be taken from one; a man can be deprived of life, and this has happened. Nor would I agree with those who think that the right to life means that society owes them a living. That seems to me to be a perversion of the individualistic concept of man.

If one has the right to life, then it follows that one has the right to sustain his life with his own time and means, so long as he does not infringe on the same right of others.

If one has the right to sustain his life, then he has the right to whatever he is able to produce with his own time and means. It follows that he has the right to consume
it, or keep it, and thus arises the right of private property.

If one has the right to own property, then he has the right to exchange it, sell it, or give it away on any terms acceptable to the recipient.

If we accept these basic human rights as being in harmony with the Natural Laws of an ordered universe, then we can begin to build thereon certain codes of human conduct. Interestingly enough, we find running all through the many centuries of recorded history a code of human rights resembling to a considerable extent Christianity’s Golden Rule and the Ten Commandments. The various versions differ in their wording, but the ideas are there. It seems no accident to me that these codes have been formulated by peoples at widely different times and in different places. I am willing to accept them as at least an approach to an understanding of Nature’s moral laws. Truth is something man probably always shall pursue, and he may catch a glimmer of it here and there.

*The Practical Application*

So far, all of this may seem hypothetical. It’s the stuff philosophers feed on, but has it really any practical value? I think so, and will try to show why such a concept as the right of private property has practical application. I submit that the entire structure of our advanced economy rests on the foundation stone of private ownership of property. When we lose sight of that, the structure is in danger of collapsing. Though the arguments may
sound a bit materialistic, bear in mind that they rest on moral grounds.

The key to our material progress has been exchange—producers trading with one another, or the trading of labor for money and money for things or for services. In the primitive economy, such as prevailed as recently as 150 years ago in this country, most people were farmers. Nine out of ten families lived on farms and were essentially self-sufficient. They provided their own food, their own clothing, their own shelter; and there was little else. There was little exchange, and the level of living was very low by our standards today. Capital and tools were scarce, and all able-bodied members of the family worked from dawn to dark just to provide the bare necessities of life.

**Phenomenal Progress**

Contrast this primitive economy with what we find today. We are fabulously wealthy by comparison. Even low-income persons today have things which heads of state never dreamed of having in the past—things such as better health and medical care, education, television and radio, transportation by air and auto, super highways, modern housing, and all the rest. The availability of these things may be traced to the accumulation of capital for the tools of production, which enormously multiply man's creative capacity, and to a highly efficient though complex system of exchange.

The capitalistic system of production and exchange
rests upon a few simple, but important, basic principles of economics:

1. Scarcity of Economic Goods

All things of an economic nature are scarce and wanted. If a thing is not scarce, like the air we breathe, then it is not of economic concern. But the things we talk about in economics are scarce. These include food, clothing, housing, highways, automobiles, medical service, the services of teachers and ministers, and a long list of other goods and services.

The fact that all these goods and services are scarce and wanted by persons means that somehow a way must be discovered to decide who gets what. Many attempts have been made through the course of history to solve this problem. For example, one method is for the strong simply to take what they can from the weak. Another way is for government—the State—to expropriate all production and dole it out to the citizens according to some plan. This is the plan advocated by the Marxists—"from each according to his ability and to each according to his need"—the rulers, of course, deciding on needs.

Remember wartime rationing of meat? The price was arbitrarily set by government below what people were willing to pay, and the result was so-called shortage of meat. So a system of rationing, by means of tickets, was used to determine who got what.

There is a better system of deciding who gets what, one that we used for many decades, and it worked beau-[ 175 ]
tifully. More about that later. The point here is that all economic goods and services are scarce and must be rationed in some way. Who gets what is very important.

2. The Principle of Least Effort

Another important economic principle is that we all seek the greatest amount of satisfaction in life with the least amount of sweat. Economists say we tend to maximize our satisfactions with the least possible effort. On first thought, this may seem like downright laziness and not a very worthy trait. But further reflection will reveal that it is a highly worth-while device—the very essence of conservation—the foundation of our exchange system. Here's the way it worked in a primitive economy: One man was highly skilled in catching fish. Another was skilled in growing vegetables. The vegetable grower found that he could trade some of his products for fish and have a greater total than if he had to stop his gardening and catch his own fish. Both gained by the exchange, less effort being required than if each had tried to be self-sufficient. So they traded to their mutual benefit.

It is no different today. What is the easiest way to get an automobile? For most of us, the answer is to get a job, save part of our wages, and buy one. That is doing things the easy way. Call it laziness if you will, but it gets results.

Now, if this "least effort" principle is followed indiscriminately, it leads to trouble. Some people discover that the easiest way to get something is to steal it. But
that system soon breaks down for a society generally. Besides, it violates our ideas of moral law and the rights of private ownership of property.

It is only a slight variation of simple theft for people to join together and, by majority vote, take property from those who have it and give it to those who have it not. When doing things the easy way is carried to this extreme, it has serious consequences as we shall see.

It must be recognized, of course, that wants and satisfactions vary tremendously from person to person. One person may find his greatest satisfaction in leisure; another finds his gratification in truly charitable activity; a third prefers above all else living in a beautiful home; and still another gains greatest satisfaction from a large family of children. The variety is endless, simply because of the individuality of human beings. Any centrally planned scheme for dividing the world’s production involves a forced conformity to one pattern of wants and satisfactions and is certain to miss the mark by a wide margin in the case of practically everyone. The more man has, the more he wants, and the more important it becomes that the satisfactions be left to the choice of the individual.

3. Specialization and Productivity

A third economic principle important to an exchange economy is that specialization increases productivity. Persons possess a tremendous variety of talents and abilities. Some make good doctors, others are fine lawyers,
respected teachers, skilled mechanics, master farmers, and so on and on. By exchanging with one another the abundance of production that results from the application of these highly specialized skills, each is enabled to gain a maximum of the satisfaction he seeks.

The facts that economic goods are scarce and must be allocated by some method, that people try to maximize their satisfactions with the least effort, and that specialization leads to high productivity—all point to free exchange as the most nearly perfect system by which individuals may fulfill their mission in life, developing their own creative potentialities to the greatest possible extent.

**The Importance of Private Ownership**

This system works satisfactorily only when it rests firmly on the foundation of private ownership of property. What is mine is mine and what is thine is thine. Otherwise, how could there be voluntary exchange? I would hold that this is in harmony with Natural Law and the moral laws of the universe.

The right to private property simply means that a man has the right to what he has honestly acquired, either by production or exchange. He has a right to what he produces. He must be free to use it if he so desires, to exchange it with anyone anywhere on any terms agreeable to both parties, to keep it if he wishes for future use, or to give it away. A man's labor is his property. He must be free to work for himself, or for another person on what-
ever terms they agree to, free to donate his efforts to any voluntary cause or simply to remain idle if he chooses.

But every day, on all sides, we see violation of the rights of private property. We still have rent control in New York State. This means that the owner of a property is prevented by law from renting it to a person of his choice at a price agreeable to both parties. The evils of rent control are especially vivid in European countries where controls have been in effect since World War I.

In England, a man may think he owns a farm, but unless he farms it in a manner acceptable to the government, it may be taken away from him. Ownership without control is not ownership at all. In this country a farmer may grow wheat for his chickens, but if his acreage exceeds the government quota, he is penalized.

Isn’t it a violation of property rights to take money forcibly from the citizens of one community and give it to other citizens in the form of subsidized rates for electricity? That is exactly what is done through TVA and other river valley authorities.

Aren’t property rights violated when a citizen of one country is willing to exchange his product with a citizen of another but is prevented from doing it by government exchange controls or by quotas?

Isn’t it a violation of property rights to compel a railroad to hire firemen for diesel locomotives or other workers it considers not essential?

Isn’t it an immoral act and a violation of property rights for a government to seize half the value of pension funds individuals have set aside for their old age? We
have seen it happen before our eyes, through inflation.

A moment's reflection will reveal many other invasions of the individual's right to his own property. Anytime a new proposal comes along, just make this test: Does it forcibly take property from some persons for the alleged benefit of others?

Suppose 51 per cent of the people, by majority vote or through their representatives, say that it is perfectly proper to do these things. Does that make it right? Can right and wrong be determined by majority vote? Are you willing to be guided in your religious views by the test of majority vote? Shall the majority decide whom you shall marry? Or where you can travel? No, there are still some things men will not have decided for them by the majority. But where is the line to be drawn? Majority vote has its place, of course. I see no better way of electing the officers or a board of directors of a corporation or church officers or the officials of a state. But there are many questions which should never be put to this test. Among them is the question of what you do with your private property, so long as you do not infringe on the rights of others.

The Pragmatic View

Now, of what practical significance are these concepts? Let's be quite pragmatic. An economy based on private rights in property, with a free exchange system, can produce fabulous results. We have seen what it has done in this country in 150 years. There are simply no limits to
what it can do. And even more important than the ma-
terial wealth which this kind of freedom can produce is the kind of people it develops. Is there another system that enables—yes, encourages—an individual to develop his own creative potentials to the fullest?

But interfere enough in the market place—deny these rights to private property—and the system will surely come to a slow grinding halt. Remove the incentives to produce and exchange, and in place of a flowering econ-
omy we will see a muddled mess of bureaucracy, loafers, people looking for something for nothing, and an entirely dejected, unmotivated, unhappy, and immoral mass of humanity.

**Self-Development**

Man's purpose on earth is to develop himself as well as he can in harmony with an ordered universe regulated by Natural Law. This is at once his right to life and his obligation to live long and wisely. To sustain life, he must have a right to own what he has honestly come by—private ownership of property. He must be free to own it, to use it, to exchange it, to sell it, or to give it away on any terms agreeable to those involved. No third party, whether a person or combination of persons, has a right to intercede in the production and exchange process. Ownership of property is an empty, meaningless term if the owner is not allowed to control the property.

Interference with private ownership, whether it be in the market place or elsewhere, violates moral law. It
doesn't change moral law. It doesn't change right and wrong, but only violates the laws; and the penalties will be levied just as surely as they are when any of Nature's laws are violated.

The Truth Will Stand

The chief dangers to our economy do not lie in Moscow or behind the iron curtain or in some far away place. They are right here—all around us—now. The solution to this problem will not be found by electing the right president or congressman, or city councilman, or member of the local school board. It is not that easy. The answer, as I see it, is in understanding, by business leaders, teachers, clergymen, writers of books, magazines, and newspapers—opinion molders—thought leaders. It is a long, tough educational job, and I see no short cuts to getting it done.

We haven't developed our present philosophy in this country overnight, and it will not be changed overnight. At least a generation has grown up in the belief that government can and should give something for nothing. If your village needs a new sewerage system, ask your congressman for a handout from the Federal Treasury—and it won't cost anyone anything! So long as such ideas prevail, we have the mechanism all set for continually expanding the invasion of the rights to private property.

I could become quite pessimistic about our situation if I had no faith in an ordered universe that responds to Natural Law. Along with this faith in an ordered uni-
verse goes a faith that free men will act wisely. I am convinced that truth will prevail however much we disregard it at the moment. As Jefferson explained:

"It is error alone which needs the support of government. Truth can stand by itself."
Man's inner conviction must precede man's outward action.

As a rational being, man does not move without due cause. It is wholly false to presume that correct action can occur in advance of correct thinking. The currents of energy which drive each human being originate within him and move outward. These currents cannot be reversed.

It is important that this matter be understood. The actionists among us seem to fail of this understanding on occasion. They presume that without thought, without conviction, man can be directed by others. This can only seem to occur if the individual surrenders his own volition and trusts blindly in the absoluteness of a leader. It matters not whether that leader is a government representative, a union racketeer, or a church dignitary. To surrender one's own processes to the control of others is contrary to life itself and is, if we look closely, actually impossible. Life moves from the invisible, from whence

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we all sprang, into the visible. Cause must inevitably precede the effect.

**Method Is Important**

Since, in this world of ours, we tend to concentrate upon effects, the importance of selecting the precisely correct method to arrive at the effect we want, is of paramount importance. The means to the end are, in a sense, the tools we must use to achieve. If we select the wrong tools—thus, the wrong means—the end cannot be what we envisage. No end can possibly be desirable if, to achieve it, we must use immoral and evil methods.

Strangely, almost mystically, man tends to become that upon which he concentrates. A man preoccupied with earning money, placing money as his immediate and all-encompassing goal, is very apt to have a great deal of money. The reason more people do not have more money is simply because they do not concentrate upon this one thing. Instead, they permit themselves to be drawn away from that objective, thus scattering their energies upon a thousand devious things. Their actual progress in a given direction is related directly to their ability to concentrate upon that direction. To achieve mightily, intense concentration is mandatory.

In discussing the nature of freedom and the problems which must inevitably come up when we think of a totally free society, we note the ever-ready willingness of persons to abandon freedom as a goal and to permit themselves to be sidetracked.

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Most persons who believe in freedom, for example, will admit that a certain amount of defensive force is inherent in freedom. If there are persons in our midst—and who could deny it—who will not govern themselves, it follows that something or someone outside themselves must govern them. Control is essential, lest chaos ensue. The problem is to create a desire within the individual so that he will practice self-control. When he does so, there is no further necessity for worrying about him. If he is governing himself, there is no necessity for someone else to govern him.

But it is at this point that many otherwise good students of liberty turn aside. Instead of concentrating upon liberty, they strike off on a tangent, busying themselves with seeking to find ways and means of controlling others. And what they concentrate upon, they tend to become.

**Defensive Force Becomes Aggressive**

It might be said that this is mankind’s basic trap. For, having acknowledged that defensive force is necessary, we must accept the corollary that it is necessary only when aggressive force is present.

If the amount of aggressive force in evidence at a given time is diminished, it follows that the necessary amount of defensive force would diminish in the same exact ratio. If more defensive force exists than aggression necessitates, then force, presumably defensive in character, becomes itself aggressive.

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Thus, it will be seen by keen students of human nature that if we concentrate our energies upon providing adequate defensive force, we will in all probability exceed the requirement for such force. Instead, if we can concentrate upon freedom and upon attaining greater and greater self-control in ourselves, then the need for defensive force will diminish as the possibility of aggressive force being used diminishes.

In the end, we will be that which we concentrate upon. Shall we renew our concentration upon freedom? Or shall we succumb to the temptation to concentrate upon security, protectionism, and finally, force?
THE FEDERAL RAID
ON LIBERTY

by E. W. Dykes

In America, we still ride the crest of a wave of material progress unique in the history of mankind.

If that terminology implies danger ahead, the implication is deliberate. We seem to be abandoning the principles and practices of personal freedom that released the human energy behind our tremendous productivity. Instead of fearing and limiting the power of government, we behave as though central planning, compulsion, and control were the source of our well-being. We keep on granting authority to and seeking favor from a government, the tax burden of which approaches the limit that any economy can bear.

My contention is that we are deceiving ourselves in many ways, one of the most subtle and disastrous of which is the system of federal grants-in-aid. This clever scheme, involving an apparent separation of those who are taxed from those who receive the funds, allows the latter to believe they are getting something for nothing. This illusion is heightened by the fact that some sections

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do indeed enjoy a temporary advantage because of a grant. But the strong tendency is toward equalization of such "advantages," until few if any will have escaped the taxes that are the other side of this subsidy coin.

Suppose the question were asked this way: Do you think that the federal government ought to grow? In other words, do you think the government should spend more of your money, taking added powers unto itself? Put it that way, and hardly anyone would give an affirmative nod. But let's get down to cases.

**A Project Begins**

Here's what happened in my town—and it could just as easily happen in yours, if it hasn't already. Ask my fellow citizens about a bigger government, and I believe most of them would answer no. But when the issue concerned an expressway in the community, let's see how they acted. One of our public spirited councilmen wondered why we send so much money to Columbus for roads but seem to get so little of it back. So he was appointed chairman of a committee to find the answer. Our chairman and his committee went to Columbus and came back, after several months of discussion and deliberation, with a promise of major assistance for an expressway right through the center of town. This would be a part of the state highway system.

A catch in this proposal requires that we put up some of our own money "to show good faith." The entire project will cost some $13 million (latest estimate of a
figure that tends to rise). Of this, we are to pay approximately $1.7 million, while the state and federal governments will make up the balance.

A project of this size and nature can touch off quite a controversy in any community, and it did. Opponents of the expressway argued that it would ruin the park system which it is to parallel, or cross in places; also that anyone in his right mind builds highways around cities rather than through them. I mention these points only to emphasize that, as far as I could tell, no one expressed any real concern over the method of financing. The only references I recall were by proponents of the measure who insisted that we must get "our fair share" of the taxes we already pay. A four-mill income tax for raising the city's share of this expressway passed rather easily, not overwhelmingly—but with a comfortable margin. And we are pretty hard on tax measures in our town, too. Taxes for local improvements usually have a hard time.

**Bribed with Our Own Money**

One of the questions I've pondered with friends on several occasions is this: "What if the issue on the ballot had been: One Expressway—$13 million? How would Canton voters have reacted?" So far, I have found no one who believes it would have carried—not one person. The expressway is entirely within the city limits. Its total cost is $13 million. Nearly everyone thinks it is a desirable improvement. Yet no one believes that the voters would have been willing to pay for it. This frightens me.
If we can assume that state money is reasonably distributed around the state, and if federal money is similarly apportioned to the various states, then the expressway will cost us not $1.7 million—not $13 million—but probably between fifteen and twenty million dollars. You can imagine what the voters would have said to that!

Why this higher figure of $15 million or more? First, there is the brokerage we have to pay when our money travels roundabout through several bureaus and thence back to us. People have to be paid to shuffle all those papers and tie red tape around them. Secondly, Canton citizens pay more than a proportionate per capita share of taxes both to the state and to the federal government. Besides paying more than an equal share of the costs for such projects, our community probably gets back fewer project dollars per capita; and that makes the ratio still worse for us. Rather than argue that point further, I’ll rest my case on the known figure, which is $13 million. We probably would not have bought the expressway with that price tag on it. Nevertheless, we have bought it—and it looks to me as though we were bribed with our own money.

It reminds me of the proposition the doctor offered a patient who needed a blood transfusion: “We have no blood available right now, so we’ll just take a pint out of your right arm and put it in the left one.”

I’m not opposed to expressways. I’m happy to use them, just like anyone else. I just don’t like to have them financed the way ours was handled. I believe it will ever be to the people’s advantage to know exactly what things
cost so that each of us may judge what other things he'll have to forego in order to make that particular purchase. Otherwise, what we will forego in the end will be our freedom, our form of government, our legacy to our children. We will destroy the "mainspring" of the human progress we have known. And that price is too high!

Queer Bookkeeping

Suppose you and your wife have a joint checking account. Your wife comes running up to you one day and says: "Dear, I just bought a new refrigerator; and when I looked in the checkbook, there was only enough for the down payment. Why don't you write a check for the balance?" And so you do. But you somehow get enough money in the bank first. So it is with federal aid. You write the down payment and "they" pay the balance but, one way or another, you put up all the money—plus the carrying charges.

By what delusion do men hope to get a $13 million product by paying $1.7 million? How are people drawn into spending money for something they wouldn't buy if it had the full price tag on it? And is there anything really dangerous in such a process? Well, not unless there is danger in a mammoth, centralized government.

A generation ago, the annual bill for all federal grants-in-aid was less than a quarter of a billion dollars. This year's bill is $3 billion, and fifteen new programs have been suggested. Only small amounts are required in most cases to get a new program started; but then, look out!
Careful economists and historians warn us that freedom cannot stand excessive taxation. Just how much further we can go, no one really knows. But there is no point in testing it. As in Russian Roulette, there are no winners.

**Spending Ourselves Rich**

How did this federal aid business get started—and when and why? Right here in America, there are people who believe in the foreign idea of an all-powerful, centralized government. For the most part, I think they are people who truly believe it is the best way for society to be organized—best for all Americans when considered as a group. During the financial crisis of the early thirties it is not surprising that many such people gravitated to Washington. And some didn't just gravitate—they were sent. The country was in dire straits and was in the mood to try almost anything.

“Something new has been discovered,” we were told. “With a little planning we can spend ourselves rich.” And many believed it. The theory, of course, is not new. It has been tried and discredited as long as there have been governments. But people in distress forget their history easily and pretend that their own case is different anyway. Many of the measures were introduced as “temporary” programs—something to get us over the hump. But there is nothing temporary about the tendency of a bureaucracy to expand. Each new measure of intervention increases the difficulty of turning back. Just see how hard it is for Congress to cut a measly billion out of the
budget. Measly billion? That represents more than six dollars for you and every member of your family.

There are other drawbacks to letting other people spend your money for you. The Supreme Court has said, "It is hardly lack of due process for the government to regulate that which it subsidizes." I hear people saying that if it were possible to set up an aid program without federal control, they would have little objection; but they don't see how it is possible to have such a program. I agree that it can't really be done, but I wouldn't even want it to be done. It seems to me that federal aid should mean federal control.

**Controls Go with Handouts**

I do not favor passing out tax-collected money, which always includes some of mine, on the basis that the recipients may do as they please with it. So-called free money is almost always spent carelessly. There is something about human nature which allows this to happen. We have the feeling that money from the federal treasury is like manna from heaven and not our own hard-earned cash, which it once was. You can find numerous examples of such mismanagement of money acquired without the responsibility of earning it. I recall the year that a political decision knocked out a $5 million appropriation request for a South Pole expedition by Admiral Byrd. The same year, Marshall Plan money went to one of the Scandinavian countries, and it sent an expedition to the South Pole. This is somewhat like the case of the poor
family in the community which has a hard time with the grocery bill but somehow manages to keep an old car running. We give them money for groceries and admonish them not to use any of it for the car. So they don't. They take our money and spend it for the groceries, and then they take the money they might have spent for groceries and spend it on the car.

So I repeat: Controls must be exercised over the spending of tax-collected money. And any argument against such controls is simply an argument against federal aid.

Federal aid is part and parcel of the transformation from the free to the planned economy. A completely free economy is one in which you may spend all your money as you see fit. But the grant-in-aid part of the planned economy is growing with no end in sight. How long until all our money is to be spent this way? And if not all, where is the stopping point? Unless we draw that line, the free economy—and with it free people—are gone.

**Federal Direction of Our Lives**

One of the strongest reasons against federal aid is that it results in federal direction of our economy. Let me explain what I mean by “direction.” If, by subsidies or such devices, we should reduce the price of electric power to nothing, just as many industrial plants as possible would do all their heating and other work by electricity. On the other hand, if we were to use subsidies to provide “costless” coal, most plants would use
coal. Or, if we drastically reduce the price of electric power in one state or area, this “directs” plants to settle there. In other words, it is possible to cause things to happen by the use of the subsidy which might not happen in a free economy. But the cost is still there. Such “direction” occurs all the time under federal aid programs. You do things you would not do if you were exercising true freedom of choice.

Let us suppose you earn $500 a month in take-home pay—that much, after the tax deductions. Each month you decide how you are going to spend your money—so much for the house, so much for food, so much for clothing, the car, and so forth. It doesn’t always come out even, of course, but by and large you know where you are going to get your money and how it is to be spent. From time to time you have to make decisions, such as whether or not to take a vacation, where to go, and all the rest of it. Sometimes if you see something that you want in a store window, a decision to buy it often involves deciding what other things you’ll do without. But all the time you know about where you stand. In your decision-making you constantly weigh the advantages of this or that item and how much you are willing to pay for it.

**Free Market in Action**

This is the free market in action. Producers are directed to produce by consumer actions in the market place. Generally speaking, the most important things are
the ones you buy first while inconsequential things are by-passed. In contrast, when the government is spending your money, you no longer have the chance to make such decisions—no chance to take into account the relative advantages of this or that item. In other words, you are virtually without choice in the situation.

If we were able to buy roads and schools in the same way that we buy food and clothing, then all these things would find their proper relative positions in our economy. We would then be able to say that the amounts spent for these things were precisely the amounts we wanted to spend.

*The Case for Local Control*

Yes, I firmly believe that we ought to explore the potentialities of the free market for such of our wants as schools and roads, which have so long been considered a responsibility of local and state governments. But I will not here be so stubborn as to refuse to recognize the advantage of local rather than federal control. When a local project is put up for consideration, you at least get a chance to vote for it as a question by itself. And usually, you've a better chance of knowing what the project is going to cost. In our area, when it comes to a school bond issue, the committee in favor is forever showing how its cost will equal one pack of cigarettes per day if you're in a certain tax bracket, two packs in a higher bracket, and so forth. The grant-in-aid project, however, requires that you put up only 5 per cent, or 10 per cent, or

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perhaps you only have to ask for the money. But the other costs are there, just like the hidden part of an iceberg—and just as treacherous.

Local projects at least can be weighed with knowledge of approximate costs. And your decision can be made on the basis of that one project—not on a hit and miss arrangement of sending money to Washington and hoping that some of it eventually gets back to you in a project someone else will have chosen for you.

What could we do in Canton with the $13 million which will be spent for the expressway? We could replace our decrepit city hall. We could put storm sewers in many areas now subject to frequent flooding. We could fill thousands of chuck-holes in the streets with something more durable than cinders. We could bring our schools up to date—all of them. We could have a modern traffic signal system. We could have all those things and perhaps others too, or we could have part of them and lower taxes—more left for our free choice in spending. And remember that freedom to choose is the distinguishing characteristic of a free man.

**The Provident Pay Twice**

Let's look at another aspect of the federal aid idea. Most of the things for which federal aid is proposed are already being provided in many communities at their own expense. But federal aid involves taxing these areas more heavily than before to help finance projects in other communities which have chosen not to do such
things for themselves. So we are burdening people who pay their own way by imposing taxes in addition to the ones they have already voted on themselves. And all because someone thinks progress can be forced.

Much of the clamor, particularly with reference to aid for schools, has been on grounds that local communities cannot stand further debt. But the federal debt of approximately $275 billion already is several times larger than the combined debts of all state and local governments. Such an argument for federal aid lacks validity for reasons too numerous and too obvious to be repeated here.

*Let's Set an Example*

The mainspring of human progress is individual liberty, and individual liberty decreases as federal power increases. Federal grants-in-aid represent a significant and growing part of federal power already too enlarged for safety. The first step is to recognize it for what it is—a sham and a hoax. Logic, then, calls for an immediate halt to this federal raid on liberty. Instead of clamoring for “our fair share because we’re paying for it anyway,” why not resist and set an example for others to follow? Why not practice what we profess to believe?

Mr. Ed Lipscomb has this to say of *The Personal Practice of Freedom*: “There never was a salesman who really went to town if he didn’t believe in his product enough to use it himself. You can’t sell Fords effectively if you ride up to see your prospect in a Chevrolet. You
can't sell Camels convincingly with a package of Chesterfields sticking out of your pocket. Your friends and acquaintances may not always believe what you say, but none will question for one moment the fact that your personal conduct and consistent personal practices speak the truth as you see it. You cannot convince your neighbor by word of mouth that you are a believer in temperance if he sees you staggering around your house every Saturday night. You cannot convince him that you are in favor of government economy and then sign resolutions calling for federal funds with which to build your town a bathing beach or even a hospital.... Freedom rests, and always will, on individual responsibility, individual integrity, individual effort, individual courage, and individual faith. It does not rest in Washington. It rests with you and me."

One must decide what is right, and order his own life accordingly. This is a good maxim to follow regardless of the situation. So this is my response to anyone who says, "Let's get our share." If my share is to be a contribution to the destruction of the American way of life, I will have no part of it. I cannot participate and remain faithful to myself, my children, my fellow men.
The problem of relating responsibility to freedom and security has plagued human society for countless centuries; it remains one of the most pressing burdens on contemporary civilization. Perhaps the most difficult aspect of its solution is man's persistent unwillingness to face the obvious dilemmas involved.

As far back as in Abraham’s day, in Ur of the Chaldees, Sumerian society had achieved a balance to the problem which met both the demand for freedom on the part of some as well as the social hunger by others for security of guardianship. The implications of this ancient solution might be unpleasant to modern man, but they are nonetheless inescapable.

Sumerian society by law was divided into three classes, each with clearly defined legal status, privileges, and rights. The upper-class freemen, the “aristocrats,” constituted the ruling elite of society. They were the priests, the government officials, and the rank and file of the army. They constituted the privileged group, and were

The Reverend Mr. Rushdoony is pastor of the Trinity Presbyterian Church, Santa Cruz, California.
more or less sacrosanct in person. Any act of violence against them entailed a greater penalty than one committed against the middle class or against slaves. They were, in one sense, good examples of the overprivileged aristocrats caricatured by Marxists. But this gives only one side of the picture. The aristocrats were privileged because they bore the burden of maintaining Sumerian society. Life in Church and State was their responsibility; their social function gave them a utility which made them indispensable to the whole State.

Because they shouldered the responsibility, they therefore had a corresponding freedom. It was the aristocrat who fought and died for Sumerian liberty in the army, and was hence entitled to a greater freedom under law. He won his freedom by responsibility and accountability. When he violated the law, his punishment was severe. When he went to doctors, lawyers, and others, he paid double the fee of the middle class. Because he bore the main burden of society and assumed a greater responsibility, and legal and social accountability, freedom became his prerogative.

The middle class, while free, had less social accountability and responsibility. No military service was required of them except in emergencies, such as the invasion of the land. The penalties of the law were less severe against the middle class and were essentially financial rather than personal. They were the traders, the doctors, lawyers, and other professional men, the farmers, the great body of freemen, able to function freely under law, advance their fortunes, and further their enterprises, but
always beneath the law and government of the upper class. As a class, they were personally responsible and personally accountable; but because their social responsibility and accountability were limited, as compared to the upper class, their status was therefore subordinate and their participation in government limited.

Slaves were the third class, into which many were born and others came as prisoners of war and because of debt and poverty. They had absolutely no part in the life of the State, having no personal responsibility. They could be bought and sold, could be punished severely if they became fugitives, and were legal property. On the other hand, slaves had some very real privileges. They were secure—in the sense that a ward or a prisoner is secure. They could protest their sale and submit the question to court; they could carry on business enterprises on the side and save money. They could marry, and if the wife were free, be assured of their children's freedom under law. They could purchase their freedom and enter the middle class if they had the means. The Sumerian slave had maximum security under the law, but he had little social responsibility and little freedom. To gain a greater measure of freedom and social responsibility, he had to forsake his status as a ward and live the more exposed life of the middle class.

**The New Slavery**

The significance of Sumerian society is obvious: Lust for security is incompatible with the requirements of
responsibility and freedom. Modern man tries to gain all three by means of government action; he abolishes class lines and personal slavery, only to create slavery on a vastly greater scale. The world has not otherwise seen slavery on so vast a scope as that under Nazi German and Soviet Russian governments, and, in increasing degree, in the welfare economies of contemporary States. The omnipotent State becomes the new slaveholder, and the citizenry the slaves; and it becomes impossible for any man to escape into freedom because of the vast extension of political power. The price of the guaranteed life, sometimes called security, is always the surrender of freedom and responsibility, the surrender of true accountability, to the fiat will of the State. What the Sumerians recognized in antiquity, modern man perversely refuses to accept, hoping against hope to have his cake and eat it, too.

No Security without Freedom

But the lust for security destroys itself; no man is more insecure than the slave of the modern State; for he will tolerate no free classes, as did the Sumerian slave, to furnish protection for him. Freedom and responsibility still involve, as in Ur, an exposure to problems, insecurities, and social burdens which are often pressing and heavy. But, in final analysis, no greater security ever appears than the security born of freedom and responsibility.

The Sumerians exacted a price from those who yearned
for security. So does the modern State. As it assumes the burden of welfare and social provisions for its citizenry, the State declares in effect that the price for subsidy is the surrender of freedom and responsibility. The State becomes increasingly free to act omnipotently, and the citizen increasingly a slave. The freedom of Sumerian aristocrats and the middle class was the guarantee of the society’s basic health, and the ground for the security of all. But the freedom of the modern State from an independent citizenry spells slavery and ruin for all. The issue remains unchanged. Ultimately, the issue between freedom and security is clearly seen as responsibility versus slavery. Modern man finds responsibility burdensome; he will shortly discover that slavery is even more burdensome and less rewarding.
Dan N. Hendricks, Jr., President
Seattle Professional Engineering Employees Association
3106 Arcade Building
Seattle 1, Washington
Dear Sir,

I wish to inform you that I am discontinuing my membership in SPEEA. In order that my reasons for this action are properly understood, I would like to explain the basis upon which this decision was reached.

I would first like to commend SPEEA for its "new look," its attitude of cooperation and good will toward management. In this light SPEEA reflects the type of organization to which I would like to belong, and which I believe could perform a valuable service to both management and the engineering profession.

My objection to SPEEA stems from an entirely different consideration, that of its being a protected organization under the Wagner Act, as modified by the Taft-Hartley Law. Under this legislation SPEEA is

Mr. Smith is an engineer with the Boeing Airplane Company in Seattle.
technically in fact a labor union, and granted certain powers by law in employer-employee relationships. As such, and I think you will agree with me, SPEEA is, by legal definition, a labor union, regardless of what high aspirations it may have in the way of professional status and recognition.

**Historical Background**

Recent study on my part has brought me to a re-evaluation of the moral and economic validity of the labor movement. An examination of the historical background of the labor movement is most enlightening in this respect.

We are, of course, forced to look at history through the eyes of historians. This introduces a seemingly incalculable margin for possible error, the interpretation of historical events by the historian. Opinions involved in the relating of events must, of necessity, reflect the judgment and experience of the historical writer, which accounts for the divergent opinions we so often find as to the fact and the interpretation of history.

I believe that such historical interpretation of the events that gave birth to the labor movement is a case in point. The early Industrial Revolution era was a time of extreme hardship for the laboring man, when he was faced with notoriously poor working conditions, long hours, and low pay. Conditions of work were, by our present-day standards, intolerable. Such, I believe, is fact, contested by virtually no one.
One must be careful, however, in evaluating cause and effect. We are told, and it is the classical interpretation of our day, that these were arbitrary and unjust circumstances, capriciously visited upon mankind by unrestrained capitalists who submitted humanity to unbearable indignities in their power and greed for unearned profits. This is an oft-told story which, in one form or another, we have all heard many times. The justification for the rise in the labor movement is based upon this interpretation of events, and the continuation of the labor movement is similarly defended upon the proposition that, given the chance, economic power in the hands of the unscrupulous would again exploit the laborer and reduce him to the status of a mere pawn of the entrepreneur.

Looking Beneath the Surface

We must remember, however, that basic and fundamental causation for a given phenomenon often lies far below the surface. For example, it is very easy to conclude that the crash of the stock market caused the depression of the early thirties. We completely ignore the root of the problem, however, by failing to ask, "What caused the stock market to crash?"

To evaluate fully the circumstances in question, we must carefully consider the whole story. What were the conditions of employment and the relations of the laborer to society prior to the Industrial Revolution? What was the impact on the status of the laboring man of

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the readjustments in economic relationships caused by the Industrial Revolution? It is in this light that we find that the classical interpretations have grossly ignored so much relevant data as to completely distort the fact.

Rather than being a time of idyllic conditions of peace and good will, of happy economic circumstances in which the common man enjoyed a relatively stable and useful life, we find that the pre-industrial era was a time of infinitely worse conditions. There was virtually no place for the common man. Instead of widespread opportunities for gainful employment, there was a bare minimum of subsistence for most of the populace. Many were doomed to debtors' prisons, workhouses, or communal relief. Even under the relatively democratic freedoms of pre-industrial England, life was but slightly improved over that which existed under former autocratic and totalitarian despots.

A Tremendous Improvement

By contrast, the Industrial Revolution, with its poor working conditions, long hours, and low pay, was in fact a tremendous improvement in the worker's status over that which existed prior to that time. For the first time, the common man had a decent opportunity to pay his own way instead of living by the grace of charity, and to make a real and respectable contribution to the cause of humanity. It would seem to me wholly incongruous to condemn an era for having immensely improved the lot of the laboring man.
When we compare the working conditions of any past era to the conditions of today, we must consider the fact that before one can run, one must learn to walk, and before one can walk, one must learn to stand. In climbing a ladder from the very bottom, one must, of necessity, start with the bottom rung. To consider that the conditions of any past era were poor by today's standards as an indictment of the free enterprise system, is to ignore the fact that the productivity rate of the laboring man also started at the bottom. The capital investment per worker and his productive capacity in the year 1800 were only a mere fraction of the capital investment and the productive capabilities of the worker of today. We would be extremely foolish to think the laborer could have sustained himself with even the barest necessities of life as we think of them on an eight-hour day, five-day week with paid vacations and numerous other "fringe" benefits in the year 1800. It is patently impossible to withdraw from the economic cornucopia more than has been deposited therein. The low productivity level meant that the economic valuation of each worker's contribution was therefore low.

It is undeniably true that fortunes were made during this period, and that the distribution of wealth was very uneven. We might assume from the popular interpretation of events that all capitalists and entrepreneurs were living in the lap of luxury, that all who ventured into capitalistic activity were rewarded grandly.

When we examine the total picture, we find contrarily that relatively few made the grade, that the overwhelm-
ing majority suffered mediocre success or total failure. And which ones did attain the most success? Those that survived that we might hear about them, those that supplied the public needs most effectively and efficiently, as determined by the overwhelming vote of confidence given them by the consumer in the market place.

Privileged Classes

To state that the producers became rich at the expense of the poor is again contravariant with fact. What was the distribution of wealth prior to the Industrial Revolution? It was virtually all in the hands of—not capitalists who were producers of economic goods—but in the hands of economically impotent purveyors who thrived solely by government favor. For the common man we find an almost total famine of wealth. The Industrial Revolution, instead of making the rich richer and the poor poorer, created an entirely new wealth that was distributed according to the voluntary exchanges evidenced in the operation of the market place. The new wealth went into the hands of those that produced it, in proportion to the degree in which each contributed to the production of that new wealth. The laborer now received something instead of nothing, and the distribution of wealth was solely based upon the market evaluation of each service rendered.

The market for this new production of the industrial era must, of necessity, be the mass market of the people. Mass production without mass consumption is a contra-

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diction in terms. Mass production can be sustained only by the satisfaction of the needs of the mass market, which, in turn, can purchase only with the wages for the labor used in that production, and paid by the owners of the productive means. Thus, to say that the rich became rich at the expense of the poor becomes completely ambiguous and contradictory.

And the laborer has continued to earn an increased share of that wealth in proportion to his productivity. The necessary balance between production and consumption dictates that this must be so. Real wages must, of necessity, increase as the productivity increases, otherwise the market could not possibly absorb the gross output of that production. Conversely, it is impossible for real wages to increase faster than productivity because it is impossible to consume that which has not been produced.

Union membership has shifted purchasing power from one labor group to another; it cannot in toto increase the laborers' share of the wealth. Labor can derive an increased share of the wealth only with increased productivity. But, aside from psychological factors, this can be attained only by increased capital investment to provide more and better tools. We enjoy our high standard of living then, not because of labor unions, but because of our high productivity per worker, in spite of labor unions. Such are the economic facts of life, Karl Marx and Samuel Gompers notwithstanding.

In regard to the fortunes that were made, we may assume that they were made honestly or dishonestly.
If they were made honestly, it would mean that the consumer spent his dollar voluntarily and without coercion where he felt it benefited him most, and those who profited were those who best satisfied the consumer needs in the most efficient and economical manner then known. If we assume that the fortunes were made dishonestly, then coercion in the market place and a violation of individual rights must have taken place. Certainly the consumer would not have willingly parted with what little hard-earned money he had to feather the nests of the already rich without value received.

The System Not To Blame

Let me make it understandably clear that I hold no brief for business management as a perfect example of pure free enterprise in action, who can commit no wrong. I have no doubt that many indiscretions of moral judgment did take place then and still continue to take place today. This is an indictment of persons, however, and not of a system based on economic law. Certainly we know that management has curried special favor from government at the expense of those nonfavored, and I would wholeheartedly agree that such favoritism certainly does not contribute to our national well-being. We must continually be aware, however, that under our capitalistic system, which is just a shorthanded way of saying the right of individuals to seek their place in society as determined by the free market value of their services rendered to society, we have benefited from a
growth in living standards that is enjoyed nowhere else on earth.

The Rights of the Individual

To be free, one must be able to seek an honest determination of the value of his contribution to society. In order that each may do this, our government was conceived that the inalienable rights of man shall be protected from predation and trespass from others, who shall enjoy the same but no greater rights of protection. This, then, is the rightful position of government in our affairs, to maintain with all the vigilance it can command, the protection of these inalienable rights of the individual. When management or any other group seeks special favor of the exercise of government power for displacement of equal privilege, it is the duty of every individual to maintain with equal vigilance command of government to prevent such inequity of rights from taking place.

We cannot expect, in view of the vagaries of human nature, that all persons in our complex civilization will practice to an acceptable degree the precepts of Judeo-Christian ethics. It is for the purpose of protecting these ethical and moral concepts from predators without moral compunction that a moral society resorts to government. Certain powers of protection are delegated to lawful agencies so that the energies of mankind can be freed to concentrate on constructive pursuits.

When government extends its coercive power to the
granting of favors, however, freedom must necessarily suffer. Governments can grant favor to one group only by equal denial of favor to another group. If it granted equal favor to all, how can it be considered a favor?

It is a matter of historical record that we have all too often sought short-range goals of economic advantage without considering the long-range effects of the policies pursued. Disruption of the market for short-range advantage of one group has invariably resulted in economic disadvantage in the long run as the market seeks to adjust to the artificial strain placed upon it.

We would both agree, I am sure, that management has no right to exert coercion in the market, something that it cannot do without trespassing upon the rights of individuals, something it cannot do lawfully without government favor to permit such trespass.

It is my firm conviction, however, that two wrongs never, under any circumstance, make a right. I must, therefore, deny that any individual, or group of individuals, has the right to exert coercion on any other individual or group of individuals. Yet, this is precisely what our current labor legislation is designed to do, to grant government favor upon "organized" labor by permitting it to exert coercion upon the market for labor. This is as morally wrong as any other form of coercion.

From a purely economic standpoint, it is as futile as it is wrong. The standard of living, rather than being raised, is merely shifted from one pressure group to another; in aggregate it is actually lowered because of the waste in manpower, the loss of production, and over-
head costs of supporting all of the economically unproductive machinery necessary to implement and control such coercive powers.

Does this mean that I deny the right of labor to organize? Certainly not. Labor has every right to organize by voluntary contract, but its justification for so doing and its entitlement to recognition should be based upon its ability to contribute to the economic good. The only proof of positive economic contribution can be by the voluntary acceptance of the market of value received. Where coercive power exists, it is impossible to determine to what degree acceptance is voluntary and to what degree it is forced.

It is in this light that I cannot further justify support of SPEEA. I cannot by free choice belong to an organization which derives its powers of existence under coercive law. To do so is to give tacit support and approval to laws that I consider morally wrong. Should SPEEA renounce all rights under these protective laws, disaffiliate with any similarly protected organization, and base its justification for existence upon free and voluntary acceptance of the value that it may be capable of contributing to both management and its members, I shall be most happy to rejoin and give SPEEA my full support. Under such voluntary association without protection of coercive law, it could not exist except that it should be capable of making a worth-while contribution to all parties concerned.

Yours very truly,

Elwood P. Smith
EVERYMAN'S DOSSIER

by Frederick Walker

"This," said Benjamin Disraeli in 1857, "I believe to be the age of statistical imposture." Unfortunately, mortality prevented the Victorian statesman from seeing 1957. It is significant that the growth of statistics and data has coincided with the steady, gradual expansion of the state and its powers. Today the life of the average citizen, Everyman, is carefully recorded in a multitudinous series of files and statistics ranging from Washington to his home precinct. In working and maintaining the processes which fill the dossier of Everyman, we emulate in our endeavors the destructive and all-embracing methods of Nazi Germany and Soviet Russia; but this emulation does not deter us from increasing as fast as possible the already swollen dossier. The invasion of privacy is an accepted procedure. Privacy, once the inalienable right of every American, is dead! Long live privacy.

Apparently there is little recognition of the possibility that the fat dossier of Everyman is an incontestable hold on him if there ever occurs an administration in Wash-

Mr. Walker, public relations consultant and writer from Media, Pennsylvania, is experienced in the workings of government agencies and statistical and testing organizations.
ington unscrupulous and determined to have power regardless of methods used. In troubled times there is always this possibility, and the late Huey Long remains a portent of what might happen. Precooked, prefabricated, processed in his file, Everyman is now at the mercy of any group of politicians who attain power without fanatical concern for their own integrity.

So far, the process has been relatively painless. After wrestling with his individual income tax return, Everyman—when his personal annoyance has passed—is apt to forget how many forms are accumulating in his dossier. The burden of the expanding dossier falls on his employer, the ever-growing groups of civil servants and governmental employees, the vast private agencies engaged in testing, measuring, recording, analyzing, developing the thoughts, wants, needs, intelligence, and status of Everyman.

Little Protest, So Far

Like creeping inflation, our dossiers, stuffed with facts and figures, envelop us as quietly as a fog in the night. Painless and smooth, this development so far has provoked hardly an audible protest. "Security" from womb to tomb neatly guaranteed by a Welfare State leers on our horizon, but at the price of freedom and boldness, daring and initiative—the very factors which brought the American republic to its present position of eminence. It must be remembered that America once offered more freedom, hence more privacy, than ever existed before; and it is well to ask where this freedom is today.
Our civilizations are increasingly paper civilizations. When British doctors recently wanted an increase in salaries, they threatened to refuse to fill out death certificates. The traditional method of the strike was ignored. Instead, the doctors chose a lethal weapon—refusal to add to the paper forms which are the very lifeblood of a modern State.

Once the average American citizen was covered by a most slender dossier. His citizenship was recorded as a voter. His church and fraternal memberships were listed. If he owned property, he possessed recorded deeds. If he had been in military service, he had a certificate of discharge. The forms were simple and necessary but not inclusive. It was generally assumed that a man’s business and affairs were his own concern.

Look at today. From the time of his entry into the world until his departure, the life of Everyman is recorded on paper. Birth certificates; school records; draft records; Social Security numbers and recordings; income tax returns; psychological and physical examinations from school and job; property records; military service records; all organization memberships; F.B.I. records (25,000,000 Americans according to reports); driver’s licenses and accident reports; state and municipal statistical records; fingerprints; passport applications; state and city income tax forms; often, police department records; innumerable questionnaires by organizations seeking to learn Everyman’s needs, wants, opinions, and sex
life; and finally, the death certificate beyond which even the statistical madmen and Internal Revenue Collectors cannot go.

Paper, paper, everywhere! Employers are forced by the federal government and some states and cities to act as tax collectors against their employees. Innumerable small taxes are devised by our politicians based on the present popular theory that true statesmanship consists only in constantly increasing the costs of our various governments. Each new tax means more paper. Candidates for high office rely on public opinion surveys to formulate their policies and platforms—paper reports on what is popular, not what is necessary.

Measurables and Immeasurables

Magazines test readership opinion for editorial guidance. Corporations test employees through every known examination. Our youth are classified and earmarked as so many animals of varying degrees of quality by the most elaborate series of tests ever devised by man. It is noteworthy to add that the formulators of these tests are fond of pointing out that some of the world's greatest geniuses and leaders would never have passed them. The results are all embalmed on paper. Advancement and promotion almost everywhere are based on paper symbols emphasizing education, length of service, personal habits, and attitudes, and discounting entirely those qualities of boldness, daring, intelligence, and imagination through which expansion, development, and growth are
possible. Such imponderable factors cannot be measured and filed on paper.

Commenting on our statistical madness as it applies to the religious life, The Christian Century had this to say: “Does the campaign have a statistical objective, as, for example, that of exceeding the largest number of converts announced at any previous Billy Graham meeting? Forty thousand would do it, since the London campaign got almost that many. (Where are they now?) Or perhaps it is intended to beat Billy Sunday’s record of some 40 years ago in New York, which would take 100,000. (What difference did Sunday’s 98,000 converts finally make in New York’s civic life, in the ethics of Wall Street, or even in the vitality of her Protestant churches?) Statistics, even when they are totaling numbers of converts, admittedly constitute a very poor yardstick by which to measure spiritual gains. Then why are they used?”

Danger Ahead

Paper, it is well to remember, is a most delicate material. It is easily destroyed by fire, water, insects, transportation, age, or weather. Yet such is our faith in it that it is now our paramount symbol. Even our money, once based on gold (Who can remember our handsome gold pieces of exchange?) is now made of paper; and the result, increasingly evident every day, is not happy. Our present money constantly tends to depreciate in value.
Enough is enough! We have built our values on paper, and we get paper values in return. The human spirit can stand so much, and then it goes into reverse. There is evidence that such is occurring today. There is now a slowly developing awareness of the dangers of a paper civilization and its menace, for its ultimate end is the Welfare State, totalitarianism, the Marxian goal, nowhere better stated than by T. Coleman Andrews, former United States Collector of Internal Revenue, in his criticism of the Internal Revenue laws and policies. Mr. Andrews, from his inside knowledge of the income tax machinery, feels that "it flouts the constitutional right of the people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures."

Continuing, Mr. Andrews held that the income tax law has "opened our homes, our papers, and our effects to the prying eyes of government agents and set the stage for searchers of our books and vaults, and for inquiries into our affairs, whenever the tax men might decide, even when there might not be any justification beyond mere cynical suspicion."

The Need for Privacy

The rights of Everyman to his privacy and a life unmolested should be respected. This will mean far-reaching revisions in our present policies and paper mania. Yet it can and must be done if we are to escape tyranny and totalitarianism. The great imponderable qualities of nature which toss up men and women gifted with genius,
courage, imagination, and vast ability must be recognized. These great qualities of the human spirit which result in our finest achievements and accomplishments cannot be measured by any known tests, fitted into any system of files, or placed on paper and controlled by rules and regulations. Return to Everyman his privacy and freedom, and the fruits of genius, uncurbed, will follow.

It was Meister Eckhart, one of the greatest mystics of the West, who said: "No one can strike his roots into eternity without being rid of the concept of number. The human spirit must go beyond all number—ideas must break past and away from ideas of quantity and then he will be broken into by God."1

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"To many Americans, education is one of the religions they really believe in. It has its orthodoxy, its pontiffs, its noble buildings. Education is the Established Church of the United States."

There is much truth in this observation by the late British educator, Sir Michael Sadler. We Americans do have almost a religious faith in education. We want the highest quality instruction and the best possible educational opportunities for our youngsters. We recognize that the well-being of individuals and of our nation depends upon true knowledge and a thorough understanding of basic principles which can be gained only through sound education.

There is increasing evidence, however, that too much attention is being paid to the external form of education, its pontiffs, and its buildings, while not enough is spent on fundamentals, truth and understanding. Consider, for example, this recent comment by a banker before a gathering of school officials:

Miss Bien is a member of the staff of the Foundation for Economic Education.
I don’t blame a school teacher for having socialistic tendencies today. If I were a teacher getting paid so little that I could not afford a car or couldn’t afford to get married, I’d criticize the private enterprise system.

Apparently this banker failed to realize that the great majority of our teachers are not part of a private enterprise system. Rather, their jobs and salaries are a consequence of government control which tends, more and more, to drive private enterprise from the educational field.

The Beginnings of Government Schools

Since the earliest years of this country’s development, government has played an important role in educational matters. In 1642 Massachusetts enacted a law requiring “that the selectmen of every town . . . teach by themselves or others, their children and apprentices so much learning, as may enable them perfectly to read the English tongue, and knowledge of the capital laws . . . also, that all masters of families, do, once a week at least, catechise their children and servants, in the grounds and principles of religion.”

Before long, the citizens in many Massachusetts communities set up town schools, financed by tax funds. Reading the Bible and learning to interpret it according to their particular religious orthodoxy was an important part of a child’s training. The State, during this period, was actually the servant of the Church. There was little controversy as to the subjects and moral philosophy to be
taught. All taxpayers and parents in a town were members of the same church, and the school teacher was usually the minister. For all practical purposes, these early government schools were religious schools.

As the colonies grew, the original settlers were joined by others with varied beliefs and backgrounds. They soon began to realize that if people, holding so many different ideas, were to live together without conflict, they would have to tolerate each other’s faith. As a result, the idea gradually gained acceptance that taxpayers should not be compelled to support religious instruction with which they did not agree. The close connection between these government schools and the various churches was slowly severed, and thus there developed in this country the truly liberal idea of separating Church from State.

Education was given national recognition in the Ordinance of 1787. Drawn up to govern the Northwest Territory, including roughly the present states of Ohio, Indiana, Illinois, Michigan, and Wisconsin, this document stated:

Religion, morality, and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged.

Here is proof that our ancestors had “faith” in education. This sentence must have meant no more than that, in view of the ideas prevailing in this country at the time. Yet, it has been cited specifically time and again in recent years as a precedent justifying government-
supported schools and even federal subsidies to local schools.

**Early State Aid**

Early in the nineteenth century, a number of persons interested in expanding and improving educational opportunities started working actively, through their governments, for “free,” “common,” or “public” schools. They believed that no child should be denied the chance of attending school, even if his parents could not, or would not, assume the responsibility. The strongest movements in this direction started in New York and Massachusetts. In contrast to the early colonial schools which had been supported and managed entirely by local citizens, the trend at this time was toward state direction and control. As early as 1795, New York appropriated funds to help pay the costs of local government schools, and in 1835 Massachusetts followed suit.

In 1852, largely at the instigation of Horace Mann, for many years Secretary of the Massachusetts State Board of Education and Editor of *The Common School Journal*, Massachusetts enacted the first state compulsory school attendance law. That legislation required all children between the ages of eight and fourteen to attend school for twelve weeks each year. By 1918 all other states had followed suit with some form of compulsory school attendance legislation.

The 1850’s also marked the beginning of active federal interest in the field of education. Congressmen, having "faith" in education, hoped to use some of the vast fed-
eral holdings of land to encourage the development of colleges and universities in the various states. They passed a bill in 1859 to provide for "land grant colleges" but President Buchanan considered it unconstitutional and he vetoed it, stating:

Should the time ever arrive when the State governments shall look to the Federal Treasury for the means of supporting themselves and maintaining their systems of education and internal policy, the character of both Governments will be greatly deteriorated. The representatives of the States and of the people, feeling a more immediate interest in obtaining money to lighten the burdens of their constituents than for the promotion of the more distant objects intrusted to the Federal Government, will naturally incline to obtain means from the Federal Government for State purposes.

During the Civil War, the United States' Congress once more passed the bill calling for land grant colleges, this time with a new clause inserted, requiring that the proposed colleges furnish training in "military tactics." President Lincoln signed the bill, thus introducing the federal government into every state school system.

**Government Funds Mean Control**

When citizens turn to any government for financial support, they must always remember that with such "aid" come "strings." The spenders of government appropriations may willingly accept the stipulated conditions. But, should conflicts arise, they are forcefully reminded of the "strings."
One of the basic principles of our government, as it has evolved through the years, is the separation of Church and State. Once this idea was generally understood, there was little controversy about it. People realized they could lose their freedom of worship and the right to choose their own religion if the churches were dependent on government. However, in the earnest desire to further one of our “religions”—that of education—this sound logic was forgotten.

**Recent Proof**

The early state governments of New York and Massachusetts distributed funds only to localities where the schools and teachers satisfied certain requirements. In New York State recently, the government schools of the City of Yonkers were threatened with the denial of state assistance because, in the eyes of state officials, the city’s school budget was “inadequate.” Last year, the school officials of New York City learned that their practice of excusing students from compulsory attendance during the week after the State Regents examinations conflicted with the state order that “attendance up to the last day of school was always required for state aid purposes.”

New Jersey state officials ordered the City of Englewood to redraw its school district boundaries last year, before the start of the fall term, “to end discrimination against Negro children.” The president of the University of Massachusetts has complained of “undue state interference with faculty policy.” Textbooks paid for by state
appropriations for use in the government schools of California are selected by the State Board of Education and must be printed at the State Printing Office. Because Utah state law requires instruction in the "harmful use" of tobacco, liquor, and narcotics, a local school board has adopted a policy "against hiring anyone who uses them." As a consequence, that school board recently fired a school painter because he smoked—at home.

Teachers and other professional educators are specialists, many of whom believe that only they are competent to make decisions in their field. As a result, they are apt to resent restrictions on their spending of the money allotted to the schools. Government legislators, on the other hand, must attach "strings" to control the funds they offer in order to fulfill their obligations to their constituents and the taxpayers whose money they are spending. As representatives of the people, they are not free to use tax collections indiscriminately. Nor are they free to permit anyone else to use them indiscriminately, if they can possibly prevent it. Government controls and government money, therefore, always go together.

**Dependence on Government Produces Political Pressure**

If a private businessman is deluged with requests for his product, this is a sign that consumers want more at the price he charges. His increased sales make it possible for him to get the funds to expand his operations. Government school administrators, however, must operate in
a different way. They are not in a position to try to please their “customers” directly, through their own efforts, by expanding their services or enlarging the school facilities. Increased demand for their “production” does not necessarily have any relation to their ability to raise funds and increase production. They must depend entirely on voters, lawmakers, tax collectors, and finally, the government officials delegated to hand out the funds.

Since the beginning of government schools, the most ambitious and hardest-working teachers have realized that more money would help them do a better job in many ways. Therefore, the school teachers organized in order to strengthen their plea for a larger share of tax collections. Vote-conscious legislators have generally found it difficult to resist the claims of professional educators that more money was needed for the government schools.

Largely as a result of such political pressure, President Eisenhower called a White House Conference on Education in 1955. Perhaps the most important accomplishment of that million-dollar conference, from the point of view of the professional educators, was the publicity it gave to pleas for higher taxes and greater public interest. When Dr. Samuel Brownell was Director of the United States Office of Education, he admitted that “it is part of our job to try to wake up the people.” This was the major role of the White House Conference on Education. Called in response to political pressure, the reports which followed are being used as grounds for further pressure on politicians.
The “Problem”

The taxpayers who foot the bill for the government schools are finding it more and more difficult to support them in the manner to which they have become accustomed. Lobbying by teachers and other professional educators for ever-increasing funds leads inevitably to higher and higher taxes. Few taxpayers would begrudge additional funds to the schools if they really thought the result would be “better” educational opportunities, but they do not necessarily agree with those who will be spending the money as to what is “better.”

Educators, also, are becoming increasingly disturbed about many aspects of the government school system. They resent restrictions on their spending of the funds provided for the schools. They want more freedom in the determination of textbooks, educational techniques, curricula, and teacher qualifications. Many feel their salaries are too low. They recognize the impossibility of educating all children “equally” and resent justifiably the tremendous disciplinary problem this attempt involves.

In recent years, parents, also, have been showing more and more concern over the mounting costs and other aspects of the government school problem. They criticize the quality of the instruction, its apparent inattention to facts, discipline, drill work, and basic principles. They have questioned the tendency to outlaw religious and moral teaching from government schools. The current conflict raging over racial integration is merely one more inevitable controversy created by the use of public funds.

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Parents cannot escape responsibility for the education of their children. They may hire teachers to help them but they cannot, in the last analysis, avoid their personal responsibility. Taxpayers have the right, and the obligation, to intervene in the operations of the government school system, for which they are paying, in order to make sure government requirements are satisfied. Legislators, also, have a duty to try to prevent the misuse of their constituents' tax money, so they must stipulate the conditions under which it shall be spent. Specialists in education, teachers, and administrators believe that they, too, are entitled to some voice as to the spending of money appropriated for the government schools.

Because of the many conflicts of interest among all those concerned—politicians, school administrators, teachers, taxpayers, parents, and pupils—it is not surprising that serious complaints have been raised. In spite of the widespread concern, however, most persons seek solutions in surface remedies. Few, as yet, are willing to question the whole idea of government education itself.

Sir Michael Sadler showed keen insight when he spoke of education as "the Established Church of the United States." This particular religion, however, was singled out for special treatment, with the result that freedom of choice in schools has been almost entirely eliminated. Government education now enjoys practically the status of a state religion.

Government became involved with the schools in this country early in their history. Their fate became linked
with government in earnest with the provision of state funds to foster government schools locally. The next logical step was enactment of the first state compulsory attendance law in 1852. Ever since then, the influence of government in education has proceeded logically, relentlessly, and inexorably, by means of one intervention after another, toward the creation of today’s school “problem.”

The price the school officials have paid for seeking government support and accepting public money has been increased subservience to supervision. Parents, also, have paid dearly. Reliance on government to “educate” their youngsters has meant relinquishing their freedom of choice and control of their personal spending in this field. Thus, they have hampered their own ability to fulfill their obligation to “educate” their children, without relieving themselves of that responsibility.

The laws creating and regulating government schools have interfered directly with private and individual efforts to furnish educational opportunities. The use of force is incompatible with the cause of true knowledge. Consequently, its introduction into the field of education has led increasingly to problems; and there is no reason to believe that their solution lies in introducing still further force by passing still more laws.

**The Solution**

The only solution to problems created by government intervention with the market is to repeal the legislation involved, remove the restraints erected, eliminate the
special privileges created, and enforce the principle of justice and equality before the law. Only by removal of the intervention itself can the problems it created be remedied.

One specific step toward a solution of today's government school "problem" would be repeal of the state compulsory attendance requirements. Many of the troublemakers responsible for the greatest share of the teachers' disciplinary problems would be glad to leave school for jobs where they could begin to feel useful to themselves and to the world. The "shortages" of teachers and of classrooms would largely disappear. Once more, the responsibility for a child's education and discipline would be recognized as belonging to the parents. A school graduation would again become an accomplishment in which both parents and children could take pride.

Resistance to Change

Repeal of the compulsory school attendance requirements would undoubtedly meet strong resistance. The belief is widespread that these laws are both desirable and necessary. Members of the educational hierarchy enjoy the prestige that comes with large student enrollments and tremendous appropriations. Many workers in industry are convinced that their own high wages are a result of the laws that compel school attendance and forbid children from working. They fail to see that these gains in wage rates have been purchased only at the
expense of total real wages and of potentially higher production and better living standards for everyone.

The people in this country have become the world’s greatest producers and consumers of wheat, corn, coal, automobiles, dresses, lipsticks, medicine, hospital beds, and almost anything else you might name. Their experience has shown that the way to get more of the things that people want most, is to leave production and distribution to the free market. That is the path to the greatest possible amount of wealth and satisfaction. Government, on the other hand, has proved to be a notoriously inefficient producer. Certainly the truth of this has been borne out in the field of education.

Experience with our government school system has raised serious doubts as to the suitability of force to serve the cause of true education. Therefore, why not consider removing government restraints on individual initiative in that field? If the most effective way to get the most and the best of anything and everything is to leave its production in the hands of private individuals in a free market, why not try leaving the solution of today’s school “problem” to the market? Why not a free market for education?
This article was written about 1948 to describe the ideal of the American Economic System from which there had been, and still is, such grave departure.

It's true today, as it always has been, that "as men think, so are they." Saying that we Americans believe in the American Economic System is utterly meaningless unless we know why we believe in it and are able to explain why in understandable language.

You have to start from the realization that it isn't a "system" at all! The word "system" implies a predetermined plan—as if a set of rules had been written out in advance. Of course, that isn't true.

The American Economic System isn't a thing separate and apart from America. It's part and parcel of our way of life, developed from the same roots as our other American institutions. It's a branch on the American tree; to understand the branch, we have to understand the tree and its roots.

Traditionally, the "American way of life" means living
under a limited government, a government that is restricted by a constitution—a constitution that says, "Government may do certain things, and government may not do certain other things." Our American form of government was founded and has been preserved and developed by citizens who believed that men, simply by reason of being human beings, possess certain human rights that no government, regardless of power or pure intentions, can justly deny for any reason whatever.

Or, to phrase it another way: We hold, as our Declaration of Independence puts it, that "men are endowed with certain unalienable rights." That word, "unalienable," means that certain rights are ours irrespective of government. Because we didn't get them from government, no government can justly take them away from us. When a government tries, it becomes tyranny. That's what tyranny means—the denial by government of man's unalienable rights.

But what is an unalienable right? What are the rights that belong to us as human beings?

**To Fulfill One's Duty**

A man has a duty, whether or not he always fulfills it, to live and act like a human being. But the "duty" is meaningless unless man has freedom to perform that duty. For instance, man is born with an insatiable desire to know truth. But he can't even start to fulfill that desire—that duty—if he isn't free to speak what he believes the truth to be, and to listen to others speak what
they believe to be the truth. Therefore, the right to speak truth, or, as we say, free speech, is unalienable. Another example: man has a duty, as a created being, to worship the God who created him; but it would be unintelligent for a Creator to give a man a duty and not freedom to fulfill it. Therefore, freedom of religion is one of the unalienable rights.

**Individual Differences**

A third example—and one of special importance for our purpose right now: Every man has special talents and abilities. He wouldn’t have them if he didn’t have a duty and a corresponding right to develop and use them. Part and parcel of this right, and inseparable from it, is the right of private property, because a man has no real freedom to fulfill his economic duty if he does not have power to own and use the material things necessary to the development of his talents and abilities. What’s more, he didn’t get those special talents and abilities, or his right to own property, from the State. He got them from his Creator, a Power above and superior to the State. Therefore, the State can’t properly interfere with his right to develop and use them—or with any of his “unalienable rights” except to prevent him from interfering with other men’s similar rights. In fact, that is what the Declaration of Independence says a government is for: “to secure these rights, governments are instituted among men.”

Thus far, we haven’t said a word that any informed
American will disagree with—because the opposite of what we’ve been saying justifies the totalitarian state. Down through the centuries, political scientists and philosophers have never found any other basis upon which human freedom can be logically based. If a man isn’t free to use and develop his own talents and abilities, then he’s a slave. That’s what slavery means—the denial, by force, of man’s freedom to use his own talents and abilities the way his conscience and opportunities tell him to use them.

A Power Beyond the State

See what we’re leading up to? We’ve been explaining the fundamental logic which we as Americans have inherited from the Judeo-Christian civilization upon which all Western culture is founded. If the things we’ve been explaining are not true, then American freedom is an hallucination—a pleasant dream. But because we, as a people, do recognize that the only alternative to Almighty God is the Almighty State (even though we don’t think about it as much as we should) we have a firm, rational basis for our American way of life. We have a firm, rational basis for believing in the American Economic System. We have a logical foundation upon which to defend our conviction that every citizen has an unalienable right to choose his own occupation and to develop his own talents and abilities subject to no unjust hindrance and enjoying no special privilege.

All economic systems have lots of things in common.
No economic system could work if it were all wrong. But neither can any economic system ever be entirely right if it doesn't have a foundation in truth. That's why our American Economic System, however imperfect it may be and however much it may sometimes be abused, has in it the ability to develop—to become more and more right. It has a sound foundation. It is based on the moral and spiritual dignity of man.

So, keep this in mind: The American Economic System is what it is because it is founded, let us hope solidly, on truth and justice—on the conviction of American citizens that every man has certain unalienable rights which he gets from a Power beyond the State, that are his because he is a human being; and no man, no government, no society, no majority can justly deny him the freedom to exercise those rights.

Inroads by government on man's economic freedom are always “justified” by labels like “Security.” But there must be limits even to security if man wants to avoid slavery. After all, absolute security is only another name for a penitentiary.

Down through the ages, men have learned the value of the maxim: “Put not your trust in princes.” In this modern world, the “prince” is the State.
WHAT is the composition of this capital we call Culture or Civilization? It is primarily constituted of things, material objects, books, pictures, instruments, and so on, which have their probable duration, their fragility, their precariousness as things. But this material stock is not enough, any more than a gold ingot, an acre of good land, a machine are capital if there are not men who need them and know how to use them.

Note these two conditions. In order for the material of culture to be capital, it also demands the existence of men who require and can use it, that is to say men who have a thirst for knowledge and for the power of internal transformations, a thirst for the development of their sensibility, and who, on the other hand, know how to acquire or exercise the necessary habits of intellectual discipline, those conventions and practices which are needed in order to utilize the treasure of documents and instruments that have accumulated over the centuries.

Mr. Valery (1871-1945) was a noted poet and public representative of Europe. This article is excerpted from Reflections on the World Today. Translated by Francis Scarfe. Copyright 1948 by Pantheon Books, Inc., New York.
The capital of our culture is in peril. It is in peril in various aspects and ways. It is brutally and insidiously threatened. It is attacked by more than one enemy. It is dissipated, neglected, disgraced by us all. The progress of this disintegration is plain.

The whole of modern life constitutes, often under the most brilliant and attractive appearances, a veritable sickness of culture, since it subordinates this wealth, which must accumulate like natural wealth—this capital which must shape itself by successive layers in the minds of men. It submits this to the general agitation of the world, which is propagated and developed by the exaggeration of every means of communication. At such a rate of activity, overrapid exchanges become a fever and life devours itself.

Perpetual shocks, novelties, news, and essential instability become a genuine need, a nervousness which is generalized by all the means that mind itself has created. One can say that suicide is implicit in the ardent and superficial form of existence of the civilized world.

**The Independent Thinker**

How can one conceive of the future of culture if one's age allows one to compare what it used to be with what it is becoming? Here is a simple fact which I offer to your reflections in the same way as it imposed itself upon my own.

I have watched the progressive disappearance of beings who were extremely valuable to the steady forma-
tion of our ideal capital, and as precious as creators themselves. I have seen disappear one after the other those connoisseurs, those inestimable amateurs who, though they created no works of their own, created their true value; they were passionate but incorruptible judges for whom or against whom it was exhilarating to work. They knew how to read, a virtue which has become extinct. They knew how to hear and even listen. They knew how to see. That is to say that what they insisted on rereading, rehearing, reseeing, was by this repetition made into a solid value. They thus increased our universal capital.

To Be Themselves

I am not saying they are all dead or that no more will ever be born. But I observe their extreme scarcity with regret. Their profession was to be themselves and in complete independence to enjoy their own judgment which no publicity or article could affect.

The most disinterested and ardent intellectual and artistic life was the very motive of their existence.

There was not a show, not an exhibition, or a book to which they did not give scrupulous attention. They were sometimes described, and with some irony, as men of taste, but their kind has become so rare that the word itself is no longer taken as a gibe. That is in itself a considerable loss, for nothing is more precious to the creator than those who can appreciate his work and above all give to the painstakingness of his work, the
work-value of his work, that valuation of which I was speaking a moment ago, that standard which, regardless of fashion and passing whims, could establish the authority of a work or a name.

**Lack of Stability**

Nowadays things move so fast that reputations are made and vanish overnight. Nothing stable is made, for nothing is made for stability.

How can you expect an artist, in spite of the apparent diffusion of art or its widespread teaching, not to feel all the futility of this age, the confusion of values that is taking place, the facility which it encourages?

If he gives all the time and care that he can to his work, he gives it with the feeling that something in that work will impose itself on the mind of his reader; he hopes people will reward him by a certain quality and duration of attention for some of the pains he gave himself to write a page.

Let us admit that we reward him very badly. It is not our fault, for we are deluged with books. Above all, we are besieged with reading matter of an immediate and vital interest. In the public newssheets there is such a variety, incoherence, and intensity of news, and particularly on certain days, that whatever time we can give to reading out of every twenty-four hours is entirely taken up by it and our minds are disturbed, agitated, or over-stimulated.

The man who has a job, who earns his living and can
give an hour a day to reading, whether at home or in the bus or the subway, has that hour devoured by crime, incoherent rubbish, monotonous gossip, and scraps of scandal, whose chaos and abundance seem calculated to bewilder and grossly simplify people's minds.

Such men are lost to books. This is fatal and there is nothing we can do about it.

The result of all this is a real decline of culture; and secondarily, a real diminution of veritable freedom of mind, for that freedom, on the contrary, requires detachment and the rejection of all the incoherent or violent sensations we receive from modern life at every moment of the day.

On Liberty

I just mentioned liberty. There is liberty in itself, and liberty of mind or minds.

All this takes me a little from my subject, but we must, nevertheless, give it some attention. Freedom is an enormous word, a word that has been liberally used in politics though it has been forbidden here and there in recent years; liberty has been an ideal and a myth; it has been a word rich in promises for some and full of threats for others; a word which has made men rise and tear up paving-stones; a word which was the rallying cry of those who seemed the weakest and who felt themselves to be the strongest, against those who seemed the strongest and did not feel themselves to be weakest.

This political freedom is hard to distinguish from
notions of equality, of sovereignty, but is also hard to reconcile with the idea of order, and sometimes with the idea of justice.

Freedom of Thought

But that is not my subject.
I return to mind. When one examines all those political liberties a little closer, one is rapidly obliged to consider freedom of thought.

Freedom of thought is confused in people's minds with freedom to publish, which is not the same thing.

Nobody has ever been prevented from thinking whatever he liked. It would be difficult unless we had machines for detecting the thoughts in other people's brains. It will certainly be managed some day, but we have not quite reached that stage and we are not eager for such a discovery. Meanwhile, freedom to think exists to the extent that it is not restricted by thought itself.

It is very nice to have freedom to think, but one must also have something to think about.

But in most common usage, when people say freedom of thought, they mean freedom to publish or freedom to teach.

Such freedom gives rise to serious problems; it is always causing some difficulty, and the nation, the State, the Church, the school, or the family will at different times be found objecting to freedom of thought in publishing, in thinking publicly, or in teaching.

The above are so many powers which are all more or
less jealous of the external manifestations of the thinking individual.

I do not intend to concern myself now with the root of the question. It is a matter of particular instances. It is certain that in some cases it is good for freedom of publication to be supervised or restricted.

But the problem becomes very difficult when it is a question of general measures. For instance, there is no doubt that during a war it is impossible to allow everything to be published. It is not only imprudent to permit news of the conduct of operations—everyone can understand that—but there are certain things which in the interests of public order could not be made known.

That is not all. Freedom to publish, which forms an essential part of the freedom of trade in things of the mind, finds itself today, in certain cases and in certain countries, severely restricted and even in fact suppressed.

The Political Sphere

You feel to what extent this is a burning question and that it is being asked almost everywhere. I mean wherever asking questions is still allowed. Personally, I am not very inclined to publishing my thoughts. One can easily refrain from publishing. Who obliges us to publish? . . . What demon? And what good does it do, after all? One can keep one’s ideas. Why externalize them? They are just as beautiful in a drawer or in one’s head . . . .

But all the same, there are some people who like to
publish, who like to inculcate their ideas into other people, who think only in order to write, and who write in order to publish. Therefore, they venture into the political sphere. It is then that the conflict begins.

Politics, which is obliged to falsify all the values that mind has the mission of controlling, admits all falsifications or all the reticences which suit its purpose and are in agreement with it, and it violently rejects or suppresses those which are not.

Well, what is politics? Politics consists in the will to conquer and retain power; consequently, it demands an active constraint upon or maintenance of illusion in men's minds, which are the material of all power.

All power is necessarily concerned with preventing the publication of things which do not suit its own functioning. It does its best to that end. The political mind ends by being forced to falsify. It circulates intellectual counterfeits and falsified notions of history; it develops specious arguments, and in a word it allows itself whatever is necessary in order to preserve its authority, which, for some reason unknown to me, people call "moral."

Mutual Enemies

We must confess that at every step politics and freedom of mind exclude each other. The latter is the essential enemy of parties, as it is of any doctrine that possesses power.

That is why I wanted to insist on the shades of meaning which such expressions can assume in French.
Freedom is a notion which appears in contradictory expressions, since we use it sometimes in the sense of doing what we want, and at others in the sense that we can do what we don’t want, which according to some people is the very height of liberty.

This means that there are several beings in each of us, but that these several beings dispose of only one language, and it so happens that the same word (such as liberty) is used for very different requirements of expression. It is a word “of-all-work.”

At one moment we are free because nothing opposes what arises within us and attracts us, and at another we find ourselves free in a superior way because we feel we are escaping from some seduction or temptation and are able to act against our inclinations: that is a maximum of liberty.

**Liberty Is a Response**

Let us examine this fluid notion, just a little, in its spontaneous usage. I immediately find that the idea of liberty is not primary within us; it is never evoked without being provoked; that is to say, it is always a response.

We never think we are free when nothing shows us we are not free or that we could not be so. The idea of liberty is a response to some sensation or hypothesis of impediment, hindrance, or resistance, which opposes itself either to some impulse in our being, or to some desire of the senses, or to a need, or else to the exercise of our considered will.

I am only free when I feel free, but I only feel free
when I think I am being constrained, when I start imagining some state which contrasts with my present state. Liberty is therefore not felt, nor conceived, nor desired, save by the effect of a contrast.

If my body finds obstacles to its natural movements or reflexes, if my thought is hindered in its operations either by some physical pain or by some obsession, or by the action of the external world, by noise, by excessive heat or cold, by the din or music from next door, I aspire to a change of condition, a deliverance or a liberty. I tend to regain the use of my faculties in their full range. I tend to reject the condition which prevents such use.

An Element of Negation

You will see, then, that there is an element of negation in the term "liberty" as soon as one looks for its original function, in the nascent state.

This is the conclusion I must draw. Since the need for liberty and the idea of liberty are not produced in those who are not subject to hindrances and constraints, the less we are aware of restrictions, the less the term and reflex liberty will exist.

A person who is scarcely aware of the hindrances to freedom of mind, or of the constraints which are imposed on him by public powers, for instance, or by external circumstances of any kind, will react hardly at all against these constraints. He will have no impulse of rebellion, no reflex, no revolt against the authority which imposes such restrictions upon him. On the contrary, as
often as not he will find himself relieved of a vague responsibility. His own deliverance, his freedom, will consist of feeling himself discharged of the responsibility of thinking, deciding, and willing.

The Values of the Mind

You will see the enormous consequences of this: among men whose sensitiveness to the things of the mind is so weak that the pressures which are exercised upon the production of works of the mind are imperceptible to them, there are no reactions, or at least no external reactions.

You know that this consequence is being demonstrated very close to us; you can see on the horizon the most obvious effects of such pressure on the mind, and you can observe at the same time the feeble reaction it produces. This is a fact.

And it is only too evident. I do not want to judge, however, because it is not my place to judge. Who can judge men? . . . Does it not mean setting oneself up as more than a man?

If I speak of this, it is because there is no more interesting subject for us, for we cannot tell what the future has in store for us men, whom I will call men of the mind if you wish. . . .

I think, then, that it is both necessary and disturbing to be obliged today to invoke—not what one calls the rights of the mind, for that is an empty phrase since there are no rights without power—but to invoke the interest,
which is everyone's interest, of preserving and supporting the values of the mind.

Why?

Because the creation and the organized existence of the intellectual life find themselves in a most complex relationship, yet a most definite and intimate relationship, to life, indeed to human life. No one has ever explained what we men are, and that peculiarity of ours which is the mind. Mind is an internal power which has involved us in an extraordinary adventure; our species has become very remote from all the prime and normal conditions of life. We have invented a world for our mind, and we want to live in that world of our mind. It wants to live in its work.

It has been a question of remaking what nature had already made, or correcting it, and thus ending by remaking, to some extent, man himself.

To refashion, according to our already considerable resources, to remake our habitation, to equip the portion of the planet we inhabit, to overrun it in every direction, to plumb its heights and depths, to exploit it, to extract from it whatever it contains that can be turned to our purpose, all this is very good; and we cannot see what man would do if he failed to do that, save to relapse into an animal condition.

**Knowledge Is Also Perishable**

Let us not omit to say that all our truly spiritual activity, apart from the material remaking of the globe, is
closely linked with such replanning, and this amounts to a veritable reshaping of the mind which has consisted of creating speculative knowledge and aesthetic values, and of producing a large number of works, a capital of immaterial wealth. But whether material or spiritual, our treasures are not imperishable.

I wrote a long time ago, in 1919, that civilizations are as mortal as living creatures, and that there is nothing extraordinary in the thought that our civilization might vanish with all its processes, its works of art, philosophy, and monuments, in the same way as so many other civilizations since the beginning of time—like some great ship that is submerged. In vain is such a ship provided with all the most modern devices for finding its way, or to defend itself against the sea; in vain does it take pride in the all-powerful machines that drive it forward, for they move it towards its destruction just as easily as towards port, and it vanishes with all hands and cargo.

All this struck me then, and I feel no more reassured today. That is why I do not feel it is useless to recall the precariousness of all our possessions, whether such possessions be culture itself, or freedom of expression.

For where there is no longer freedom of mind, culture falls in ruins. . . . One can see important publications and reviews which were very much alive across the frontier, and which are now full of articles of unsound erudition; one feels that life has ebbed from these periodicals, and yet that they must still pretend to maintain intellectual life.

There is an hypocrisy in this which reminds us of what
used to happen in the period when Stendhal scoffed at certain learned gentlemen whom he met: despotism condemned them to take refuge in arguments over the proper punctuation of a passage in Ovid.

Such abject misery had come to seem incredible. Such absurdity appeared condemned for all time. But here it is again, revived and all-powerful in certain places...

On every side we can see obstacles and threats to the mind, whose liberties are attacked at the same time as culture by our inventions and ways of living, by politics in general and by several different varieties of politics, so that it is perhaps neither futile nor disproportionate to sound the alarm and show the dangers that surround what the men of my time have considered the supreme good.
At a recent company training session for middle-management men, a speaker pointed to the need for statesmanship and breadth in management. He exhorted the participants to read books on sociology, politics, philosophy, and the like. His entire talk was embellished in the time-honored tradition with colorful slides. His specific appeal to read was accompanied by a cartoon of a harried executive at his desk, encircled by dancing imps bearing legends like “inventory control,” “sales quotas,” and “labor costs.” Beyond the barrier imps was a stool laden with books on the social sciences.

“To understand your place and purpose in society is necessary to survival,” went the speaker’s plea. “You must speak up in the battle for men’s minds. To speak you must understand. To understand you must read, in spite of the other demands for your time. You must read so that you, your children, and their children, and the way of life you believe in, can survive.”

Other than the incongruous use of a cartoon-comic-book approach to secure interest in very un-comic-book-

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like reading material, the speaker’s story was logical and stimulating. Yet, in the discussion period which followed most of the time was spent by participants justifying the time they spend on the sports page, televiewing, lawn-cutting, and other suburban delights, over and above any new intellectual excursion.

A company executive, under whose tutelage the training course was conducted, detected the unfavorable drift of the discussion. He interjected the comment that keeping up with the times, understanding the American ideology and competing ideologies were part of management job requirements today. He pointed out that the management of this particular company would be measured on how well it met these requirements and would be promoted and paid according to such measurement.

The speaker, then, tried to motivate us by saying in effect, “Read or die. . . . Read to survive.” What the executive in charge really said, however, was “Read or you’ll fail to get a better job. Read to get more money.”

**Anti-Intellectualism**

Both these appeals, regardless of their worth, were external and material in nature. No one—speaker, executive, nor participants—suggested that love of learning, curiosity, or the individual satisfaction of being more at home in one’s time and place were appropriate or sufficient motivation in themselves to explore unfamiliar fields through the written word. Why not? That an apparent lack of awareness of such motivation even exists
is a frightening commentary on current attitudes. Study for the sheer joy of learning, study for the thrill of using a God-given endowment denied to species other than man, study for the satisfaction it brings to the curious, restless, questioning, broadly-ranging mind seems too frequently forgotten, or if remembered, considered a little peculiar and unfashionable. The pure fun of intellectual achievement is being overlooked in our catalog of joys.

Motorcycle jackets and basketball have greater appeal and acceptance than book jackets and study. A climate of anti-intellectualism exists. This does not mean failure to show European-style personal deference to teachers and scholars, an interpretation so often put upon the phrase “anti-intellectualism.” Rather is meant the lack of respect for what the teacher and scholar represent—the failure of individuals, regardless of their own ability, to marvel at what man’s mind can do and has done and to desire to emulate to whatever degree possible, those who earnestly apply their mental ability.

**Correction Begins at Home**

Changing the climate of this kind of anti-intellectualism requires changes in attitudes which have been a long time in the making. Meaningful, lasting changes in attitude will not come from threats of destruction or promises of more money. They will come only out of sincere respect for the significance of the individual, out of wonderment and awareness of the miracle of the mind.
Creation of the desired attitudes cannot be effectively delegated to teachers, clergy, training course orators, or executives. The foundation of such attitudes is in the home, in the conscious and unconscious shaping by parents of a set of values for their children. Some efforts of these others do help, but the receptiveness and understanding of their audiences is a function of the parental influence which long preceded it. And to the extent that certain efforts of others do not help, parents have only themselves to blame. The emphasis on group harmony at the expense of intellectual activity in our schools, the increasing devotion to "togetherness" and "sociability" in our churches are the result of the desires of the supporters of those institutions or of their apathy.

Observation of the practices, attitudes, and habits of their parents can instill in children the strong desire to think and an appreciation of the satisfaction of intellectual accomplishment. The wrong parental example can do just the opposite beyond any hope of correction.
AMONG the socialistic wedges being driven into the heart of our openly competitive society is government controlled medicine. Its advocates describe it in glowing colors. "It is the moral obligation of a civilized nation," they maintain, "to care for the indigent, aged, infirm, physically handicapped, and mentally ill." They talk as if only the State could discharge this obligation. In my belief, government medical care unwittingly prolongs the suffering of those already ill, and even causes illness to develop.

A widespread public complacency reflects lack of serious thought as to the possible consequences of socialized medicine in the United States. Many are lulled by a false sense of security because they hear so much about the benefits and so little, if anything, about the costs—the price to be paid. Experiences from other countries which have tried socialized medicine are depressing and alarming and ought to guide us away from similar mistakes.

One of the most glaring facts is that government medi-

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cal care invariably costs more than had been expected. During the first four years of socialized medicine in Great Britain, the demands for free service and for costly though often unnecessary medically related items resulted in trebling the yearly budget. The taxpayer—who still has to foot the bill—had his annual tax burden increased by 12 per cent. This on top of already heavy taxes makes the system almost prohibitive.

The deleterious effects of the system are to be noted everywhere. There are so many free dental patients that dentists no longer have time for their customary work with school children. Obviously, this condition need persist for very few years to affect seriously the dental health of the kingdom. Waiting lists for admission to hospitals become staggering. The increased volume of patients invites second-rate care for many instead of first-rate care for the truly ill. The burdensome cost of caring for those who are ill, plus those who pretend, leaves no funds for research or preventive medicine. Along with these and other details of administration, there is the problem of selecting from the long lists the patient who needs immediate or emergency care. The system not only involves huge cost, but it also constitutes a menace rather than a means to health. In other words, "You cannot buy good health."

**The Voluntary Way**

Even though the American system is still voluntary, in that hospital and health insurance can be selected at
will, some of these evils are beginning to make themselves known in an insidious way. If our health insurance were to become compulsory, it is easy to see how these defects might multiply and actually jeopardize the health of the nation.

A system of socialized medicine tends to weaken one's reasons for being well. A struggle for livelihood is no longer required. If a leg is broken, the State pays medical, hospital, and operation costs, and advances adequate funds for living until the bone is healed. But there is the rub. If a man suffers no material disadvantage from sickness, there is no material incentive for him to recover rapidly. But if loss of income goes with the broken leg, he will be anxious to have it heal so that he can get back to work as soon as possible. And doubly so, if he pays his own hospital and surgical bills. Doctors know that a broken leg heals very slowly in a Welfare State. And for the same reason, the recovery of most patients "protected financially" by insurance companies proceeds slowly and painfully.

Mrs. A and Mrs. B underwent operations for benign fibroid tumors of the uterus on the same day; they were in the same semiprivate room, were about the same age, and had almost identical operative procedures. But from the very first postoperative day, any similarity between the two women ended abruptly. Mrs. A recovered rapidly and was eager to get home to her family and her work. Mrs. B seemed to revel in her long recovery because her husband had told her that the whole thing was covered by insurance and she should stay in the hospital as long

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as she wanted. "Don't let them send you home too soon," he said.

Mrs. A went home on her sixth postoperative day, which was routine for her operation; but Mrs. B complained and stayed four days longer, until she "was good and ready." Though her bill exceeded Mrs. A’s by more than sixty dollars, the insurance company paid for all but a few extras.

A routine office visit one month later revealed that Mrs. A had been doing her house work and other chores for almost a week. Mrs. B was not able to climb stairs and had attempted no work beyond drying some dishes the previous day. The prolongation of her recovery, in my opinion, must be attributed to insurance coverage.

_Recovery Postponed_

There are many examples of comparative amputees, showing that the one obliged to pay his own bill and earn a living recovers faster and learns to use a prosthetic device earlier than the one who is waiting for an insurance settlement. This sort of thing happens far too often to be pure coincidence.

An individual can become ill by just imagining he is ill, or, he may be a malingerer from the very beginning. The psychiatrist will tell you that the incentive for either is the thought of increased recompense for being ill. At any rate such persons manage to bring misery upon themselves and to all about them.

Socialized medicine includes government care of the
sick and support for the family as well. If this support amounts to approximately the same as the man can earn from his own daily labor, he is tempted to be sick continuously. The temptation would be the greatest for people in low income brackets, illness actually being preferable to good health. This may sound strange, but doctors can observe the fact in their daily practice. Many people want to be sick, or sicker than they actually are, because material advantages in the form of compensations and liability payments are involved.

**Less Joke than Reality**

In accident cases where the recovery period is unusually long, the question of insurance liability and possibly future litigation is likely to be present. When referring to the man who has been limping unnecessarily for several months, doctors sometimes jokingly say that John has nothing the matter with him that a prompt and substantial settlement wouldn't cure. But it occurs so often that it is less joke than reality. *Patients who are waiting eagerly and selfishly for the settlement of their claim recover slowly in spite of all treatment.* And usually their complete recovery coincides with the final settlement of the claim. It is easy to see why there are so many cases for the compensation lawyers, referees, and juries. Just imagine the job of sorting all of these malingerers from the real needy if socialized medicine were available!

The advocates of government in medicine point to our
overcrowded hospitals as though they have in mind a solution for the problem. But the fact is that much overcrowding is traceable to increased voluntary insurance benefits, a situation that would only be aggravated if all beds were “free.” The waiting lists for the hospitals of England and Germany are so long that many patients finally gain admittance only to have forgotten why they applied.

The hue and cry of overcrowded hospitals is a twisted statistic, for the beds are overburdened with people who are not really sick. The third party in the form of health insurance has entered the picture. But the present sad picture, with only part of our population voluntarily insured, would surely be magnified if health insurance coverage were made universal and compulsory.

Experience with socialized medicine shows hospitals so overcrowded that the situation becomes near impossible, doctors so overworked that their patients get less and less real treatment, the cost of drugs reaching astronomical figures, the total cost of the social system soaring, and the government calling for investigations. The doctors are accused of high-handed methods, the druggists are accused of charging too much for the pills, the people themselves are accused of being too sick. So finally, more and more there creeps into the picture police controls—“the last refuge of self-bankrupting, socialist planning.”

With the obvious increase in the number of insured

persons who are demanding medical care and hospitalization, a "doctor shortage" becomes more or less inevitable. Doctors are overwhelmed with the demands of people who feel that their insurance is wasted if they don't use it. Minor and even imaginary ills demand immediate attention. If doctors could only confine their attention to patients who are really ill, the present quota of doctors should have ample time for leisure. If there were the same insurance coverage for plumbing services as for health and accidents, I am convinced that there would be a plumber shortage before the signatures were dry on the policies.

**Loss of Inspiration**

Socialized medicine tends to overwork and tire the doctors until they lose interest in the welfare of their patients and are no longer inspired by their original dedication to ideals. When this situation arises, there may be some patients who never get to see their doctor and finally recover because they have no recourse. This leads some persons to ask, "If this condition persists, will not socialized medicine, at least in part, cure some of its own ills?" There may be some merit to this idea on the surface, but when we digest it, we find that it involves quite an expensive cure for people who would get well without help. At the same time, some would die for lack of treatment and others would suffer for lack of the medicine they need. So the self-correcting features of socialized medicine are really no excuse for
its adoption. It should be remembered that under our present system, most patients may call one or more of several doctors in their community; but the "beneficiary" of socialized medicine waits for the doctor to whom he has been assigned.

**Why Doctors Prefer Freedom**

There are many reasons why doctors cry out against socialized medicine. First, as individuals, they abhor the regimentation which is inevitable under socialism. Second, they feel that initiative, research, and humane care of the ill will gradually be replaced by robot dispensing, complacency, and the treatment of a number rather than a human being. Third, they have always thought that giving inferior drugs to increase their profit, or performing less than their best because the pay was predetermined was beneath their professional dignity. All of these shortcomings exist in all of the presently functioning systems of socialized medicine.

If the loss of the hardy physical and mental attributes of the pioneer—to make of us weak and dependent wards of the State—is an incurable disease, then our fate is inevitable. If our youth are to be deprived of the incentive to dedicate their lives to the healing art, and devote their years to learning their profession, then our diseases will be treated by automatons and our health will deteriorate. If the important work of doctors, nurses, technicians, and allied skills is to be minimized and even denied by political charlatans, then these same youths
will refuse to enter this noblest of professions except by edict. If we eventually accept all of these proven evils as a system of government and a way of life, then we can blame ourselves for inferior physical and mental health and weak protoplasm. To maintain our health and strength, we had best insist on our present high quality of training, zealous research, and devotion to the prevention and cure of diseases of body and of mind.
SACRED COWS AND BRUISED SHINS

by F. A. Harper

Many libertarians have scars on their shins, suffered from trying—in a certain way—to kick around some popular socialist sacred cows. Experience is one way to learn how to avoid some of the bruises, but we may also learn from the experience of others.

The libertarian is not a complacent soul, happy with things just as they are. Once he has grasped the concept of a society of free men, he sees vividly many imperfections in the contemporary scene. He sees liberty being violated on every hand, and is incensed when others bow down before idols of socialist design. The situation is urgent, it seems, and so he is likely to become a crusading idealist.

Finally, a golden opportunity arrives for the freshman libertarian. The local club invites him to be its speaker. Hurrah!

The club will first have its feast, then transact some business and indulge in some levities, and finally listen to his speech. He will be allowed fifteen minutes for his

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formal statement, including several minutes for the chairman's eloquent introduction. At the end there will be five minutes for questions and answers.

His audience seems spellbound by the speech. He may mistake as admiration a reaction which is, in fact, nothing but just plain wonderment; it is as though they were watching some strange animal. Most of the audience will surely miss his point completely, never having studied seriously the underlying concepts of the Declaration of Independence, the Constitution, or the works of persons such as Locke and Paine and Lord Acton. So why shouldn't these libertarian ideas amaze them?

No Time for Explanation

Then comes the five-minute question period when the speaker is to stand trial. A freshman libertarian is likely to perform in the manner of the proverbial Irishman who, with his bare hands, tangled with the bull in the pasture lot. At the funeral, a friend was heard to observe that he had exhibited more courage than judgment.

The parade of socialist sacred cows begins: "You mean you are opposed to ----? Why?" One by one, these sacred cows are turned loose in the arena as though they were prima facie evidence of his guilt.

"I must defend myself as one accused," he thinks, "and answer any question thrown at me. It would be cowardly to fail to give my opinion on every issue presented in the time available."

But there is time for him to give nothing except bare
conclusions which he throws back at his questioners—conclusions shamefully unclothed in any supporting evidence and reasoning. There just isn’t time for anything more.

So the herd of sacred cows all survive the fray quite unblemished, whereas the poor speaker emerges deeply bowed and with badly bruised shins. Why?

The mistake of this courageous libertarian was to submit to trial in such a courtroom where his views on any subject could be judged in the absence of any opportunity for a complete hearing. With a jury overwhelmingly of the view that he is guilty, he has no chance of acquittal unless it is to be a hearing where there will be ample time for him to present evidence in his own defense—defense of the beliefs he holds, that is.

**Judgment after the Facts**

A perfectly proper and safer approach is suggested by our traditional legal processes. When a case comes up for hearing before the judiciary, it is accepted as simple justice that the accused shall be allowed a full hearing. All facts may be presented without any arbitrary time limit, as a matter of justice. Only then, after all the facts have been brought out, is a judgment presumed to be in order.

Imagine, for example, being accused of a crime while at the same time you are allowed only a specified number of minutes during which to present the case for your own defense. Imagine being subjected to a trial where
your guilt or innocence will depend on how much evi-
dence you can present in the few minutes before the
judge has to leave in order to make his golf appointment
at 1:10. About all you would have time to do at such a
trial would be to reassert your innocence—an approach
hardly convincing to anyone already presuming your
guilt.

Trying to answer an involved question about some
socialist panacea in one or two minutes is hopeless and
unfair by the test of intellectual justice, for the same rea-
son. Unless ample time is available and willingly offered
by those who will be judging your case, it is probably
better not to enter that particular courtroom at all; it
would be better to refuse to accept its jurisdiction. In
other words, it would be better to refrain from offering
your views on all these questions at that time and place.

The wise libertarian is one who uses his time to the
best advantage, who employs whatever honest strategy
will best defend the concepts he holds dear. To do that
is not cowardice. Why suffer bruised shins battling the
keepers of the sacred cows in an arena of injustice and
disadvantage while so many fertile fields for libertarian
talent remain untilled?
There is an old story about a perennially re-elected legislator who attributed his lifelong political success to the fact that he had never voted for a tax bill or against an appropriation bill. He had grasped the elementary fact that people dislike paying taxes but like to receive handouts. They enjoy getting something for nothing, in other words, and tend to vote for candidates who promise them opportunities to do so.

A quarter century ago most of the world’s leading governments, sorely beset by the practical difficulties of economic depression and encouraged by the theoretical blessing of Lord Keynes and his disciples, adopted something like the old legislator’s philosophy. They cast off the “snuffling orthodoxies and petty taboos” of classical economics and proceeded to give the people what they wanted.

The Popular Causes

Reduce taxes they emphatically did not, but they did the next best thing: they threw as much of the direct


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burden as possible upon business concerns and individuals in the higher income brackets, the easy targets, the financially vulnerable and politically defenseless minority. Then they distributed the proceeds under the names of numerous “social programs”: farm subsidies, unemployment compensation, old-age benefits, public housing, and many others.

They sought to strengthen the bargaining position of labor unions in their dealings with employers. They more or less fully accepted responsibility for “full employment,” that is, for keeping business prosperous, or at any rate active.

The keystones of the whole structure were easy money, free spending, and political regulation of various phases of the people’s economic lives.

It would be unrealistic and unfair to suppose that these measures were inspired solely by demagogic considerations of political advantage. To some extent, they arose from genuinely good intentions. The economy was functioning badly. Human beings needed relief. Business recovery needed, or seemed to need, stimulation. Economic institutions that were rightly or wrongly blamed for the collapse appeared to require reform.

War Is Forever

The semicompulsive nature of the inflationary and regulatory measures of the depression years became even stronger during the war period. If the joint objectives of relief, recovery, and reform had seemed imperative
before, winning the war was now even more so. Artificially easy money, huge Treasury deficits, and new forms of economic regimentation were accepted without protest.

Even when the war was over, the situation retained much of its emergency character. Large areas were physically devastated and economically prostrate. The wartime military alliance fell apart, and the "cold war" began. The economic future looked very obscure. Under such conditions, the return to economic orthodoxy, the relinquishment of emergency stimulants and controls, was rendered doubly difficult.

Moreover, men were tempted to ask, why should the emergency stimulants and controls be relinquished? Had not economic orthodoxy broken down in practice? Had it not been superseded by a new economics that made easy money, free spending, and political controls and regulations theoretically defensible? Who could quarrel with such manifestly desirable objectives as fair prices, adequate housing, full employment, high wages, and security and welfare for all? Why should not the people in their collective capacity, functioning through the State, endeavor to promote these objectives, substituting purposeful action for the "economic drift" of the prewar and predepression years?

**The Unpopular Effects**

Experience is providing some answers. It is being discovered that good intentions are not enough. If good
intentions are to accomplish anything, they must be translated into concrete economic measures, and such measures may or may not produce the intended effects. Even if they do, they are almost sure to produce unintended ones as well. Where some groups are benefited, others are hurt. Competition for productive efficiency tends to degenerate into a scramble for political favor. Government of, by, and for the people tends to become government of, by, and for pressure groups. The promise of cradle-to-grave security weakens economic incentive, tends to make men financially irresponsible and reduce them to the moral level of dependent children. Why should a man strain nerve and muscle to provide for himself, to keep his job, to lay something by for a “rainy day,” to make provision for his old age, to protect his family from want, when a paternal state promises to do these things for him? Every personal financial misfortune, every source of dissatisfaction with one’s economic lot, tends to become a grievance against the State.

Even worse, if possible, is the fact that governments, in their efforts to provide the “social services” demanded of them, are finding themselves under insupportable financial pressure. Taxpayers demand relief while pressure groups demand larger benefits. Despite intermittent campaigns of retrenchment, national budgets rise inexorably to new heights. In some countries, taxpayers simply refuse to bear the burden, and deficits mount. In some, a temporary expedient is found in exorbitant drafts on reserves of foreign exchange. In still others, a precarious fiscal equilibrium is maintained by postponing promised
tax relief. Almost everywhere, the purchasing power of money declines with varying degrees of speed and regularity.

To accelerate the inflationary process, the labor unions whose growth governments have fostered demand higher wages under pain of strikes on such a scale as to cripple whole economies. The wage demands and strike threats increase with every rise in the cost of living; and when the wage demands are granted, the cost of living rises again. And to make effective resistance more difficult, restrictive credit policies can be invoked only at the risk of precipitating business recession and thus colliding with the “full-employment commitment,” perhaps the most cherished of all the “social programs” Welfare States espouse.

*Intentions and Consequences*

When the United States government undertook to determine what were “fair” prices for farm products and to insure that such prices were actually received by farmers, the unintended effects were overproduction, underconsumption, the loss of foreign markets, the use of substitutes, the accumulation of surpluses, a governmental “dumping” program that involved heavy losses and aroused foreign resentment, and a level of farm prices that was certainly unsatisfactory to farmers and probably lower than would have prevailed in free markets.

When the government tried to protect tenants against
high housing costs by retaining rent controls after the war, the unintended effects were that new building and even normal maintenance were discouraged, the housing shortage was prolonged, and people were obliged for years to live in antiquated structures.

When the government intervened in the interests of "adequate" housing, the construction industry and its suppliers were overloaded, building costs rose to unprecedented heights, and it became virtually impossible to provide housing for low-income families except by outright subsidies.

When the government decided that the unionization of workers should be encouraged and protected by law, it initiated the growth of a colossus that rigidified costs, encouraged layoffs, produced the national-emergency strike, forced the government into the position of virtual arbitrator, and served as the most powerful engine of inflation in the economy. Almost the only thing it did not do is what it was presumably intended to do, namely, cause real wages to rise faster than productivity.

When our own and other governments assumed or accepted the responsibility of protecting the people against the risks of unemployment, disability, old age, and other hazards, they built into their economies an inflationary bias against which they are still striving, in most cases with very indifferent success, and which, unless arrested, must eventually bring hardship rather than welfare, insecurity rather than security, to the intended beneficiaries.

Thus the popular causes that governments espoused a
generation ago are having some highly unpopular effects. One of the most unpopular, and rightly unpopular, is inflation, because inflation nullifies the security and welfare at which the popular causes are aimed. In resisting inflation, however, governments are finding themselves forced to take measures which run counter to the popular causes and which are nearly or quite as unpopular as the inflation itself.

In Great Britain and the United States, monetary authorities seem determined to effect price stabilization, even at the risk of some sacrifice of the "full-employment commitment." This policy, however, is arousing strong opposition, and the political repercussions that might occur in the event of a substantial business downturn are not pleasant to contemplate. In France, government after government has tried to meet the demand for price stabilization, only to fall because its proposed stabilizing devices were politically unacceptable. Conditions in other countries show similar variations, but almost everywhere the same dilemma, the same necessity of choosing between irreconcilable objectives, is being experienced in one form or another.

The basic difficulty is that, although inflation is unpopular, the causes that are producing it remain popular. Men still cling to the belief that governmental authority and governmental largess can somehow bring them economic benefits that free private enterprise cannot bring them. The dilemma will be resolved only when the people realize that true economic progress can come only from higher productivity, and that higher productivity
can come only from saving, investment, and invention which are achieved by individual effort in an environment of freedom and incentive. This progress takes time, but there is no substitute for it. Attempts to hasten it by means of artificially easy money, extravagant spending, and political intervention in economic affairs only produce industrial and monetary disorder, which at best retards progress and at worst can stop it altogether.
MORE FRENCHMEN TO ALGERIA?

by Frederic Bastiat
(1801-1850)

The French government's recent action recorded below brings to mind Bastiat's observations in 1850 concerning an earlier French effort to colonize Africa.

A news dispatch of August 8, 1957, from Algeria, reports that "the French government is preparing a series of loan programs to encourage the people of France to invest or settle in Algeria. The goal is not only to bring more Frenchmen to Algeria but also to create new jobs for unemployed Moslems and raise the living standards of the Moslem population. "Loans ranging from $8,700 to $10,500 are being offered to young soldiers willing to remain in Algeria after their tour of duty . . . the ex-soldier is not required to provide any capital himself, but can borrow as much as 100 per cent of the funds needed to start a modest venture [at an] interest rate of 1½ per cent on loans for farm lands and equipment, 2 per cent on industrial loans, and 3½ per cent for commercial enterprises."

A second dispatch of that same date reports that "twelve farm workers were killed and four wounded today in West Algeria when a rebel mine destroyed their truck. The attack brought to twenty-seven the number of persons killed in the Oran area in the last twenty-four hours."

* * * * *

Go to the assembly and listen to the debates on Algeria. You will hear the orators declaiming many fine things about the power and glory of France, about the brilliant future of our gigantic colony in Africa, and about the advantages of sending our surplus population abroad. These magnificent orations always conclude somewhat as follows: "We must vote the necessary 50 millions to construct ports and roads in Algeria, to build houses and to encourage agriculture, and to send emigrants from France to Algeria. These measures will aid the French workingman, encourage native African labor, and stimulate the commerce of Marseilles. It would be profitable in every way."

And, of course, that is true—if you look only at where the money goes and not where it comes from; if you look only at the improvements caused by the spending of tax money, and ignore the improvements that could not be made by the taxpayers because their money was taken from them.

**What Is Not Seen**

True enough, one can see the new house that is built in Algeria with tax money. One can also see the new
harbor in Barbary and the increased commercial activity in Marseilles. And the number of French workers going to jobs in Algeria can actually be counted. But there is another side to the picture *that is not seen*.

The 50 millions gathered by the State cannot be spent by the taxpayers. Thus an accurate accounting demands that the benefits claimed by the State should be balanced by the harm done to the citizens. The taxpayers would have used their money to repair their fences, fertilize their fields, buy needed tools, improve their homes, improve their diets, purchase more clothing, educate their children better, contribute more to charity, and so on. Those are the things that *cannot be seen* because the tax money sent to Algeria prevented their coming into existence.

True enough, there are more jobs in Africa because of the spending of the 50 millions. But *what is not seen* is that the absence of the 50 millions from France caused at least an equal loss of work for the local gardeners, carpenters, blacksmiths, tailors, and others. In addition to this decrease in domestic labor, the taxpayers were also deprived of the pleasure that would have accrued to them from spending their own money as they wished. When we look at Algeria and the things that can easily be seen, we should also remember these things that *cannot be seen*.

Much is expected from the future prosperity of Algeria. Let us hope for the best. But when it is pointed out to me that each colonist sent to Algeria means an improvement in the conditions of the workers left in France, I
must ask how that can possibly be true. The Minister of War informs us that it costs the State 8,000 francs for each person transported to Algeria. Now it is certain that these poor individuals could live very well in France on a capital of 4,000 francs. How is it an improvement to the French people to deprive them of the services of one man and the means of subsistence for two men?

**Government in Business**

Generally speaking, it is not a good idea to use tax funds to establish enterprises. Here is why: Justice always suffers in some degree. The taxpayer who has labored to earn his hundred sous is at least disappointed that the tax collector takes them from him to give to another. The State must offer good reasons for this. But, actually, the State gives a poor excuse when it says, "With these hundred sous, we shall employ workmen." The taxpayer can truthfully reply, "With the hundred sous, I would employ them myself." This claimed encouragement of labor is a delusion. Whatever the State does in this direction by public spending, the private spending of the money would also have done. Therefore, the interest of "labor" is not a valid issue in the case.

Now it is an entirely different matter when the State says to the taxpayer, "We take your hundred sous to pay the policeman who saves you the trouble of providing for your own personal safety; to pave the streets that you use every day; to pay the judge who helps to protect your property and your liberty; to maintain the soldier who
protects our frontiers.” My guess is that the taxpayer will pay for all that without hesitation.

But it is another thing entirely when the State says to him, “We take these hundred sous so that we may give you a bonus if you cultivate your fields well; or to teach your son something that you have no wish that he should learn; or to build a cottage in Algeria—in which case, we must tax you another hundred sous every year to support the worker who lives in it, and another hundred to maintain the soldier to protect the worker, and another hundred to pay the general to watch the soldier,” and so on. In this case, I think I hear the poor taxpayer exclaiming, “This government seems to be a system of legalized robbery!”

A Dislocated Population

Since these governmental expenditures merely change labor without increasing it, another serious objection can be raised against them: “When workers are arbitrarily shifted about, the natural distribution of population in the nation is disturbed. If the 50 millions are left in the possession of the taxpayers, labor would be encouraged throughout all the hamlets and towns of France. Since the taxpayers are everywhere, they spend their money among all kinds of workers and industries. But when the State collects the 50 millions and spends it in one place, it attracts to that place much labor. This increases the number of homeless workers. It creates a floating population that is out of place. I also suspect that this displaced
population may become dangerous when the fund is used up.

This feverish activity in Algeria attracts the attention of all. The resulting construction and new jobs can be seen by anyone who looks. The people applaud the beauty and simplicity of the government's plan, and expect more and more. But they fail to realize that there is a reverse side to the picture, a side that is not good, a side that they do not see.
BOLIVIA: A CASE STUDY IN FOREIGN AID

by Roger A. Freeman

BOLIVIA rates as the South American country receiving economic aid from the United States. The program was started in 1953 to tide the country over a "temporary emergency." But for the past three years the United States has been contributing twice as much for public purposes in Bolivia as the Bolivian taxpayer. This has neither restored the economic balance nor assured stability in Bolivia. Plans to taper off U. S. aid are being shelved each year and appear dimmer now than ever.

Bolivian aid is listed in the U. S. Budget as "defense support" although it would require a great deal of imagination to visualize what bearing this country in the center of South America, without an army or a seacoast, has upon the defense of the United States.

Bolivia's trouble stems from a bloody revolution in 1952 which threw the country into a turmoil from which it will be long recovering. The new government nation-

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alized the mines, expropriated the farm owners, sent a large segment of its educated class into exile, and drove private industry and commerce toward bankruptcy. Within a year Bolivia's people were starving and the government was in trouble up to its neck.\(^1\)

It is quite likely that another revolution would have driven the government out no later than 1954 if U. S. aid had not come to its rescue.

**Encouraging Consumption**

Most of the U. S. aid was used not to strengthen local productive capacity but to boost imports and support consumption. This discouraged local production and enabled the country to live beyond its means. The government kept printing banknotes at a rapid pace and the exchange rate of the peso boliviano dropped precipitously. A few years ago a dollar was worth 190 pesos; in the fall of 1956 it took 13,700 pesos to buy one dollar in the free market.

In December 1956 an attempt was made to stabilize the currency at a rate of 7,500 to the dollar with the help of a $25 million fund from the United States and the International Monetary Fund. The present official rate which is set according to free market supply and demand, is 8,500, and there is no indication that it could be maintained without the stabilization fund and without

\(^1\) This is more than a phrase. The first president this party had put into office was hanged from a lamppost in front of his palace in 1946.
continued U. S. aid. The greater part of U. S. aid still is used to supply over half the regular Bolivian budget. The large government enterprises, the mines and the petroleum monopoly, are operating deeply in the red and cover their deficits through central bank credits.

**Low Taxes in Bolivia**

The government so far has shown no inclination to cut its expenditures to a level which Bolivian taxpayers are willing and able to support. Bolivia’s tax load is low. At 5 to 7 per cent of gross national product it compares with a tax burden of 25 per cent of the gross national product in the United States.

Income tax collections dropped from an average of $3.5 million between 1948 and 1952 to $0.5 million by 1956. Property taxes shrank from $0.5 million to $124,000. Mine royalties used to be a mainstay of the Bolivian budget. But the government corporation which took over the mines in 1952 paid none. Royalties were re-established in December 1956 by supreme decree as part of the stabilization plan. But so far none have been paid.

The tin and tungsten mines are Bolivia’s only source of foreign exchange besides U. S. aid. They used to be profitable. But soon after nationalization, the mine payroll swelled from 26,000 to almost 40,000, and production declined. The mines showed vast deficits which the government covered by printing more banknotes.

A Mining Survey Mission, paid for by the International Cooperation Administration, and staffed by the New York
engineering firm, Ford, Bacon & Davis, reported in December 1956 that there is no technical reason why the mines could not be operated economically. But the management would have to be turned over to technically qualified personnel and control wrested from the politicians and union leaders who are running the mines as their private preserve.

Much of the mine equipment is worn out or obsolete. The mines' foreign exchange earnings were used to import automobiles (rather than trucks which the country needs desperately) and other consumption goods including food. In the average of the past three years Bolivia imported $25 million annually in food and $7 million in machinery. Prudent economic policy would have reversed those figures.

Bolivia does not need to import food. A U. S. State Department Survey Mission concluded in 1941-42: “Bolivia could produce practically all agricultural products in unlimited quantities.” These findings were subsequently confirmed by a United Nations Mission in 1950 and by the Joint Agricultural Service (Servicio Agricola Interamericano).

**Serious Questions**

Why did Bolivia face starvation in 1953? Why does it still import a large part of its food and fiber?

One obvious reason is that most of Bolivia's good soils are in the humid lowlands while most of its people live
in the dry and rocky High Andes. The U. S. Mission in 1941-42 recommended building a road from Santa Cruz to Cochabamba, to connect the tropics with the mountains. The road was built with a $44 million loan from the Import-Export Bank of Washington, completed two years ago. This year, the service on the loan was suspended. This is not unusual. Bolivia has been in default on its foreign debts since 1932—the only country this side of the iron curtain which made no payments at all to its creditors over such a long period.

The so-called agricultural reform four years ago dealt food production a blow from which it seems unable to recover. Instead of channeling the landless Indians toward the noncultivated areas in the lowlands, they were given the freedom to take and divide the haciendas which had been supplying the cities with food. About half a million people took over land without much if any plan or procedure. Property rights remained uncertain, and in the first three years only 7,621 titles were granted. Most of the new owners grow food only for themselves. Cooperatives do little better.

President Paz Estenssoro complained in the summer of 1956 that cooperatives “have paid more attention to supplying their members than to production itself.”

Fed by Uncle Sam

When the Bolivian farmers would not supply the cities, the United States stepped into the breach. In each of the past four fiscal years, we have provided an average of
over $25 million in money, goods, and services. What has this accomplished? U. S. food was priced at fractions—10 to 20 per cent of cost. At least one-third of it was immediately smuggled to neighboring countries to be sold at market prices. Much of the rest went into the Bolivian black markets. Some people grew rich on this traffic. Little reached consumers at official prices.

The International Cooperation Administration last year sent auditors to Bolivia to find out about the “end use” of U. S. aid goods. They found themselves up against a stone wall and had to be satisfied with setting up procedures to provide better control in the future.

While the Chilean and Peruvian ports of Antofagasta, Arica, and Mollendo were choked with ten thousands of tons of U. S. aid goods beyond the capacity of the railroads, and merchandise had to be stored in the open for many months, the International Cooperation Administration kept sending additional shiploads which only added to the confusion and provided better opportunities for pilferage and contraband. This was done right up to 1957.

The U. S. aid program discouraged local food production by underbidding Bolivian production costs. The government set maximum prices at which it would buy agricultural products so low that farmers reduced their output or smuggled livestock, corn, rice, and the like to Brazil, Argentina, or Peru where they brought higher returns. Meanwhile the United States was feeding Bolivia’s cities.

There has been some improvement. In December 1956
the prices of U. S. supplied food were raised to market levels, and price controls were abolished. That has had some beneficial effect in encouraging local production. But not enough. Livestock, corn, wheat, sugar, and other items are now brought in from the surrounding countries at prices below Bolivian production costs. A country which is desperately in need of dollars to pay for machines and other industrial goods should not be spending scarce foreign exchange on food it can grow at home.

Hundreds of thousands or millions of additional people could grow food and fiber for themselves, for the cities, and for export on Bolivia's soil. But, the rural Indians are streaming into the cities and into the mines where living conditions and wages are better.

The average mine worker now earns almost as much as a cabinet minister. That still is little by U. S. standards. But it is a great deal by Bolivian standards—more than twice what a teacher makes. It is only a fraction of the earnings of a miner in the U. S., but a U. S. miner's output is ten times that of a Bolivian.

Without U. S. aid, Bolivia's alternatives would have been to work the land and grow more food or starve. Our program "saved" the Bolivians from both. It also saved the government from the consequences of its policies.

All over the country one can see the terraces on the steep hillsides which tell a story of past cultivation. Those terraced lands and irrigation channels were producing food in Inca days and often until quite recently. At this time only small parts of the terraces are still being worked.

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Bolivia has rich oil lands. The fields were explored and production started in the 1920's by the Standard Oil Company of New Jersey. Their property was confiscated years ago without compensation. Petroleum is now being produced by a government monopoly corporation (YPFB). Output has increased in recent years. In fact one-fourth of it is being exported to Brazil and Argentina which built railroads from the border to the production centers (at their own expense). This year YPFB expects to sell $14 million worth in petroleum products locally, $5 million abroad.

Petroleum products are almost tax free. The YPFB budget includes an item of $130,000 for taxes, about 0.7 per cent of its gross volume. I recommended the imposition of adequate gasoline taxes to finance the building of roads which Bolivia needs desperately. The government finally boosted the gasoline tax from 0.4 cents to 0.75 cents per gallon. Diesel and fuel oil still are left tax free.

YPFB has been pricing its products far below cost. The government covered the deficits with the printing press. In December 1956 gasoline was raised from 7 cents a gallon to 25 and 27 cents. This is almost twice what gasoline would cost in the United States if there were no taxes. But YPFB, which pays almost no taxes, is still operating in the red at the new price, despite low wages.

**Unproductive Labor**

The low productivity of labor is the main reason for the high costs of production in the mines, in petroleum,
in agriculture, for the excessively large staffs of the ministries and the high cost of government.

At many jobs there are twice or three times as many people as are needed. To watch them "at work" is a frustrating experience to Americans.

Productivity in private industrial firms is no better. Companies were forced by the government to place additional people on their payroll and are not permitted to dismiss employees regardless of whether there is work for them, whether they are competent, whether they work, or whether they are caught stealing. There are always several strikes going on. This is small wonder—workers get paid while they are on strike.

Wages and incomes are low, but in terms of output they are higher than in the United States. Thus it is cheaper to import goods, agricultural or manufactured, than to produce them locally. The imports are paid for partly through high taxation in the United States while Bolivians are living in what may comparatively be called a tax paradise. Bolivia is being taught to depend increasingly on U. S. aid, and its incentives for helping itself are being reduced.

Should U.S. aid to Bolivia be abolished?

The program was adopted four years ago to assist in a temporary emergency. The United States never intended to pay a regular and continuing subsidy to Bolivia. The International Cooperation Administration asserted repeatedly at congressional hearings its intention to taper off and end the program. It is about time that this be done.
“THE FORGOTTEN MAN,” first described by Professor William Graham Sumner in the 1880’s, was the hard-working taxpayer. A half century later, “the forgotten man” of the New Deal meant a person of low income—the “underprivileged” and “neglected.”

The New Deal sprang from the premise that a free economic system favors some and forgets others, and that it is the duty of the government to right this alleged wrong. Reasoning that one of the best ways to help the poor is to take from the rich, New Deal theorists concluded that this could be done most effectively through a steeply progressive income tax.

Now that this idea has been implemented on a large scale in America for nearly a quarter of a century, it is time to ask what its repercussions have been. Has it really benefited—remembered—the so-called forgotten man?

The superficial answer has to be “Yes.” The “national income” is at an all-time high, even after due allowance for inflated dollars. Most people today, including the New Deal’s “forgotten man,” are somewhat better off in

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a material sense—they have more actual purchasing power than before. Tangible evidence includes cars, homes, washing machines, refrigerators—and better food inside the refrigerators.

Acknowledging such economic progress for the once "forgotten man," one nevertheless may ask: Is this because of the change we have made—because of the trend toward paternalistic government with huge subsidies and steeply progressive taxation—or in spite of it? And the answer seems clear to me that if we had pursued an opposite course, toward less government intervention and lower taxes, all of us—including the so-called common man—would be more prosperous than we are now.

The Push Is Gone

I'm convinced that our prosperity of the past generation is largely the momentum generated by years of economic freedom. Though our heavy taxation and growing inflation discourage it, saving is still a deep-rooted American habit; and savings and capital investment have been enough to keep our economy running reasonably well so far. The point is that our progress could have been far greater had government been more limited, taxes lowered, inflation prevented, and capital investment encouraged.

That is why I contend that the whole idea of paternalistic government with its steeply progressive income tax has boomeranged. It has come to hurt the very people it was designed to help. We have become so engrossed
with generalities about the merits of the Welfare State that we fail to see its burdensome impact on even those who were supposed to be its greatest beneficiaries. In short, the typical American is being “forgotten” all over again under a continuation of the New Deal designed to memorialize him.

The program initiated to take from the “rich” for the benefit of the “poor” has held saving and investment beneath its potential, thus making our economy less productive than it might have been. Meanwhile, the welfare program has grown beyond the capacity of the “rich” to sustain it. Increasingly, government has had to levy progressive income taxes against lower income groups. The simple fact is that half of the entire federal income tax is borne by people with incomes below $7,000. And unfortunately, under the concept of a welfare government, such a situation is inevitable.

A Regressive Income Tax

The progressive federal income tax is only one aspect of our present tax structure. Great numbers of our people—and especially millions of those in the lower income brackets—are subject to another kind of federal tax on incomes, the Social Security tax.

“Oh, no,” some will argue. “Social Security payments are not a tax: they’re premiums on an insurance policy.”

According to the law, however, collections for Social Security are listed as a tax. It is known technically and legally as the “Social Security Tax.” This, I understand,
was done to give the Social Security program the appear­
ance of constitutionality. The Constitution gives the gov­
ernment no authority to enter the insurance business and
and to force the citizens to pay premiums, but it does give
authority to tax.

Many persons believe that Social Security is a kind of
compulsory insurance and that it operates by means of
an adequate payment into an ample trust fund, produc­
tively invested. Neither of these suppositions is correct.
A recent booklet of the Social Security Administration,
designated as OASI 36-M, frankly admits that the trust
fund amounting to $23 billion as of June 30, 1957, isn't
adequate to cover the fund's accrued liabilities:

The assets of the old-age and survivors insurance and the
disability insurance trust funds are not intended to be equal
in amount to the accrued obligations of the programs at any
one time.

A private insurance company needs reserves equal to its
accrued obligations because it must face the possibility that it
may not be able to continue to collect premiums in the future.

The federal programs, on the other hand, since they are
compulsory under federal law, can count on continuing par­
ticipations in the programs and the continuing payment of
contributions.

Mr. W. Rulon Williamson, a former actuary of the
Social Security Administration, believes that his succes­
sor's estimate of “from $300 billion to $325 billion as
plausible accrued liability” may be too low. Whatever the
precise figure, which no one can determine with cer­
tainty, there can be no doubt that the present so-called

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trust fund of $23 billion fails by $277 billion or more to cover the accrued liability under the program.

Some Must Lose

It should be apparent that Social Security is not insurance in the true sense of the word since insurance contemplates that each age cohort jointly provides the funds for its own benefits. Actually, the use of the word "insurance" in connection with the program is fraudulently misleading.

Should private businessmen perpetrate such a cruel hoax on the people as politicians have done and are doing in the present Social Security program, they would promptly find themselves sojourning in Leavenworth or Atlanta.

It is easy enough to see why payments into the fund are inadequate to cover accrued obligations. Some persons have paid maximum Social Security taxes since their inception in 1937. In that case, the taxpayer would have paid a total of $837.00. His employer would have been compelled to pay the same amount—which could otherwise have been paid as wages to the employee—bringing the combined total to $1,674.

If that person had retired on January 1, 1957, having reached the age of 65, and if his wife had passed her 65th birthday, they would be eligible for retirement benefits of $162.80 a month. Thus, within a period of slightly more than ten months, that man and his wife would receive more in retirement benefits than they had
paid in Social Security taxes over the twenty years since the program was initiated. But the life expectancy at the age of 65 is more than ten months—in fact, more than 14\(\frac{1}{2}\) years for the husband and 18\(\frac{1}{2}\) years for the wife. To fund an annuity producing the above payments through the expected life of each would require $16,807 for the husband and $9,667 for the wife. It is obvious to anyone that tax payments accumulating to a total of $1,674 cannot have earned in the past twenty years, and cannot in the future earn, sufficient interest to fund benefits amounting to $26,474. If this couple actually collects some $25,000 for which they have not paid, the implications are clear enough: other taxpayers will have been compelled to pay about $25,000, for which they are to get nothing.

**Will Posterity Pay?**

If there is a $300 billion accrued and largely unfunded liability in our Social Security system, where is the money coming from to pay the forgotten man's Social Security benefits? From one source only—from future taxpayers; in effect, from the workingman’s children. What is this Seventh Heaven of dependence for us oldsters going to do to the younger taxpayers upon whom will fall the burden of supporting a prior generation?

Personally, I doubt that posterity should or will bear the major portion of the Social Security costs of prior generations—not in dollars of today’s purchasing power. The cruel part is that individuals of the present genera-
tion, lulled by political promises of security, will make little if any attempt to provide for themselves through their own savings and effort. The heavy tax burden that is a necessary part of the Social Security program not only cuts into the "forgotten man's" spendable income, but also limits his ability to invest in industry or to start his own business and greatly discourages self-improvement and self-advancement.

And the repercussions of this discouragement, while difficult to pin down, are nevertheless real and far-reaching. We are impeding, limiting, and thwarting the hopes, aims, ambitions, and efforts of millions of Americans, and in the process, tremendously restricting the possible growth in our standard of living.

**Inflation Is Also a Tax**

But, of course, open taxation is not the only means being used to support our immensely overextended government. Direct taxation might be called "the out-in-the-open" or "front door" method of revenue collection. But our government also has a more or less "secret" or "back door" method which takes the form of a highly questionable monetary policy.

Arbitrary increase in the money supply results in, or in itself might be termed, inflation. It simply means that more and more dollars are in circulation, but that each dollar is worth less. The result, apparent in our everyday experience, is a shrinking dollar bill. If we say the 1939 dollar was worth 100 cents, then the 1945 dollar was
worth only 77 cents. By 1953 its buying power was a mere 52 cents, and today it is only about 50 cents.

Inflation is a complicated subject, and it has various causes; but in my view, one of the most important is overexpanded government—a political mechanism with such heavy operating expenses that direct taxation alone can't cover them; and so it turns to a fiscal policy which, in effect, involves printing money to pay its own bills.

Inflation deals its most lethal blow at the person with fixed or static income. This includes the handicapped or the aging worker, who, in the competitive labor market, is incapable of raising his dollar wages. It also includes the constantly enlarging group of older people no longer earning wages but living off fixed income from such sources as cash savings, annuities, or government bonds. Their income remains static, but under our present inflationary economy, its actual value in purchasing power tends to decline continually.

*The Cure Lies in Freedom*

The Welfare State, set up primarily to benefit “the forgotten man,” has—almost inevitably—injured that man through the combined results of heavy taxation and mounting inflation. And it has hurt him not only in terms of loss of income but in loss of initiative and incentive—loss of the driving desire to push ahead and fulfill his potentials.

The condition obviously is bad. It needs a remedy. What is it?
Many will propose various "gadgets," temporary devices or maneuvers; but I contend there is only one real cure, only one way to eliminate the oppressive taxation and frightening inflation which now weigh so heavily on the average man's shoulders—and that is to bring the government back into bounds, to restrict it to its proper function of protecting life and property, and to give up the disastrous attempt to use government to benefit any particular economic group.

This will so reduce governmental expenditures that taxes can be lowered and made more equitable; and at the same time, it will eliminate a chief cause of inflation.

Our present overexpanded government with its progressive income tax and inflation, is hurting every segment of our society, and especially the so-called "forgotten man." The best way we can truly "remember" him, as well as every other citizen, is to work toward a minimum government guaranteeing to everyone a maximum of economic freedom.
THE WATCHWORD for one who would bear witness is “Wait”; and the word of caution, “Don’t be an eager beaver.”

The dub at golf, contrary to advices of the Pro, just can’t wait for the club-head to perform its natural function. He’s so eager for good results that he gets his body ahead of the swing. “Flub” is one of the words used to describe the humiliating outcome.

The eager beaver halfback won’t wait for his interference to form. More often than not he is “thrown for a loss.”

Those who research into the mysteries of insight, cognition, extrasensory perception, contend that this type of communication cannot be hurried. Prepare yourself to receive, they counsel, and wait.

All of us have observed the religious eager beaver. He may have been the town miscreant or perhaps a normal good soul with no religious background or knowledge. Curiosity invites him to a Revival Meeting or something

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of the sort. Suddenly a vision is experienced; he "sees the light." All well and good. But instead of waiting to bear witness, he hustles into an extended buttonholing program in order that others, too, may know what he "knows." The religious eager beaver rarely helps the cause for which he so stanchly stands; indeed, he may do it harm.

**Homework Comes First**

Moving into the libertarian area, we observe many newly won devotees of freedom aggressively trying to sell others before doing their homework. They may have realized for the first time—in one excitingly intellectual moment—that no person, nor any collection of persons, has the moral right to control or forcibly to direct what any individual shall discover, invent, create, where he shall work, the hours he shall labor, the wage he shall receive, or what and with whom he shall exchange. This moral point, to some, comes as pure revelation. They then see that a vast preponderance of things governments do are wrong; and wrongs, they correctly reason, must be righted. And, if of the eager beaver type, they will, like many newborn religious zealots, immediately embark on setting all of mankind straight, once and for all. Effectively? That's the delicate and important question.

Saul was on the road to Damascus for the purpose of persecuting a new and rising sect which he and the religionists then in power thought should be liquidated. During the journey he was blinded by a great light, and
a Voice from an unseen source queried him as to the possibility of his mission's being in error. Saul, so the Bible reveals, became a convert of the sect he was about to destroy and he, Saul, became Paul.

Paul was not of the eager beaver type. He did not begin "setting the world straight" the next morning. Instead, he went to the Arabian desert—some say for three years—to meditate, to contemplate, to prepare himself. Paul, authorities generally agree, ranks first, even to this day, as an effective Christian protagonist. Paul waited before bearing witness.

*Is Anybody Listening?*

No person can bear witness for any philosophy—be it religious, moral, social, political, or economic—until others will admit his testimony willingly, desirously, to their own persons. And no such admission is likely until a witness bearer has gained the respect of the listener or reader on the subject of his testimony. Respect must first exist in the other person. The would-be witness bearer must wait until respect develops.

Waiting is a difficult discipline, particularly if one entertains deep convictions about a philosophy or a way of life. Yet, to plunge ahead of one's reputation—to operate outside of one's own radiation—is to waste energy. It can lead only to ineffectiveness, disappointment, frustration.

The esteem in which one is held by others, whether in matters of the spirit or in the libertarian philosophy
or whatever, can never be expressed as a generality. It may be high with one person only; nonexistent with all others. Indeed, it is in constant flux with any one person.

Esteem, respect, reputation, in the final analysis, rest on one’s own acquirements in understanding, explanation, and manner of presentation. This is the homework department of effectively communicating to others what one believes to be truth.

*A Loose Connection*

Recently, I called on the treasurer of a retail establishment at the suggestion of the president, personally friendly to me, who had to be out of town. It was immediately apparent that I had no favorable status at all with this keeper of the cash, that in a moment the well-known get-rid-of-him-quickly technique would be administered. Obviously, I had preceded my reputation for competence of any kind. I engineered my own exit. Such is my low estimate of trying to communicate ideas in so unfavorable an atmosphere. It wasn’t that this treasurer was incapable of being interested in the libertarian philosophy and FEE’s efforts appertaining thereto. It was that I was wholly impotent to do anything about it, and it is further evident that I shall remain that way until he may desirously admit me and what I have to say. Conceivably, my competence could some day reach a point that news of it might drift to him or in some other manner be impressed upon him. Until that day, wait!

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Afterward, I lunched with six executives of a corporation. They *wanted* a discussion with me about the problems presented by our nation’s growing collectivism. Communication was natural, easy, useful to me, and perhaps to them. My waiting period—as far as these people were concerned—had already matured into a situation of effective communication.

An hour later I was on a plane for Chicago. A clean-cut, intelligent-looking young man inquired, “May I share this seat with you?” On being welcomed to do so, he introduced himself, explained that he was a senior at the University of Minnesota, that he planned to obtain his Master’s Degree and, in a most affable manner, chatted about his interests and other plans. How easy the error of getting ahead of myself, of discoursing too early in this new acquaintanceship about the free market, private property, limited government philosophy, and about the Foundation! However, I was still smarting from the lesson emphasized during the forenoon with the treasurer. I deliberately waited. As it turned out, there wasn’t a thing about which the young man talked but what suggested a relevant libertarian comment on my part. Finally, my seat-mate could hold out no longer: “Please tell me, Mr. Read, *what do you do?*” This particular waiting period required no more than an hour. His parting remark at Midway Airport was: “Wait till I tell my Dad about the Foundation’s work. It will make him very happy.” I thought it quite a coincidence that he used the word “wait.”
AMERICAN higher education is faced with the greatest and most demanding challenge in its history. In this challenge there is opportunity to enrich and strengthen the very fiber of American society.

How America—its educators and its citizens—reacts to this challenge will determine in great part the artistic, the scientific, the professional, the economic, and the moral advancement of our people through the closing decades of the twentieth century.

The challenge we face is not merely one of numbers, that is, to provide educational opportunity beyond the high school for a vastly increased population that may double college enrollments within ten to fifteen years. More importantly, the challenge demands that we educate young men and women equal to the needs of our times.

It is the mood of our times—and one to which we subscribe heartily as being part of our American heritage—that every American, qualified to pursue education beyond high school with benefit to himself and society, should be given such an opportunity.

The Very Reverend C. J. Steiner, S.J., is President of the University of Detroit.
Our understanding of "qualified" implies and includes the following prerequisites:

1. Native ability
2. Achieved academic ability
3. Will and desire to profit from opportunity
4. Personal responsibility

Without the will and desire to improve one's own condition and to develop one's native talents, a young person cannot be helped by a college education. Unfortunately for some, the values of a college education are not transmitted by a process akin to osmosis; nor can a college education be forced upon one as food is forced upon an unwilling child. A parent can see to it that his son attends college, but he cannot force him to benefit from what goes on within its ivied walls.

To achieve the richest values from the total collegiate educational experience, an individual should be expected to exhibit a sense of personal responsibility for what is happening to him. The successful carrying forward of his academic program and even its financing should not devolve wholly upon parents, school, and society. Every student should be expected to make a reasonable contribution toward the educational process.

*Opportunity for Youth*

There is a vast difference between offering our young people an opportunity for a college education and forcing them to make use of such opportunity. When our young people face up to the problem and accept whole-
heartedly their responsibility to achieve what is good for them and society, the educational process is bearing fruit. How one goes about achieving a college education can be more productive of enduring values than the mere acquiring of an academic degree.

We recognize that there are today—and probably will always be—a large number of qualified youth who are not able to finance the costs of their education. It does not follow, however, that, because of this situation, every American youth, irrespective of financial status, should receive a college education on an almost cost-free basis.

There is an ever-increasing trend in our country to look to government for almost everything that is important to the individual and society. We need badly a national system of interlocking highways, modern, fast, and efficient. We are facing the first swells of a tidal wave of elementary school children for which at present our plant facilities and teaching personnel are inadequate both in terms of quantity and quality. New homes are needed all over our nation. Natural resources must be husbanded, and new sources must be provided as soon as possible. And so it goes.

*The Great Illusion*

One could easily multiply or diversify the instances of national needs. This is not our point. What is discouraging is not the fact of our needs. America has always faced up to these problems since the days of its birth. What is discouraging, rather, is the lack of diversity in
the provisions offered for the solution of almost every problem and the nearly universal tendency of turning to government as if we had a kind of Mecca in Washington.

Government has no money of its own. When government does disburse money, it disburses our money. There really is nothing particularly beneficent about government in its fiscal operation.

Government money is our money gathered together by a process of taxation, hidden or open. Under no circumstances can we get back more than we have given government. As a matter of fact, we must pay for overhead—for the cost of handling and distributing our money.

Ordinarily it will be considered safe to say that the overhead of management and distribution will be more costly on the state level than on the community level and even more costly on the national level than on the state level.

Let Beneficiaries Pay

One of the great illusions of our day, though, is that somehow, in some way, government can create or produce wealth with which to endow all the communities of our vast nation with monies to solve all or any of their problems.

Essentially, we believe that those who benefit from higher education should pay for it. Accordingly, too, we believe that a rule of thumb, when applicable, should demand that those who benefit most from higher education should pay the most.

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We feel that an individual who is qualified for higher education, in that sense of the word as discussed previously, should contribute from his own resources to help pay for the cost of higher education. We do not feel that we are asking too much of any student to expect him to contribute a fair share of earnings from part-time or summer work to help defray the cost of his education. Apart from the culturally rich benefits of a college education, it has been shown that a college education will mean an additional $100,000 in earnings to a person over a lifetime period.

Then, the parents of the student should be expected to contribute a fair share to the cost of education. The benefits they receive from a college education for their son or daughter are too obvious to dwell upon.

Society, too, has its obligation, inasmuch as it is a prime beneficiary of the whole educational process. Society, through the investment of gifts from friends of education, alumni of various colleges, business, industry, charitable trusts, and foundations, must bear its share of the cost.

*Tuition*

The key to financing higher education, though, is tuition. Let colleges and universities charge tuition that represents a realistic share of the actual cost of higher education, and the burden of financing higher education will be borne by those who should bear it: namely, the student and his parents.

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Today, privately-supported colleges and universities follow this pattern of financing. As a rule, tuition represents a major portion of the actual cost of educating a student. The difference between the income from tuition and the actual cost of higher education is made up by gifts from friends, alumni, income from invested funds, and from various auxiliary enterprises.

**Youth Needs Challenge**

Some might object that to put into operation this principle of payment by those who benefit most would be to force education beyond the financial ability of thousands of young men and women. We do not, of course, want to precipitate such a development. Actually, we believe that such a principle, when applied to this problem, will lead young people to reach out, to strive for something beyond themselves, and in so doing, to learn values and habits of immeasurable worth in meeting the demands of everyday living.

Society does not offer the young person a home fully paid for and furnished with which to begin married life. Yet society is asked to do something for our young people, which, when analyzed, seems equally amazing. To expect the state or federal government to provide a tuition-free education for our youth—the hope of our nation—seems to us to be as unrealistic as expecting the state or federal government to provide our youth with sparkling new homes, completely outfitted and equipped for living.

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American youth is ambitious; American youth is courageous. It awaits a challenge from us. It does not hesitate to work, earn, and save money to purchase a home for its family; nor, if called upon, would it hesitate to work, earn, and save to pay for a college education. Thousands upon thousands do it every year.

**Student Loans**

We concede that there are difficulties to be faced in working out a plan of this kind. But we offer as a possible solution to the major problem the setting up of loan fund machinery. Students could borrow money with which to pay tuition with a long-term program of repayment beginning after graduation. No American youth hesitates to invest in a long-term program of the same kind for home or automobile. Why not such a program for a college education which is of almost inestimable value over a lifetime?

We believe also that certain presumptions concerning the provision of educational facilities for our growing enrollments should be examined in light of the most careful scrutiny of our whole higher educational system. For example, one common presumption is that if the school-age population doubles in a certain period, college enrollment will double; consequently, facilities and educational budgets must be doubled.

American ingenuity and resourcefulness, we are convinced, can provide educational opportunity for a greatly increased enrollment without doubling existing facilities
and without doubling instructional and administrative personnel. A reorganization of the school calendar and a more efficient utilization of present facilities would do much to solve our problems.

**Overlooked Opportunities**

The traditional American college calendar, of course, is a functional development resulting from the demands of a predominantly agricultural society of another day. The long summer vacation was a concession to the need for additional help in the fields, and the lengthy holiday recesses were more than likely a concession to the relatively primitive forms of transportation. Our rapidly developing industrial society makes no such calendar demands.

If the college calendar ceases to serve the needs of a dynamic American society, it must be changed. It is conceivable that a truly functional calendar would consist of four periods of three months instead of the traditional two semesters with the shorter summer session tacked on, as it were. By means of this calendar, twice as many undergraduate students could be processed through existing facilities as previously. Such programs are currently in effect in many engineering colleges.

Furthermore, we could re-examine with some benefit the present schedule that calls for classes to meet only three days each week. Why not five consecutive class days? Less time for dreams, perhaps; but, if we are looking for a more efficient utilization of facilities and faculty,
we should re-examine our present educational practice in its totality.

We could experiment even further with the relatively new medium—television—to solve the problem of too few teachers and too few buildings. We are convinced that this medium—when properly utilized—will enable one professor to meet as many students as are traditionally met by ten. Such a development can surely be looked for in those subjects in which lecture-work predominates. Nor can we afford to overlook the possibilities implicit in visual aids such as movies.

The Problem Re-examined

Any re-examination of our total educational practice must involve a searching scrutiny of our curricula. Are we offering programs that are designed to fit our young people to meet the needs of our day—or are we preparing our youth for a day long since past?

To solve the complex problem of higher education and to develop a workable blueprint for American higher education, we must:

1. Revise our goals to prepare youth for life in our times.
2. Re-examine our methodology to take full advantage of the latest developments in the art of communications.
3. Scrutinize courses of study—to eliminate the antiquated.
4. Lead our youth to assume greater responsibility for personal development.

5. Integrate our whole educational process with community endeavors to make faculty and student body a part of community life.

We face the future awed by the enormity of the task ahead when actually we should be thrilled by the challenge it offers to our resourcefulness and ingenuity. The problem will be solved if we approach it in the dynamic American tradition—a tradition based on a willingness to depart from the antiquated to embrace that which is new and good. A slavish adherence to revered educational idols will only defeat us. What is called for here is a revolutionary spirit in seeking out what is good—but new—to blend with that which is good—but old.
CONTEMPT FOR LAW

by E. I. Hutton

Crime continues to grow. The FBI reports the number of major crimes in 1956 was the highest on record.

Why? We claim to be peace loving, don’t we? Yet crime is war. Our crime rate is one of the highest in the world.

Who and what is responsible? Many reasons can be given. All contribute, but there’s an accessory that is seldom, if ever, mentioned.

It is government itself—our government—local, state, and federal.

In the Supreme Court, the eminent Justice Brandeis once said: “Our government, for good or ill, teaches the whole people by its example. Crime is contagious. If a government becomes a lawbreaker (the moral law), it breeds contempt for law and invites every man to become a law to himself.”

Government has ripped the market on its bonds. It has cut its debt by devaluing the dollar. It continues to refuse to pay its debt during prosperous times.

Mr. Hutton is the well-known industrialist, investment broker, and author of the column, “Think It Through.”
Government says it is a crime for a single pickpocket to steal. But it says that A, B, and C, by combining their votes, can pick D's pocket and go free.

Government buys votes. It weeps over the civil rights of certain minorities, but punishes no one when labor union monopolies deprive cities and states of transportation, light, or power, or when goons terrorize law-abiding citizens and dynamite the homes of working men.

As Brandeis said: "Government breeds contempt for law."
CAN LABOR CLEAN ITS OWN HOUSE?

by Sylvester Petro

The answer is that no one else can. But before any house can be cleaned, one has to recognize dirt when one sees it; and one needs a broom, mop, water, strong soap, and above all else, the will and the power to clean up. All these things are now lacking, and more. Not only is there trouble about recognizing the dirt. There is even some doubt concerning the identity of the house cleaner, and some people seem to be confused about where to get the cleansing materials.

The house cleaners will have to be the workingmen of the country. The cleansing materials will have to be their own free choice and their right to refuse to join unions or to participate in strikes, picketing, and boycotts. If the workers are to have any success in the exercise of these rights, they are going to need the protection which governments have so far denied them. For the sad condition of the house of labor is the consequence,

basically, of the fact that governments in this country have been failing to protect the basic rights of free men in the labor field.

The basic rights of free men are the rights of private property and freedom of contract. These rights, when their exercise is protected by government, give men the freedom to control their persons and their property. They mean in the labor field that a worker has free access to all employment opportunities; that he may take work whenever the wages and other conditions are acceptable to him; refuse it when they are not. They mean that the worker's will and inclination prevail regarding whether and when he will accept or continue in employment, not the will of anyone else—unless the worker has come to some voluntary agreement on such matters with someone else.

Property and Contract

No man can be called a free man unless he has these rights intact. Unless workers are free men, they will not keep the house of labor clean. As a matter of fact, unless they are free men with the rights of free men, they will be unable to keep it clean. Men who have learned to accept being pushed around, who have been compelled to follow outside decisions on matters affecting their most intimate personal affairs and responsibilities, are immersed powerlessly in dirt so pervasive that they have trouble remaining conscious of it. They may not even think of cleaning up things. And perhaps they are better
off so; for if by a powerful exercise of imagination and will they should conceive of a cleansing operation, they would be literally incapable of doing anything about it, and they might get badly hurt.

For government has not been doing the job for which it was created. Certainly it has not been doing the job in labor relations. We have government committees studying all phases of the labor-management field, except the critical phase—namely, the status of law and law-enforcement. The basic job of government everywhere, and particularly in the labor relations field, is to protect and promote the rights of private property and freedom of contract.

Our governments have been established in order to do three great jobs: (1) prevent and punish violence, fraud, intimidation, and coercion; (2) protect the personal freedom and the freedom of contract of all persons, including workingmen; and (3) in general, make men secure in their persons, properties, and opportunities. In a word, we expect government—and government undertakes—to prevent some people from pushing others around.

**Failures of Government**

Trade-union leaders and businessmen are undoubtedly guilty of a good many kinds of antisocial conduct. Their transgressions, however, are insignificant when compared with the failures of government. Established to protect private property and freedom of contract, our
governments have themselves been guilty of some of the worst forms of expropriation and interference with freedom of contract—not only, but especially, in labor relations. Conceived essentially in order to maintain the peace—to prevent and remedy violence and coercion—government has abdicated that responsibility to a great degree.

Government has taken away from workers one of the most valuable aspects of their property and contract rights. It has told them that they cannot make their own employment contracts. A worker has to accept the dictate of a governmental agency as to his "appropriate bargaining unit." Once he finds himself in this arbitrary grouping, he is forced to give up his right to bargain for himself, if a majority of the employees in that grouping so will it. Indeed, if he has been vigorous and sturdy in his objection to the union chosen by a majority, he is more than likely to find himself in a very bad way. But he will be unable to do anything about it because the government authorized to protect his property and contract rights has expropriated him.

Member Has Little Control

There is no likelihood that such a man will have any influence on the way the union is run. An organization which can control a man's activity against his will is not going to be very solicitous about him. He will have to tread very softly if he wishes to tread at all. Not much house cleaning can be expected of him. All that can be
expected is that, if conditions become absolutely intolerable for him, he will go away. When such men have no alternative but to go away, there are left only people who, as a whole, have very little stomach for house cleaning, if, indeed, they can even recognize dirt when they see it. When our people in government get seriously concerned with doing their job in labor relations, they will want to repeal the expropriation inherent in the appropriate-bargaining-unit and majority-rule principles.

**Violence Goes Unpunished**

Government action in the labor relations field cannot be taken seriously at all, either, until our duly constituted authorities begin acting straightforwardly, vigorously, and courageously against violence in labor disputes. There is no excuse whatsoever for the practically universal failure of government agents to do this part of their work. Governments are absorbing about a third of the national income, and I understand that there are over seven million nonmilitary federal, state, and local employees. In the absence of the most cogent evidence and argument to the contrary, one may therefore insist that we are spending enough to entitle us to expect basic protection against brutality, violence, and intimidation in labor disputes.

This is not a matter upon which reasonable minds may differ; everyone is against violence in labor disputes. Again, there are no difficult or complicated technical problems; it is necessary only to prevent masses of people
from gathering at a strike-bound plant. It should be a
great deal easier to limit picketing to one or two persons
than it has been to disperse the rioting people in Little
Rock. So far, however, our governmental authorities have
been dismal failures. A more or less futile court order
after violence has occurred is the most that one can
expect. As things are now going, an employer can count
himself lucky if he doesn’t have to pay unemployment
compensation when union violence discourages people
from working!

Any talk about a clean house for labor is absurd and
ridiculous until violence and the conditions in which it
breeds are extirpated. Peace and order bring one kind
of person to the fore; violence and intimidation are the
conditions in which another kind of character flourishes.
The point doesn’t need any further emphasis.

Laws Unenforced

What cannot be overemphasized is the failure of gov­
ernement to enforce the basic and sensible laws of the
land, federal and state. Both federal and state laws
forbid all kinds of economic coercion in labor relations.
Employers are prohibited from coercing workers in re­
gard to their choice of unions. Unions are equally pro­
hibited. The Taft-Hartley Act and the laws of many
states, when properly understood and interpreted, de­
clare that unions may not force membership upon
unwilling employees through the use of economic pres­
sures. This means that such plainly coercive measures
as stranger picketing—that is, picketing by a trade union which represents none of the employees of the picketed establishment—compulsory-unionism contracts, and all boycotting techniques are forbidden.

Compulsory Membership

It is a well-known fact, however, that the administration of law leaves untouched most of those forms of union coercion. As a consequence, one may conclude with confidence that the unionization which we have known for the past ten years or more has been, to a considerable extent, coerced unionization: employees have been compelled, the national labor policy to the contrary notwithstanding, to accept unions not of their own choosing.

It is necessary to distinguish between the anti-union coercion of which employers are guilty and the coercive methods of organization pursued by unions. No one doubts when an employer fires or threatens to fire a man for joining a union, that the employer is violating the law. Moreover, there is little doubt that the NLRB will prosecute such cases and, if there is any evidence at all of anti-union coercion, hold the employer guilty of an unfair practice. In fact, in the current investigations of the Senate Committee on Corrupt Union and Management Practices, the Committee is to a considerable extent merely raking over cases in which the NLRB has found employers guilty of unfair labor practices.

As yet, however, the Committee has not seen fit to
inquire into the thousands of cases in which the Teamsters and other unions have been using stranger picketing and various kinds of boycotts as methods of compelling unionization. There cannot be the slightest doubt that stranger picketing and boycotts do involve economic coercion of precisely the same type as the employer's discharge or threat of discharge. Likewise, there cannot be the slightest doubt that such coercive methods of organization are all clear violations of the Taft-Hartley Act.

Organizing Methods

Yet for more than ten years stranger picketing, "rovingsitis" picketing, hot-cargo agreements, and a number of other techniques of coercive and compulsory unionization have been in constant use all over the country. The number of employees who have been compelled against their will to join unions must be of a very large order of magnitude. And for more than ten years, these coercive organizing methods, though plainly contrary to the law, have been held by the NLRB to be not unlawful.

It is true that in October the NLRB took a small step in the right direction by holding unlawfully coercive one narrow and illusory category of stranger picketing. According to the Board a union violates the law if it engages in stranger picketing after it has been defeated in an election, provided that it is unwise enough to say that it is picketing for immediate recognition. If the
union engages in stranger picketing before it has been defeated in an election, and if it is astute enough to say that it is picketing for organizing purposes—not for immediate recognition—then, according to the NLRB, it may not be guilty of unlawful coercion.

That is a pure case of tweedle-dum and tweedle-dee. There is no basis in the law generally, in the Taft-Hartley Act, or in common sense for the distinction which the Board has drawn. If stranger picketing is economically coercive in any case—as it undoubtedly is—then it is economically coercive in every case; for its methods, objectives, and manner of operation are always the same, no matter when it occurs or what it is called.

One-Way Investigations

Even if the Board had gone the whole way, had held that all stranger picketing is unlawfully coercive, one might still ask why it is that such a decision came so late. It is more than ten years since the Taft-Hartley Act was passed. During that time, as well as earlier, stranger picketing has been perhaps the most common of all trade-union organizational methods. Furthermore, the language of the statute has not been changed since 1947. The answer, of course, is that until recently the NLRB has found those parts of the Taft-Hartley Act which define unfair practices of unions to be singularly mysterious and of uncertain reach and intent. Whereas the NLRB found it easy to read the employer unfair practices as proscribing every conceivable type of em-
ployer pressure, the identically worded union unfair practices could not, the Board felt, be intended to mean the same thing.

**Skin-Deep Investigation**

And so, while the Senate Committee has been rehashing in the case of employer “corruption” only conduct which the Board has since the very beginning prosecuted, it has curiously refrained, thus far at least, from inquiring into the methods by which unions are daily coercing the free choice of employees. To put the matter another way, it has been preoccupied with the surface manifestations of trade-union corruption—the cheap thievery, double dealing, and the embezzling. It has not been concerned at all with even the deeper manifestations of corruption—the violence and the compulsion which underlie so much of modern American trade-unionism. More important even than that, the Committee has not revealed any understanding at all of the fundamental causes of both the deeper and the more superficial forms of corruption.

The causes lie essentially, I repeat, in the errors, failures, and derelictions of government in the labor relations field. Unions have been given special privileges at the expense of the basic rights of employees and employers. While employers have been forced to take a strictly hands-off attitude, and while the contract rights of workers have been vitiated, unions have been given the formal *de jure* power to control employment and
employment conditions, and they have been given the informal *de facto* power to use violence and economic coercion as means of compelling both membership and acquiescence in union policies, programs, and tactics.

If the house of labor needs cleaning now, it will continue to need cleaning until these failures of government are corrected and until the formal and informal special privileges of unions are eradicated. No human agency can be trusted with the kinds of power which the errors in government have given trade-union leadership. Establish an environment permeated with coercion and compulsion and you are bound to attract men who excel in those modes of conduct. Those who do not excel will either have to learn or make way for men with richer natural endowments.

Workers who have become accustomed to being pushed around, who, owing to the failures of governments to do their basic job, are used to the rigorous controls of compulsory union methods, are in a position to do very little about cleaning up things. They can do nothing but bear the oppression and exploitation of their leadership. Moreover, it would be ill-advised to expect any real forward-looking action from the leadership.

*Let the Market Decide*

If union leaders are to be kept in line, they must remain exposed, like everyone else in a free market, to the loss of their "business" when they do not perform satisfactorily. Instead of making a union the exclusive
bargaining representative for all employees in a firm when it has been selected by only some, the law should see that those who object to the union retain their basic right, as free men, to fend for themselves. When men are forced in the first place to join unions, forced in the second place to go along with all plans and programs conceived by their leaders, and forced in the third place to keep their peace if they wish to keep their jobs (and maybe their health)—it is not at all surprising to find a good many trade-union leaders less than responsive to or honest with their membership.

No one should be at all surprised either that the Ethical Practices Committee of the AFL-CIO, for all its concern with "trade-union morality," has failed utterly to deal with the violence, the coercion, and the other matters discussed here. If it had dealt with such matters, there might have been a great many more suspensions and expulsions than there have been.

**Power Corrupts Leaders**

Power acquired by force and subject to no continuing functional check is bound to corrupt. Corporate managements are kept in line by the right of stockholders to move their equities when they are dissatisfied and by the right of consumers and other purchasers to take their patronage elsewhere without let or hindrance when price or quality are poor. If the house of labor is to be clean, the same general principles must be applied there, with the workingmen of the nation in the position of stock-
holders and consumers. It is as absurd to expect good clean unionism in conditions of extensive compulsory unionism, as it would be to expect good government in a society where the divine right of kings or the dictatorship of the proletariat was the central political principle.
Do you remember how Robinson Crusoe made a plank on his desert island? Since he had no saw, he used his axe to cut down a tree. Then he chopped the trunk of the tree, first on one side and then on the other, until he reduced it to the desired thickness. This plank cost him 15 days of labor. In addition, he dulled his axe and consumed much of his food supplies.

Now here is a footnote to that story that is not generally known. Just as Robinson was striking the first blow with his axe, he saw a plank thrown by the tide upon the seashore. His first impulse was to run and get it, but then he stopped and reasoned as follows:

If I get that plank, it will cost me only the time and trouble of going down to the water’s edge and carrying it back up the cliff. But if I make a plank with my axe, I shall give myself 15 days of labor. In addition, I shall also dull my axe, which means that I shall have the job of sharpening it. Also, I shall have to replace the pro-

visions that I consume during my labor. Now everybody knows that labor is wealth. So it is clear that I would be doing a disservice to myself if I accepted that free plank. I must make sure that I always have work to do. Now that I think of it, I can even make additional work for myself by going down and kicking that plank back into the sea!

Now you might think that Robinson's reasoning was absurd. Nevertheless, it is the same reasoning that is followed by every nation that uses tariffs and other restrictions against trade in an effort to make more jobs at home. The nation rejects the foreign plank that is offered in exchange for a little work, in order to insure more work by manufacturing its own plank at home. Such a nation even sees a gain in the labor of the custom-house officials—much like Robinson's decision to return to the sea the present it had given him.

If you think of a nation as a collective being, you can't find an atom of difference between the reasoning of the tariff advocates in real life and the reasoning of Robinson Crusoe in this fable.
The current revival of interest in religion in America has been variously interpreted. At the very least, it means that many of us may be disposed to re-examine the spiritual foundations on which our culture has been erected. Our heritage of free churches—religious bodies possessing an authority of their own, independent of the State—is obviously rooted in the unique intellectual and cultural soil of the West.

But we need to be reminded that our other cherished institutions spring from the same soil. Modern science, education, our tradition of limited government, and our taste for free enterprise or capitalism are all anchored to the same spiritual foundation; and, as superstructures, they are all affected by the decay or the loss of prestige of their foundation.

Shoring up this spiritual foundation directly is one thing; defending it against the indirect erosion which results from an attack on one of its autonomous offspring such as science, education, or free enterprise is another.

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education.
Science and education have able defenders, so the attack on our culture often centers on economics where it sometimes achieves a semblance of plausibility. It was a unique combination of cultural factors which encouraged the emergence of capitalism, and it may be argued that the very survival of free private enterprise depends as much on getting these cultural factors back into proper focus as it does in knowing the case for the free market.

**A Guide to Decisions**

In the philosophy underlying the practices of capitalism the market is used as a device for making economic decisions—the "market" being the pattern precipitated by the voluntary buying habits of free men and women. Men engaged in economic activity at any level may be guilty of coercion and fraud, just as they may be guilty of coercion and fraud in any other context. When this is the case, they may properly be censured for their malpractices. This is worlds apart, however, from the wholesale condemnation of the institution of the free market by collectivists, or the thoughtless criticisms of otherwise thoughtful people.

Economic activity, subject to the same ethical and institutional restraints that hedge all human actions, is no more properly subject to political invasion than is religion or science or any other human venture. Economics, moreover, occupies a strategic position among the various activities of man. Economic activity is not merely the means to material ends; it is also the means
to all our ends. Thus, while it may serve on a humbler level than science, education, and religion, economics is a necessary means to these ends. If its integrity as a means to these ends is not respected, it may become the instrument to destroy them as well as to impair the spiritual foundation they rest upon.

Social Upheaval

A great social upheaval occurred several centuries ago—one of those great, deep, tidal changes in the human spirit manifesting itself on the level of society as new institutions and a new outlook on life. Different aspects of this transformation were labeled the Renaissance, the Reformation, and the Counter-Reformation, the whole affair being religious in nature. Men felt the urge to love God for himself; and, as a parallel development, to pursue truth for its own sake. This latter urge is the wellspring of the scientific method.

But like other people, specialists in science easily lapse into an attitude of unawareness of the unique spiritual and social conditions which make their specialty possible. They are "radically ignorant," writes Ortega y Gasset, of "how society and the heart of man are to be organized in order that there may continue to be investigators." And so we now have science perverted, and some scientists placing their talents at the disposal of politicians in the planned State. This is bound to happen when the metaphysical foundations of science are ignored.

A human culture is born as something "cultivated,"
something developed by education, discipline, and training. Its spiritual foundation is constructed slowly and painfully, like the building of a breakwater by throwing in bag after bag of cement until finally the top of the pile appears above water. Modern culture had been in preparation for centuries before it erupted in the sixteenth century and allowed a new outlook, a new spirit, and a new set of values to release and direct human energy. Men threw off the dead weight of ancient restraints—the various justifications for the tyrannies of political government, the controls on man’s productive energy, the discouragement of efforts to investigate the natural universe.

**Spiritual Foundations**

The material prosperity we know and have known in America is a direct outgrowth of the spiritual and social upheaval which surfaced about four centuries ago. The critics of capitalism became aware of this connection at least fifty years ago when Max Weber published his enormously influential book, *The Protestant Ethic and the Spirit of Capitalism*. The revolutionaries, however, had employed this strategy much earlier. G. Zacher, in 1884, wrote in *The Red International*, “Whoever assails Christianity assails at the same time monarchy and capitalism!”

If our common Judeo-Christian heritage paved the way for the rise of capitalism, then a subtle way of causing a decline of capitalism would be to refrain from
openly attacking it while concentrating on weakening the foundation which holds it up. This would kill two birds with one stone, in the manner advised by the French revolutionist two centuries ago who said, “Don’t attack the monarch, attack the idea of monarchy.”

The East and the West

Perhaps the importance of the spiritual and cultural foundation of the West may best be illustrated by comparison between the Oriental and the Western scene. A traveler in the Orient is struck immediately by the amount of human muscle power still used to do the heavy work of society. The streets of an Indian city are crowded with men carrying things, pushing things, and acting as beasts of burden. The strong impression which these scenes evoke is that the Orient needs machines so that horsepower can relieve manpower.

Questions and Answers

Why doesn’t the Orient have the machines which would lighten human toil? Is she too poor to buy them? So was Europe a few centuries ago; and then the energies of Europeans poured out and channeled themselves in patterns of relief from much of the back-breaking toil which is still the fate of their brothers in the Far East.

Might it be that the people of the Orient are not bright enough to invent and build their own machines? To the contrary, many of her people are bursting with
creative energy, and they have inventive minds, as witness their philosophies, their arts, their handicrafts. And rich natural resources are available to them.

Perhaps the Oriental society has been shackled by its prevailing forms of despotic government. There has been despotism in the Orient, native and foreign; but the questions arise: Why have people over the centuries quietly consented to submit to tyranny? Why has the idea of limited government gained so little foothold among them? Why doesn’t the Orient invent the machines, embrace the technology, and set up the industries which would provide the goods and lighten the burdens that now lie so heavily on the backs of half a billion people?

These are questions that cannot be answered on the level of technology or on the level of political and social organization. The answers must be sought at those deeper levels where vital decisions are made which permit or repress the emergence of a belief in the dignity of man, and in freedom, and in such of its natural corollaries as science and technology. Natural resources and opportunities are of secondary importance; what is of primary importance is the possession of a religious heritage—or an attitude toward the universe—which encourages men to take hold of natural opportunities. This heritage Europe had in the Judeo-Christian tradition in which was embodied elements of Greek culture—the whole being called Christendom. When that tradition came to renewed life at the dawn of the modern era, it was the fountainhead of great changes in Western society. Population increased many times; simultaneously, the well-
being of individuals increased. Famines disappeared; some diseases were eliminated altogether, and the rav­ages of others were mitigated. Education spread to the outermost edges of society. During the same period of modern history Oriental society has been virtually static—until the ferment of the last few years.

**Equal Before God**

At the heart of the great Western upheaval was the idea that the individual worshiper could come into the presence of God without the mediation of any special class of men, or of any group, or of any nation. According to this faith, the Creator and Sustainer of life, the Lord of the universe, is nevertheless, and paradoxically, close to every person and interested in the most humble.

Think what this belief, strongly held, would do for the humble who walked the earth, how it would straighten their backbones and lift their chins! Think what this belief would do to tyranny. If every man thought of himself as the creature of God and potentially God’s child, he certainly would not long submit to being the creature of any other man or of any group of men or of any government! No longer could it be regarded as right, or as the will of God, that any man be placed at the disposal of any other man or group. Thus, every person was conceived to have “rights” which no one should impair, and out of this came a concept of government as a social institution set up voluntarily by men to secure each of them in his “rights.”

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We are proud, and rightly so, of the experiment in government set in motion on these shores a little more than 175 years ago. Perhaps the keynote of this new kind of government was struck by James Madison in his thirty-ninth Federalist Paper when he wrote of the determination “to rest all our political experiments on the capacity of mankind for self-government.” This cannot be construed to mean that Madison suffered from any illusions as to the utopian possibilities locked up in the average human breast. But for the first time in history the individual person was not to be a creature of government or its minions. Inherent rights were lodged in each person as his natural endowment from God, and the exercise of his individual energies was strictly a matter of his own business—until he trespassed on the rights of other individuals.

**Limited Government**

In the American scheme, men had a larger measure of political liberty than men had ever had before, and they obtained their measure of freedom by limiting government to taking care of the one interest men have in common—the removal of barriers to the peaceful exercise and exchange of human energy.

The American concept of government did not spring into being full blown from a few brains; it was hammered out in the course of long experience and debate. By the middle of the eighteenth century Americans were protesting that the exactions of the British crown were

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violating their rights as men, whereas but a generation earlier they had demanded their rights as Englishmen. A revolution in thought and outlook separates the former concept from the latter. In drawing the lines of battle on their rights as Englishmen, the colonists had in mind the concessions which their ancestors, beginning with the barons at Runnymede, had wrung from their sovereigns. In standing on their rights as men, the colonists drew upon another dimension, the theological. This is probably what de Tocqueville had in mind in 1835 when he wrote of Americans that “religion . . . is the first of their political institutions.”

Religious Aspects of Political Liberty

When religious considerations are introduced into political theory, government is ideally limited to securing the ends of liberty and justice for all men alike. Political liberty thus has spiritual antecedents, and it serves spiritual ends by providing the social conditions which enable persons to achieve the goals appropriate to human nature.

Political liberty also serves man’s creaturely needs. Under political liberty a certain pattern of economic activity emerges, properly called “capitalism.” There is no more warrant in common sense or in theory for fettering men’s economic activities than there is for arbitrarily curtailing his scientific, educational, or religious activities. But by constant repetition of untruths and half-truths, it has been made to appear that every ill from
which our society suffers is due to freedom of economic enterprise, whereas the real cause of many of these ills is actually the result of the impairments of that freedom.

In recent years, business and industry have gone through the wringer. Businessmen, who are as good and as bad as any other group of men, have been singled out for special treatment. Industry as a whole has been tied down with a network of laws and controls. While some branches of it were treated to special privileges by government, other branches suffered from political discrimination.

During this same period a new conception of government has gained popularity. It is the very concept against which eighteenth century Americans protested and fought—the concept that government is the seat of ultimate power in society and therefore possesses all the rights which it dispenses provisionally to people as political expedience dictates. Thus the older American concept of the relation of government and people is turned inside out.

Lost Faith

Whenever men have yielded to the lust for power and the greed for possessions, there have always been impairments of political and economic liberty of great or less degree. In the past when the going got rough, men pulled in their belts, grumbled, and consoled each other with the literature of freedom, sacred and secular. They were sustained by their faith that those who loved liberty were
on the side of the right, and that the right would eventually triumph. They might perish, but their principles would outlast any tyrant. But now the situation is different. Values have been transvalued, and impairments of political and economic liberty are made on principle. Thus the blows struck at limited government and free enterprise do not stop after doing their damage there. They go deeper and strike at the spiritual and cultural bases of our society, at that substratum of our life which we, until recently, have so taken for granted.

In our present situation, the most immediately oppressive things seem to emanate from an overgrown, bureaucratic government. Merely to remove these restraints and directives is of little use, however, if we leave intact the concept of omnipotent government—or the seeds of this concept—to spawn more restrictions. An erroneous idea of government must be replaced by a correct idea. But when we seek to refurbish the American idea of limited government, we find that originally the concept stemmed from a spiritual foundation which is itself badly in need of rehabilitation. It is at this fundamental level that the most intensive work needs to be done. But because so few people are aware of the importance of this level, almost no one is working at it. Unless this spiritual foundation is rehabilitated, work at the less profound levels cannot endure, touching as it does only the margins of the problem.
DO WAGE HIKES CAUSE INFLATION?

by W. C. Mullendore

First of all, I want to give my definition, or understanding, of this monetary phenomenon called inflation. I believe the use of these hyphenated words—wage-inflation, price-inflation, cost-inflation, credit-inflation, and the like—is confusing. Inflation’s source is not at the “bargaining table.” (A more precise and accurate designation would be the “pressure table.”) Such use of coercion to raise wages is merely one of the manifestations of the mighty force set loose by inflation.

Inflation, in my book, is an increase in the supply of the media of exchange (money and bank deposits), an increase brought about through the perversion of the power of issue and through the misuse and abuse of credit. Inflation always results in reducing the objective exchange-value of the monetary unit, the most important of which in the world today is the dollar. Once the barriers against inflation are removed, the pressure forces which are thus set free mount and grow in strength,

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usually until they are out of control. It is the old story of Pandora's Box. Those who for one reason or another—to finance a war of defense, to save the world, to rescue a country from a depression, to maintain full employment—those who for any reason release the forces of inflation, lose control of them and become their victims along with all others within the human situations affected thereby.

The pressure behind an inflation is human appetite and human desire to gain access to the market where the good things of life may be had in abundance, if only you have enough money. The undeniable fact that goods and services can be acquired in exchange for the medium of exchange leads to the popular and widespread delusion that the medium of exchange itself is wealth. This idea can be rationalized even by brilliant financial minds, as it was by one of the clever and brilliant minds of the eighteenth century—old John Law, who in 1705 first coined the phrase, “To create money is to create wealth.”

The Basis of Trade

Our economic system is an exchange system. Its basic and most fundamental law is that those who would receive and remove goods and services from the market must first bring goods and services of equal value to the market. Only thus can the dynamic balance of the market be safeguarded and maintained. And upon the maintenance of that dynamic balance depends the continued existence of the freedom of exchange—i.e., the free market or free enterprise system. And the most effective and
quickest way to destroy the freedom of a people is to destroy their free market system. Lenin knew that and predicted that communism would destroy capitalism by forcing or inducing inflation.

Inflation is a process whereby access to the free market and the goods and services therein is gained, not by bringing goods and services of value to the market but by bringing only a government purchase order—that is, money or a government check (or someone else's check) on a bank deposit which originated in an inflationary creation of credit. Production and sale of goods or services does not precede this demand upon the market; and when demand originates not out of production but in a credit transaction or with a government order or fiat, that is inflation.

Production creates its own demand. That is why we cannot outproduce an inflation. To try to do so is as foolish as trying to outrun one's shadow.

Wage-Inflation

Now about "wage-inflation." We must all agree with those who point out that, with the aid of powers and with the aid of exemptions from laws which apply to all other citizens, the organizations called labor unions exert an all but irresistible pressure for increase of wages. It is also indisputable that wages are the principal cost of production, and hence, that the constant increase of the wage level must result in the constant, if not uniform, increase of the price level.
Furthermore, the Fair Labor Standards Act, the Walsh-Healy Act, the Wagner and Taft-Hartley Acts, and other federal and state laws fix the floor under wages and give monopoly power to labor unions. The Norris-LaGuardia Act and other laws and court decisions exempt labor unions from the laws against conspiracy and restraint of trade and the use of violence and fraud. Such legislation has built these institutions and organizations into positions where they exert mighty and irresistible power which threatens the dynamic balance of our society. I am one of those who agree most heartily that this is an evil and monstrous power which should never have been created and must be curbed if we are to avoid irreparable damage to our country and its free institutions.

However, I still maintain that the rise of wages is not inflation.

Pressure Groups

Labor unions are one of the pressure groups which soon discover that when the gold standard is abandoned, the power to increase the money supply is in the hands of governmental agents and agencies. That immediately suggests using political pressure in lieu of production of additional wealth as a means of increasing the money supply. This leads to such laws as the Employment Act of 1946, which has been interpreted as ordering and requiring that the government must use all of its powers, including its power to add to the money supply, when-
ever these powers are deemed necessary to the maintenance of full employment and prosperity.

Other pressure groups form. The farmers demand parity. Mining groups demand stock-piling of their product in order to maintain prices. Business groups demand help for their particular branch, such as construction, housing, and the like. Groups representing the infirm, the aged, and those suffering all of the physical ills of mankind tend to form into pressure groups and demand the use of the powers of government to help them.

So the pressure groups are always active in a period of inflation in bringing pressure to bear upon those who have the power to inflate. But my point is that we are watching the wrong “rathole” in trying to stop inflation—watching the effects rather than the source and the cause. The source and the cause are to be found at the seat of the power to add to the money supply, and it is that power which must be removed—not curbed just a little, but absolutely curbed if we are to stop inflation.

Curbing Labor’s Power

Now if the issue before us today were the question, “Should the labor unions have their power curbed?” certainly I would agree; yes, they should. But the issue before us is, “Are wage raises the cause of the inflation, and can we stop inflation by attacking and trying to prevent further wage raises?” To that my answer is no. Wage raises are one of the inevitable symptoms of inflation; and inflation as a cause of wage raises is an irre-
sistible force. The way, therefore, to curb the disease of rising costs and rising prices which result from inflation is to remove the cause of inflation and to take away the power to inflate.

Of course, if you define inflation as rising prices, you are inevitably led to the conclusion that rising costs are the principal cause of rising prices; and the principal cost of production and distribution of goods and services is wages. It is also demonstrably true that when labor unions have as much power as they have at the present time, they can force the increase in wages not only to keep up with, but also to keep ahead of the increase in prices. But that is a far different thing than the conclusion that the principal cause of inflation is the increase in wages.
ENTER INTO LIFE

by Samuel B. Pettengill

When I got through Vermont Academy, college, and law school, I played a good deal of chess while waiting for clients who were bold enough to let me practice law on them!

Chess, as some of you know, is the most difficult of all games. The combinations and permutations on the chessboard run into the octillions and no man ever has, or ever will, completely master it.

Chess "masters" are relative only to other players. Nevertheless, they are remarkable men. One of several I got to know was Emmanuel Lasker of Berlin, Germany, who had been the world champion for 24 years. He was not a mental freak. He had a Ph.D. in mathematics and wrote a profound book on philosophy. In addition, he was a kind and gentle man—then in his 60's.

We got him to come to my home town of South Bend to put on an exhibition match with some 30 local players. At supper that night, we asked this grand master why he had given so much of his life to chess.

Mr. Pettengill, noted attorney and author, was formerly a congressman from Indiana. This article is from an address of May 26, 1957, before the Cum Laude Society of Vermont Academy at Saxton's River, Vermont.
He said: "The chessboard is a symbol of life—of all life. The essence of life is struggle. Take struggle out of chess, or out of life, and what is left? In chess I have found happiness."

That was 35 years ago. I have never forgotten his words and have often said to young parents, "Don't take struggle out of your children's lives."

The instinct of fathers and mothers is to do just that—to make "life easier for my boy than it was to me." It is interesting to note that youth is sounder in this matter than age. Youth revels in competitive sport, whether to do something better than his fellows or to beat some previous record.

Even small children, when they invent games of their own, always put struggle into them. Struggle is a blessing to be sought for, not an evil to be avoided.

**Achievement Awards**

We have met tonight to recognize those who have won the honor of a *cum laude* student. But "honors are silly toys," unimportant in themselves, important only as evidence of something well done. Those of you who did not win had the struggle as well as the winners—which is the thing that counts.

So I congratulate both the winners and those who tried but did not win. I know who is going to get the big rewards of life.

In recent years, society has gone "nuts" on the pusillanimous cult of "security," guaranteed by government;
in short, a nation of parasites. The illusion of the age is that people can vote themselves rich. It is a superstition that "social security" depends on the promises of politicians, not on the character, competence, and courage of men. It is a fable and a fraud that the output of society can be greater than the input of individuals.

It is a universal complaint that nobody wants to work any more, or only enough to "get by." Employers are frantic for dependable employees. Labor unions have the laudable desire to improve the position of their members, but they overplay their hand when they say: "Stretch it out. Take it easy. Do no more than enough to stay on the payroll."

When young people apply for their first job, they ask, "When will I begin to draw a pension? How many coffee breaks in a day? How many paid holidays? How long and frequent are the paid vacations? And if I work more than 40 hours in the 144 hours in six days, do I get time-and-a-half?"

The young men who ask none of these questions are sure to get and hold a job. In fact, such young men have a golden age ahead of them, with less competition than their kind have ever had—and greater rewards.

**The Strenuous Life**

When I was at Vermont Academy, Theodore Roosevelt was President. He attracted national attention when he said: "I wish to preach not the doctrine of ignoble ease, but the doctrine of the strenuous life." He said of
himself, “Let me wear out, not rust out.” He told young men to hit the line hard. He told women not to shirk their prime function to bear children. He said this at a time when any woman who had more than two children was considered subhuman, if not a little indecent.

Theodore Roosevelt dreamed nobly of his country, and by the fire of his example, lit other fires in millions of homes. It was said that Washington founded the nation, Lincoln saved it, and T. R. revitalized it. He appealed to the strong side of men as is now done chiefly by marine sergeants and the coaches of athletics like my old friend, Knute Rockne.

“Rock” had no use for “lounge lizards” or “tea hounds” on a college campus. Youth liked that. They flocked to Notre Dame to play under Rockne; and when his players were behind at the end of the first half, they proceeded to pull the game out of the fire because “We can’t let ‘Rock’ down.”

**Italy Becomes a Republic**

A century ago, Italy was under foreign rule. It was then that Mazzini—or was it his fellow patriot, Garibaldi?—appealed to the strong side of men with these words: “Young men of Italy, I offer you nothing but the water of the streams as your drink. I offer you nothing but black bread as your food, and nothing but the blue canopy of heaven and the lights of the eternal stars as your covering at night. But if you follow me, young men of Italy, you and I will be free!”
They followed—and Italy became a republic!

But today, the general appeal is to the soft side of men—envy, self-pity, covetousness, class hatred. Our elections have become auctions in which rival politicians of both the old parties outbid each other by opening the door of the treasury in exchange for votes.

"Come and get it" is the slogan as people become the vandals of their own country and "bread and circuses" the formula for political advancement.

In the educational field, men like John Dewey have tried to eliminate struggle from the classroom. No required subjects! No examinations! They develop inferiority complexes, rather than the challenge to do better. Never punish a child. Children should be wholly free. And so forth. With the result that employers despair because "Johnny can’t read and Mabel can’t spell."

So we have cities with few citizens, but many who wish to share the blessings of liberty, but shirk its burdens.

**Challenge Needed**

This is not the spirit of 1776, nor of the great chess master, nor of Theodore Roosevelt. America needs a rebirth of "the strenuous life" and I know I am talking to young men who will take their part in it.

It was said of those who crossed the Appalachians down into the valleys of the Ohio, the Mississippi, and the Missouri and pushed the frontiers of freedom to the Pacific shore that "the cowards never started and the
weak never arrived. With no capital save courage and no resource except resourcefulness they built the American empire.”

Here are the hundreds of miles of stone walls of Vermont—every stone dug from the ground and moved to where it now lies by ox-power and human muscle alone. We think of the pyramids of Egypt, and the tens of thousands of slaves who dragged the huge stones across the desert under the whips of their masters. It is my guess that the stone walls of Vermont represent more toil than the pyramids. But the walls were laid by the free choice of free men. “They scorned delights and lived laborious days.”

It is good to have a school for young men in sight of those stone walls!

Avoid struggle and life becomes sterile, vapid, and meaningless. Our mental hospitals are being filled with thousands of neurotics, many of whom feel inadequate to meet life because they were protected from taking the bumps in childhood.

No man was ever greater than the difficulties he overcame. Great difficulties, great men. Small difficulties, small men. From struggle comes strength—and physical and mental health.

It is only struggle that calls forth hidden powers we do not know we have. The great psychologist, William James, said the average person does not put forth more than 10 per cent of his potential.

Let me tell you a story of my great-grandfather, Peter Pettengill, who came to Vermont in 1787. One time his
hired man was chopping down trees in the virgin forest and did not come to the house at noon for lunch. My great-grandfather went to see what was wrong. He found that a tree had fallen on the hired man and killed him. With nothing but the strength of his own powerful body, Peter lifted the tree off the dead man and carried him to the house.

Whence Came His Strength?

Whence came his strength to do that? From the challenge before him. That tree was never cut into timber or firewood. It lay where it fell. Other strong men in the neighborhood came and tried to lift the tree. They could not. Why? Because they did not have the incentive that Peter had. Nor could Peter himself ever lift the tree again. The incentive was gone.

You have all seen athletes at times "play over their heads." Why? Because of the challenge and its acceptance.

It is men who have counted struggle as a blessing who got the big rewards of life. As Emerson said, "God keeps an honest account with men."

The hard surgical cases, where life hangs on a heart beat, do not go to the dilettante surgeon. The tough engineering problem, like building a bridge across a mighty river, does not go to the engineer who has always looked for the easy jobs. And the same for lawyers and top executives in business.

If at times you feel that you have not had the same
chance that others have, ask yourself what chance did Abraham Lincoln have? Remember that “it is not so much the size of the dog in the fight that counts, but the size of the fight in the dog.”

You young men face a time of struggle with an enemy of your country more dangerous than King George III in 1776—the godless Caesars of atheistic communism. Face up to it. Lick it. Put it and all its teachings out of our schools, churches, public affairs, and private life. What our fathers bequeathed us is still “the last best hope of earth.” Save it for your boys and girls.

Remember robust Robert Browning: “I count life just a stuff to try the soul’s strength on, educe the man.”

Remember Tennyson’s Ulysses and the old Greeks “who ever with a frolic welcome took the thunder and the sunshine”—the hard hours with the same zest as the pleasant ones.

Remember the poem of the frontier:

I dream no dream of a nursemaid state
That spoons me out my food.
No, the stout heart sings in its strife with fate,
For the toil and the sweat are good.
Much ado is adrift about profit sharing, or more specifically the extent to which employees should share in profits. How can a sound decision be arrived at? What is the principle involved?

The first step is to separate the matter of profit sharing from separate issues with which it is commonly confused. For instance, a business may be in trouble with employees through some fault of one or the other. A strike may be threatened or in progress. Employees' demands are resisted by the employer until appeasement is resorted to in order to try to continue production. The employees, in fishing for favors, may include profit sharing as one form of bait, along with things like a new bowling alley, vacation trips to Florida, or what not. When this happens, profit sharing is not being judged on its own as a matter of principle, but purely as a device for appeasement—not the object of this analysis.

The claim of employees to a share in the profits may arise as a diluted form of the Marxian theory of surplus value. This theory asserts that all the product belongs to Dr. Harper is a member of the staff of the Foundation for Economic Education.
the employees who use the capital; that none of it belongs to the owner of the capital per se. One who really believes in this surplus value theory should be opposed to any profit sharing plan, because it compromises his belief that the user of the tools has a proper claim to all the profits, not just a share in them. Why should he allow the owner of the tools to have any of the profits, under this belief?

**What Stopping Point?**

And furthermore, how can it be claimed, under the surplus value concept, that the immediate users of those particular tools should get all the profit, as against other users of other tools contributing to the task? If the theory has validity, shouldn't the profit be shared with all the other employees elsewhere who produce goods and services purchased by this particular firm—those who made the steel it bought, those who supplied the electricity and telephones used, etc.? So even according to the surplus value theory, profit sharing in the form usually proposed has no validity.

Others who argue for profit sharing will concede that capital owners deserve some reward for their services, but they will contend that the profit should somehow be shared with the employee “partners in production.” Shared how? Half and half? Or some other proportion? The only way such questions can be answered is to pin down the basis for the claim. Who has a valid claim to what—on what grounds, and how much?
Profits and Ownership

Before a thing can be shared, it is first necessary to know its precise nature and amount. What, precisely, are profits?

In business accounting, profit is the amount remaining for the owner out of his income for the period, after providing for all costs other than return for owner capital.¹

Profit sharing from the standpoint of justice, then, leads basically and at the outset to the question of ownership. This can best be seen in its essence by looking at a simple case. A helpful place to start is with a single person who, as a private owner, is producing something without the help of any employees.

Josephus Doakes, let us say, produces potatoes and sells them on the local market. His own time spent on his own land is all that is involved in their production; no employees; no other production expense. He takes a bushel of his potatoes to the local market and sells it for $2.00. Who can question the fact that since he owns both himself and the land, he thereby has an undisputed claim to the entire $2.00 derived therefrom? Since nothing else went into its production, nobody else has any valid claim to any of the $2.00. Each of the 200 cents is his without distinction between the first cent, the hun-

¹ This differs from a concept of profits in theoretical economic analysis which uses the alternative opportunity cost for all factors of production. Whatever else may be said for it, the alternative opportunity concept is not one that a business accountant can use to measure profits as they are considered for this purpose.

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dredth cent, or the two-hundredth cent. Valid claims cannot be made by others, to either certain cents among them or to any proportion of the whole. For to do so would violate Josephus' rights of private property as a free man—as much, in principle, for one cent as though someone were to claim the entire $2.00.

Now let us assume that Josephus retires to the status of a landowner-manager, hiring Alonzo Brown to perform all the labor of growing and marketing the potatoes. At the outset the two men bargain for a wage. Josephus offers to pay him either on a piecework basis—so much for each bushel of potatoes he grows and markets—or on an hourly basis for the time worked. Alonzo chooses the hourly wage plan. Then they bargain for the hourly amount. Alonzo looks around at all the other jobs available and finds that the best he can do elsewhere is $1.50 an hour (a figure Josephus probably does not know, however). Josephus looks around to see what other help he can hire, and finds that it would cost him $1.90 an hour (which Alonzo probably does not know either). Let us say that when the bargaining is settled and a wage arrived at, it is $1.70 an hour. It turns out that at the end of the season Alonzo has produced and marketed an average of one bushel of potatoes per hour of work. The bushel of potatoes will still sell for $2.00 as before, since its worth to consumers is not altered by details of the production arrangement about which consumers know—and care—little or nothing.

From the standpoint of ownership, the potatoes till sold were, of course, the complete property of Josephus,
just as if he had done all the work himself. Who could argue that the full $2.00 of sale proceeds does not also belong to Josephus, as before? This is clear if one realizes the nature of the agreement between the two men. Josephus agreed to pay Alonzo $1.70 for the time he worked. He did not agree to give him a proportion of either the potatoes or of the sales proceeds. The wage claim of $1.70 stands against Josephus—all his property and income alike—other things as much as the potatoes. The $1.70 is owed whether the potatoes bring $2.00 or some other price—is owed, in fact, even if the potatoes cannot be sold at all or if they were to be destroyed by a flood on the way to market.

**Individual Ownership**

The point is, so far as property rights are concerned, that the entire product belongs to Josephus until sold, irrespective of whether he produced it himself or hired someone to assist him in its production; that from the standpoint of property rights, ownership is entire and indivisible. Nobody working to assist in its production has any claim to it whatever, so long as the owner fulfills his contract as to the wage payment that had been previously agreed to. And if the wage has not been paid in full, the claim is against all the owner’s property equally with all other unpaid claimants such as the telephone bill, the utility bill, the family physician’s bill, or what not. There is nothing peculiar or preferential in the employee’s claim, as against any other item of expense.
We may now test the profit sharing idea against this background of the nature of profits and of ownership's rights. Using again the instance where Josephus hired Alonzo at a wage to produce potatoes on his land, let us suppose that it is now argued that Alonzo, in justice, has a right to some share in the profits.

Since from the standpoint of ownership the so-called profits are an indistinguishable part of the entire bushel of potatoes or of the $2.00 for which they were sold, Alonzo has no valid claim to any part thereof so long as he has been paid his wage, according to the original agreement. Alonzo owns no part of them, any more than does any outside person. There is no way to arrange priorities of rights to ownership among persons, all of whom lack any such rights; and so the employee has no right to any of the profits with priority over anyone else.

And if, by some reasoning that wholly escapes my imagination, one were to argue that under private property Josephus should be forced to surrender some of the $2.00 to someone else, it would seem reasonable to argue that Alonzo should at the time of the distribution take his place in line with all other living humans. The mere fact that Alonzo happened to be closer at hand as a workman should give him no priority in rights over the telephone operator, or the engineer on the railroad, or some distant Asiatic infant.

It is therefore irrelevant to go into the complex question of how one might calculate fairly the amount of the profit that Josephus should divide with Alonzo. But let's see what one gets into if he tries. In the instance cited,
30 cents was left over after paying Alonzo's wage for the time he spent in producing the bushel of potatoes. Was there in this instance a profit of 30 cents? And $2.00 profit, by similar reasoning, when Josephus had done all the work? Are we then to conclude that Josephus could increase his profit by $1.70 if he did all the work himself rather than to have hired Alonzo? Or if not, what is the "profit" to be shared?

There Can Also Be Losses

The point is that no matter how the accounting is resolved for purposes such as a corporate financial report, or income tax accounting, it does not alter the rights of ownership—Josephus owns the bushel of potatoes until it is sold, and Alonzo owns the $1.70 of agreed wage. And Josephus happened to have 30 cents left as a residual for the use of his land and for his management—call it what you will. Alonzo's right was limited to the $1.70 wage, because he had chosen its certainty rather than the uncertainty of a residual.

Suppose there had been a loss of 10 cents instead of a profit of 30 cents; would Alonzo then claim a share in the loss? Loss sharing is the other half of profit sharing. There is as much or as little of justice and rights in one as in the other. I would say that for the situation described here neither is justice; that the wage was separately and validly agreed to as $1.70, leaving the loss as well as the profit for Josephus alone to own.

Then there is the point that Alonzo had a profit, in a
sense, as part of his $1.70. The best job he could find elsewhere would have paid him only $1.50, so Josephus was paying him a benefit of 20 cents above what anyone else would offer. If the profit sharing argument were valid, should Alonzo share his 20 cents with Josephus, and Josephus share his 30 cents with Alonzo?

Whenever one departs from strict adherence to the concept of ownership in the form of personal property rights and contractual obligations, he will have constructed a seemingly unsolvable problem. The tests to be applied are those of property and of contract. However calculated, to whom does the profit belong? Is his title valid and complete? What contractual obligations were made? Have they been met in full? These are the questions to be asked. And when they have been answered, justice already will have been identified.

**Profit Sharing as a Wage**

So far we have been speaking of a contracted rate of pay, which is almost universal in our economy. Another approach to profit sharing is to have “profits” made a part of the wage, when arriving at a wage agreement. In other words, if we were to adapt the potato project to such an arrangement, Josephus and Alonzo would not agree on a wage of $1.70 but would agree on some amount to be derived from the records of account after the potatoes have been sold and other costs determined—on some proportionate basis thereto. Payment by such a plan might become Alonzo’s entire reward, or it could
be made a part of his wage to supplement a base pay per hour lower than $1.70.

Though such an arrangement is perfectly proper, it is erroneous to call it profit sharing. For if profits are the amount remaining to owners after payment of wages and other costs, it obviously can't at the same time be a figure which includes some of the wage to be paid. A name—even "profit sharing"—does not change the animal. A wage is a wage, not a profit. Profits can't include non-profits. And profits are something over and above all wages, accruing to the owner for his ownership.

Basing a wage in part on the financial results of the over-all operation should be referred to by some name other than profit sharing. It is as correct to call it cost sharing as to call it profit sharing. Why not speak of it as merely one form of wage payment, without any fancy name? That is what it really is.

As to whether the employer and the employee want the wage determined this way or that, they will have to decide on a plan and a rate at the outset and whenever wages are reconsidered. Perhaps they will agree on an hourly wage to be paid at the end or at the beginning of each day, or weekly, or monthly; it may be on a piece-work basis; it may be some proportion of the outcome of the market venture in general; it may be some combination of these, together with wages in the form of more bowling alleys and picnics for employees, or De Luxe soap in the washrooms. Whatever the design of the wage plan, it will be valid if it is proper and agreed to by both
parties to the employment. But however arrived at as to form, it is still all a wage and not profits.

I do not see how any form of wage payment—including this—can be said to be wrong in principle, provided it is understood in advance by both parties and voluntarily agreed to without coercive force. That goes for what is erroneously called a “sharing in profits” by nonowning employees. One may question this or that plan on the basis of its wisdom, or its effectiveness for purposes of efficiency, but he cannot question it on the basis of rights.

There is only one way by which an employee may share in the profits of the business where he works, and that is by becoming a part owner. To do this he must invest capital in the venture, as would any nonemployee owner, thereby becoming a sharer in any profits and losses along with the other owners. But when he does this, he becomes a dual personality economically; he profits as an owner, as well as benefiting through the wage he receives by working for his owner self. When he does this, he enjoys profit sharing as a result of his owner function, not as a result of his employee function. It is not a method for profit sharing with employees as such, but is instead merely profit sharing with some new owners who happen also to be employees.

Ownership by Employees

It is not the main purpose here to appraise the wisdom of an employee owning shares in the business in which he is employed. But in favor of his doing so might be
mentioned its effect in revealing a harmony of interest that should be evident between owner and employee. This becomes more vivid to the employee if he owns a share in the business. He is then less likely to engage in the common processes of economic suicide, typical of labor unions whose activities seem to rely on maintaining a chronic state of civil war between the forces that must cooperate if they are to live economically.

A point against employee ownership in the business, on the other hand, is that when his savings are thus invested, the employee's total risk is enhanced. For instance, if all a person's savings are to be invested in ownership of the business where he is employed, lack of orders leading to his being laid off or losing his job will come at the same time when dividends are likely to be reduced or suspended. He would lose both ways at the same time. So instead of his savings being a backlog of income available in time of adversity, they become an even more vulnerable object of the same adversity. Perhaps he will even have to sell his shares of ownership at especially depressed, sacrificial prices in order to tide him over the adversity.

**Spreading the Risk**

Perhaps an employee's savings should be invested elsewhere in some form more safe and stable than his job—at least in some form not acutely vulnerable to the same adversities which affect his job. It would seem far better to place his savings where they are not so likely to suffer
adversity at precisely the time when he will need re­serve income. This severance of the two is hardly pos­sible, of course, in a small self-owned, self-managed business wherein the advantages may justify the risk in­volved.

The more savings the employee has, of course, the more risk he can afford to take—the more safely he can put a part of his savings in the business where he works, as well as elsewhere. To the extent this can be done with safety, the more there will be true profit sharing at its best.

**Profit Sharing Inherent in Capitalism**

A discussion of profit sharing seems hardly complete without at least mentioning a form of employee benefit already existent throughout our entire economy to an amazing extent. It is a by-product of the capitalist sys­tem of private ownership and free exchange. Though it is not participation in profits in the usual sense of that term, it is participation in the benefits that flow from savings and invested capital, and it goes widely to the users of the tools. It is, in other words, precisely the same sort of thing aimed at in the Marxian theory of surplus value, only it is the user primarily rather than the owner of capital who is really getting the “unearned” benefit. The idea, briefly, is as follows:

As a consequence of the savings of capital invested in the tools of production in the United States, it has been estimated that as much as a nineteenfold increase in out-
put has resulted, in contrast to what the same person would be able to produce if he were to work equally hard or even harder without the aid of these tools. Looked at in this light alone, it can be said that as much as 95 cents of every dollar of production in the United States now is a consequence of savings that have been invested in tools—savings and investment primarily by others than the employees hired to operate them. One might say that this amount deserves a description usually affixed to profits, in that it arises out of the production made possible by the savings and tools; that otherwise the enhanced production would not be there even if the same laborers worked equally hard without any such tools.

The other 5 cents of the average person’s income dollar, then, can in this sense be said to be a just wage for effort exerted, if we were to measure justice by what it could produce in the absence of these tools.

**Labor Gets Lion’s Share**

But when we look at the economy from the standpoint of who gets the fruits of production, we find that the owners of capital get only 15 cents instead of the 95 cents; that users of the tools get 85 cents instead of the 5 cents. Of the “profit” figure measured in this way, then, the users of the tools are already getting 80 cents out

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of the 95-cent amount which the tools make possible; the owners get the other 15 cents. That is a sort of profit sharing, if one wishes to think of it in the sense of a profit which tools make possible—an automatic consequence of a capitalistic, free exchange economy.

The fruits of this form of profit sharing go to the labor force of the entire nation, more or less alike and without discrimination, rather than just to the employees of a selected individual plant or business. In a degree, it goes to the labor force of the entire world, too. If we want the benefits of production to be widely dispersed, we get it under a system of private property, individual enterprise, and free exchange as a sort of automatic consequence of the free decisions of all participants. It is "profit sharing without special privilege," one might say, with opportunity for all.
Pick any period in the history of this country as a base, and then look forward. You will be forced to conclude that American agriculture has always had a good future. We have progressed.

We have moved forward toward a better standard of living for farm folks, increased efficiency on the farms, and lower costs and cheaper food for the consumer.

I think the record will prove that the increases in efficiency on American farms have been reflected in reductions in costs to consumers. It has been reflected in savings as is illustrated by the fact that today the average factory employee works only 41 hours to secure the food supply for his family for one month, while as recently as 1952 it required 51 hours. Food, in terms of purchasing power of consumers, is today as cheap or cheaper than it has ever been in the history of this country.

We on the farms of this country have had twenty-five

This article is from a 1957 address before the American Meat Institute. Mr. Shuman is President of the American Farm Bureau Federation.
years of experience with government activities in the realm of solving farm problems: twenty-five years of sad experience. In the last five years through both Democratic and Republican administrations alike we have had a 23 per cent decline in net farm income.

But out of these twenty-five years of experience we have learned some lessons. So all has not been lost. I list a few of these lessons, not to explain them but simply to illustrate where we have been.

Some Lessons Learned

The first lesson we have learned is that prices of farm products are not made in Washington. Farm prices are made where the consumer accepts or rejects our product. Not all politicians have learned this lesson, as judged by speeches that are in the press every day; nevertheless, it is true that farm prices are not made in Washington. If they were, Congress would not have permitted a 23 per cent decline in the price of farm products in a five-year period.

A second lesson we have learned is that you cannot control the production of agricultural commodities by law. It would be possible, of course, to control production if the cuts dictated by law were sufficiently severe and enforced, but the Congress will not impose restrictions to bring about material reductions in production.

Quotas, allotments, and other devices have generally failed to reduce agricultural production.

A third lesson we have learned is that we can price
our products out of the market. Most farmers assume that people will always eat food; and yet while they will always eat food, they do not need to eat food produced by farmers.

Fifteen or twenty years ago the only reliable source for vitamins and minerals in the human diet was food. Today you don’t need food to secure vitamins and minerals. You can go to the corner drug store, buy your vitamins in pills and your minerals in a bottle, take a pill and swallow some tonic, eat a bale of hay, and you are on your way.

This is almost literally true. Scientific laboratories can and will, if we insist on pricing our products out of the market, produce the food that goes into the great majority of human stomachs.

A fourth lesson we have learned is that price has a function. I am sure that most farmers are more and more learning that price has a function. That function is one of change. The most important characteristic of price is change. If it were not for the fact that prices change, and that we need this price change constantly going on, we wouldn’t need price at all.

These are a few of the lessons that we have learned.

**Popular Fallacies**

Now there are some popular fallacies that ought to be exploded. One of these is that a surplus of farm products in government storage is a good thing.

This is absolutely not true. The only really good place
for us to accumulate our surpluses, our reserves for the future, is in the soil and in livestock. Surpluses in government hands serve no useful purpose. In fact, they are a millstone around the neck of agriculture.

Another popular fallacy is that you don’t need to worry about the future in agriculture because all you need to do is wait a few years and population will catch up. We are currently producing about 15 per cent more than this country will consume at current prices.

There is no basis for any comfort in this theory because our history indicates that we can increase our productivity in agriculture faster than we can population.

We are just now commencing to open new doors to technical knowledge that can mean great increases in productivity in American agriculture. If we applied the knowledge we now have to all of the agricultural production in this country, we could increase our output by 30 to 50 per cent.

There is no hope that population will catch up with our productivity in agriculture as long as we continue to stimulate production by artificial means.

Despite any probable population increases in coming years, we will still be plagued with “surpluses” in agriculture if prices are supported above the free market for any extended period of time.

**Surplus and Subsidy**

Another popular fallacy is that you can give the surplus away. All you need to do is to issue food stamps or
subsidize low income persons or feed the starving in other countries. The level of income of the average person today is the highest in real purchasing power that it has ever been. There may be a few people in the United States who would increase their consumption if given free food or subsidies to increase their income, but it would be a very small proportion of the population.

For all practical purposes income limitations are not the reasons why many people in this country continue to eat an inadequate diet. It is a matter of choice or a lack of knowledge in most cases. As far as the world is concerned, of course, there is widespread malnutrition, but again the surpluses that we have accumulated in this country are not the kind of commodities that will correct this malnutrition.

There is a world-wide surplus of wheat. Nobody is starving to death because of a shortage of wheat. There is a world-wide surplus of rice. There is a world-wide surplus of cotton, of feed grains. Practically all the commodities we have in surplus are in surplus position everywhere in the world.

True, we can dispose of them gradually if we could shut down the intake into the surplus stockpile. The great need, of course, is to upgrade the level of human diet, both at home and abroad. If we could do that, we would not have surpluses because an adequate diet would use up most of the things which we have in surplus supply.

This is not something we secure by legislation or by subsidy. I want to tell you this little story. I have a
neighbor. He inherited a 120-acre farm forty years ago debt free, with good buildings, good livestock, good fences, and high-level fertility. Today, forty years later, after living off this farm and putting very little back, this neighbor of mine has one of the poorest farms in our community.

His net income last year was probably not over one thousand dollars. One of our good senators remarked to me that, of course, this was not adequate for a good standard of living for his family. He suggested that the federal government should pay this farmer a subsidy. In fact, he drafted a tentative bill to pay $2,200 minimum to keep these folks on the farms, and I suppose, to keep them from competing with industrial labor in the city.

I said to the senator, “My neighbor had $1,000 net income in 1955. Under your proposal, Senator, I suppose you would pay him $1,200 to bring him up to $2,200.” He said, “That is right.”

“Now,” I said, “if you paid him $1,200, how much money would he have for 1956?” He replied, “$2,200, of course; $1,000 he made, plus $1,200 we give him.”

I said, “Senator, the trouble is that you don’t know my neighbor. If you give him $1,200 from the Federal Treasury, the total of his net income would be $1,200. He would not plow a furrow on his farm. The level of his desires, the amount of money it takes to buy his bread and bacon and beans and whiskey is $1,000. You would provide $200 more than he desires to earn.”

This is the political approach to the solution of farm problems, the idea that you can get something for noth-
ing, the idea that you can buy prosperity for American agriculture, the idea that you can replace economic laws with political laws.

All these things we have found by experience to be unsound.

*Emotional Errors*

Now we come to the emotional approach which is so prevalent, and we hear the heart-tearing, tear-jerking appeal to take care of the small underprivileged farmer, the fellow who is getting forced off the land by the great corporation farmers. This is a fallacy which has absolutely no foundation in fact. Corporation farming is not increasing; 97 per cent of the farms in the United States are family farms. This is exactly the same percentage it has been year after year for the last forty or fifty years.

It is true, of course, that the family farm is becoming more efficient and larger. One family can operate more and produce more per worker than ever before in American agriculture.

We have increased our efficiency 80 per cent in the last fifteen years—more, I believe, than almost any other industry. We have been releasing about 300,000 workers per year to go into industry or other occupations.

This is good. This is the kind of basis we have had for progress in American agriculture for the last several generations, constant emphasis on efficiency and the release of more and more workers to go into other occupations to produce the things we cannot produce on the farm.

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If Change Is Forbidden

This, then, is the difference between an agriculture with a future and one with a past. If you look at the agriculture of many other countries of the world—Sweden, Britain, Italy, France, Germany—you will find that agricultural progress and national progress in most cases stopped when efforts were made to fix or freeze on the farms all the folks that were then on the farms.

I visited in Southern Italy last fall on a small three-and-a-half-acre farm that had been in the same family for over nine hundred years. Their farm was the same size, raising the same kind of crops with the same kind of tools they had nine hundred years ago. There was no opportunity to accumulate capital to expand the business, no opportunity to develop new methods to increase the productivity per worker. Why were they fixed in this rut?

This happened, in part, because a government that professed to want to be kind to farmers passed laws to keep more and more people on the land and set a pattern which either forced or unduly encouraged excess workers to stay in agriculture. This is not a very pleasant prospect for the future if that is the road we are going to travel in American agriculture.

I don’t think that we are going to travel that road. We have been learning lessons and making decisions. As yet, the decisions have not been too clear-cut. However, it is well to note that in the last Congress the decision was made not to return to the pattern of fixing
prices that has done so much to carry us down the false road in recent years.

In the first year of the application on a very modest scale of the flexible price supports, we halted the five-year decline in farm prices and farm income. Another straw in the wind is that farmers have successfully resisted efforts to bring the livestock industry under the government control pattern.

Government price fixing, crop acreage control, and storage programs have interfered with the natural operation of livestock production as a balance wheel in American agriculture. Prior to these programs, livestock provided the function of a natural ever-normal granary. It furnished a means of adjusting total agricultural production to the volume the market would absorb. Today that function has been disrupted with livestock continuing in a free market, and grain moving in a controlled market.

A Positive Program

Yes, the future of American agriculture is good if we have the good judgment to build on the pattern of past success. This means that we must place emphasis upon continued research for new knowledge to bring about increased efficiency of production, marketing, and distribution. This means that we must continue to place emphasis upon the importance of the free market and of prices that change to reflect variations in consumer demand and the supply offered by producers. This means
that rather than attempting to control production we must work to expand consumer demand at home and abroad through education, promotion, and increased international trade. This means that we must move away from continued dependence upon an all-powerful federal government for the determination of price and production patterns in agriculture.

I am convinced that farmers are making the right decision, the decision that freedom of opportunity for the individual is more to be desired than political promises of equal shares in a socialistic economy based on security.
This is the story of the owner of an iron mine in France [in 1847], and his reaction to competition from the owners of iron mines in Belgium. The Belgians were able to produce and ship iron into France at less cost than the French owners could produce it and sell it at home. This fact was reflected in the comparatively low price of Belgian iron in the French markets.

Naturally the French people bought most of their iron from Belgian producers instead of from their own domestic producers. This displeased the French mine-owners exceedingly, and the one we are here discussing decided to do something about it.

At first he considered the possibility of personally stopping this undesirable trade. He thought that he might take his gun and sally forth to the frontier and kill the nailmakers, locksmiths, and other users of iron who crossed the border to patronize his competitors. That would teach them a lesson!

But, unfortunately, there was the possibility that those buyers of Belgian iron might object to being killed, and kill him instead. Moreover, he knew that he would have to hire men to guard the entire frontier to make his plan effective. That would cost more money than he had. So our hero was about to resign himself to freedom when suddenly he had a brilliant idea. He remembered that at Paris there was a large factory engaged in producing laws.

He knew that everyone in France was forced to obey these laws, even the bad ones. So all he needed from the Parisian law-factory was just one small law: “Belgian iron is prohibited.”

Then, instead of having to guard the frontier with his own few employees, the government would send 20,000 guards—chosen from the sons of the very locksmiths and engine makers who were carrying on this undesirable trade with the Belgians. Better still, the domestic mine-owner himself wouldn’t even have to pay the wages of these guards. That money would be taken from the French people in general, much of it from the selfsame buyers of Belgian iron. Our hero could then sell his iron at his own price.

With this ingenious plan, our French mineowner proceeded to the law-factory in Paris. At some other time, I may tell you of his underhanded methods, but here I wish to speak only of what was divulged to the public.

He urged the authorities of the law-factory to consider the following argument: “Belgian iron sells in France for ten francs per hundred pounds. That forces me to
sell my iron at the same low price. But I prefer to sell it for fifteen francs. Now if you will only produce a law that says, 'Belgian iron shall no longer enter France,' the following wonderful results will occur:

"For each hundred pounds of iron that I sell to the public, I shall receive fifteen francs instead of ten francs. As a result, I can expand my business and employ more workers. My workers and I will have more money to spend. This will help all the tradesmen in our community. The tradesmen, in turn, will then also buy more goods. That will mean larger orders to their suppliers all over France. Those suppliers, in turn, will also expand their businesses and hire more workers. Thus employment and prosperity will increase throughout France. All this will result from that extra five francs that your law will permit me to charge."

The producers of the laws in the law-factory were charmed indeed by the logic of our hero. They rushed to produce the requested law with this observation: "Why talk of hard work and economy? Why use an unpleasant way to increase the wealth of our nation when a single law can do the same thing?"

Now, in all fairness, we must do justice to the arguments of this mineowner who wanted a tariff to increase domestic employment. His reasoning was not entirely false, but rather incomplete. In asking the government for a privilege, he had correctly pointed out certain results that can be seen. But he completely ignored certain other effects that cannot be seen.

True enough, the five-franc piece thus directed by
law into the cash-box of the domestic producer does serve to stimulate the economy along the lines he predicted. That can easily be seen. But what is not seen is this: That five-franc piece comes, not from the moon, but from the pocket of some French citizen who must now pay fifteen francs for the same thing that cost him only ten francs in a free economy. And while the protected industrialist may well use the five francs to encourage national industry, the French citizen himself would also have used it for the same purpose, if he had been left free to do so. He would have used his five francs to buy a book, or shoes, or some other article he wanted. In either case, national industry as a whole would be stimulated by the same amount.

Thus the new tariff law has resulted in this: The protected industry now makes a high profit to which it is not justly entitled. The average French citizen has been duped out of five francs by his government, and must therefore do without the article or service he would have bought with it. One segment of the economy has profited at the expense of many others. True enough, because of the artificial price increase, new jobs have been created in the protected industry. But what is not seen is the fact that the extra money now spent for iron must necessarily result in reduced spending for other products and services, and thus fewer jobs in those industries. And probably worst of all, the people have been encouraged to think that robbery is moral if it is legal.
LET ANYONE DELIVER MAIL

by Leonard E. Read

A recent widely read article nicely summarizes the growing criticism of the United States Post Office. Among its interesting observations:

1) It uses the same methods of gathering, sorting, and delivering the mail that it did 100 years ago.
2) The mail is slower than it was before World War II.
3) A letter often takes 48 hours to travel 100 miles.
4) The Post Office is floundering in a sea of mail that gets deeper every year.
5) The Post Office is spending two million dollars a day more than it receives in revenue.

Almost all proposals for solving this generally acknowledged bureaucratic failure are predicated on government's remaining in the mail business, this premise being no more questioned than government's running the constabulary. Proposed solutions range all the way from getting a new Postmaster General to appropriating millions of dollars for research, all aimed at making a government business efficient.


Mr. Read is President of the Foundation for Economic Education.
The reason that most people assume mail delivery to be a proper function of government is not difficult to find. At our nation’s outset, the most respected of American political instruments, *The Constitution of the U.S.A.*, proclaimed: “The Congress shall have power . . . to establish Post Offices. . . .”\(^2\) The Congress exercised this power. There are now 38,316 Post Offices.\(^3\)

But Congress went further than the permissibility granted by the Constitution. Congress outlawed competition. Congress declared mail delivery a government monopoly. No one, today, may carry mail for pay except on a subcontract arrangement with Uncle Sam. Mail is the government’s business—period!

When any activity has been monopolized for years, persons with entrepreneurial aptitudes rarely think of it as an opportunity for private enterprise. A field monopolized by government soon becomes both an “untouchable” and an “unthinkable.” Thus, everyone—almost—presumes it proper that government be in the mail business.

*Disconcerting Questions*

Almost! Now and then, however, there are individuals who question the generally accepted premise. Their reasoning goes something like this: Don’t we deliver more pounds of milk every morning than we do mail? Isn’t milk more perishable than a love letter or a catalogue or an appeal for funds or a picture magazine or an enter-

\(^2\) Article I, Section 8.
tainment journal? Isn’t milk delivery more prompt, more efficient, lower priced than mail delivery? Why shouldn’t men in the market place—acting privately, competitively, voluntarily, cooperatively—deliver mail? They deliver freight, which is heavier.

What causes people to conclude that the type of enterprisers who get gas out of the earth in Texas and pipe it to millions of homes in far off states can’t deliver mail? Men freely and voluntarily organized in the market place have found ways to send the human voice around the world in less than a second. They have built winged things that will transport more than a hundred human beings from Seattle to Baltimore in less than four hours. And, they deliver each four pounds of oil from the Persian Gulf to our Atlantic Seaboard—halfway around the world—for less than the fee to get a one-ounce, first-class letter delivered from Irvington to adjacent Tarrytown. While this last comparison has elements of unfairness in it, this example of free market oil delivery, on a weight-distance-time basis, wins against this example of mail delivery by more than 10,000 to 1!

**Government’s Best**

Now let’s load a comparison heavily in favor of government mail delivery. The fastest mail service is an airmail letter. With the best of luck a letter posted in Irvington at 5:00 p.m. could be in the hands of an addressee in Los Angeles 40 hours later, and for six cents. Now, consider the incomparably more complex
problems of a personal conversation with the same Angelino. He can be reached and a three-minute talk-fest completed in four minutes, and for $3.50 (less the government excise tax). On a time-cost basis the fee for the government letter is 870 per cent more than the fee for the private enterprise conversation!

Why do any of us, in the light of overwhelming evidence on every hand, cling to the notion that a letter can be delivered only by a governmental agency? Instead, we should marvel that people in government are able to deliver the mail at all; not because they are untalented, but simply because of the manner in which they are organized to do the job.

\textit{What Would You Do?}

Suppose you were asked to head a business—one of the largest in the world—one in which you were wholly inexperienced and to which you had given no thought. Next, assume that a substantial part of your key personnel had to be selected on the basis of political preferment. And, finally, imagine that the income of the business depended not on willing exchanges in a free market but on appropriations made to your business by two directorates, of 96 and 435 members respectively, all being unlike-minded individuals with their own political fortunes more in mind than the business you have been given the responsibility of running. With responsibility and authority so completely unrelated, and with the other aforementioned conditions as obstacles, what
kind of a performance do you think you could turn in?

And, consider this supposition. Suppose, a century ago, that the Post Office—headed, manned, and organized as above—had been given a monopoly of all transportation and all communication. What, today, would be the shape of trains, trucks, planes, telephones, wireless? Is there any reason to believe that there would have been any progress in these technologies? "It [the Post Office] uses the same methods of gathering, sorting, and delivering the mail that it did 100 years ago." What reason is there to suspect that all transportation and all communication wouldn't be at the same stage as 100 years ago?

The fact that the Constitution empowered Congress to put the government in the postal business does not make it right. The same Constitution condoned slavery. Nor is government postal service justified by the dangerous and popular notion that government should do for the people that which they cannot or will not do for themselves. If this were a sound rule, then anything the government ever attempted would become a proper government function simply because most people give up—realizing the futility of trying to compete with the tax collector.

The Difference Is Force

To decide for one's self what government should and should not do, it is only necessary to appreciate how persons in government differ from themselves when not in government. Government is society's agency of force
and the persons in its employ are a part of the compul- 
sive apparatus. Omit force and each government em-
ployee is restored to private status. Without force, there
is no distinction.

If force is the only distinguishing characteristic of
those in government, then we should examine into the
nature of force to determine for ourselves what govern-
ment should and should not do. Thus, we should ask,
what is the nature of coercive force? What accomplish-
ment is peculiar to it?

Coercive force can be symbolized by the fist, the
policeman's club, the gun. What can a gun do? It can
penalize. It can inhibit. It can destroy. The next relevant
question is, what ought to be penalized, inhibited, de-
stroyed? In terms of man's relationship to man, violence
certainly qualifies. So does fraud, misrepresentation, and
predatory practice. Coercive force, then, may properly
be employed to penalize, inhibit, and destroy violence,
frac, misrepresentation, and predation.

Or, examine "where to draw the line" between gov-
ernment and free market operations by the moral ap-
proach: Man's energies are manifested destructively and
creatively. Any person has a moral right to inhibit the
destructive action of another aimed at himself. But no
person has a moral right to forcibly direct or control what
another shall create, invent, or discover, where he shall
work, how long he shall labor, what his wage shall be,
or what and with whom he shall exchange. No one per-
son has such a right. Nor do 170,000,000 persons, or any
of their agents, have such a right.

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The Duty of Government

Government, in good theory, and on moral grounds, has a right to inhibit the destructive actions of anyone menacing our society. Government has no grounds for forcibly directing or controlling the creative actions of anyone.

Delivering mail qualifies as a creative activity just as does delivering milk or any other form of communication and transportation. The proper part for government, in relation to this activity, is to protect honest enterprise against violence, fraud, misrepresentation, predation. In earlier history the sheriff and other parts of the constabulary tried to protect the Wells Fargo Express against highwaymen. Private enterprise carried the mails; government protected the enterprise. That was at once the theoretically sound and practical relationship of the two.

Force Maintains Inefficiency

Government establishments are ill-suited to perform a creative function. They are improperly organized for that. They can, however, use coercive force, which they are now doing with respect to the postal business in these two ways:

1. Force is used to keep private enterprise from carrying the mails, to maintain government's monopoly. Try delivering mail for pay and see what happens.

2. Force is used to collect the deficits which the government monopoly incurs. Try not paying your taxes if you wish to experience the force.
Deficits are incurred for numerous reasons. One, of course, is because mail delivery, a creative enterprise, requires, for efficiency, the organization of men along voluntary, competitive lines; and the very nature of government organization forbids this. Inefficiency is inevitable.

Government ownership and control of the means of production is socialism. The socialistic principle requires the communalization or communizing of the product. We observe this when those who are expensive to serve are charged the same rate as those who are inexpensive to serve. There isn't any more reason for subsidizing mail delivery to a person far away from the Post Office than for subsidizing clothing delivery to such a person.

Think of an idea more preposterous than this: The textile manufacturers, for example, are to organize themselves into a pressure group with the sole purpose of forcing cotton farmers to sell their cotton to them at one-tenth the price they can obtain in the market! Crazy? Yes, as unjust as trying to force you to labor for them for free. Yet, this type of plunder, impossible in a free market, is precisely what happens when government is in the mail business. The personnel of the postal establishment are powerless against such special privilege, for they receive their running orders—rate structure and other detailed specifications—from a political directorate that bends to pressure groups. The Post Office is a branch of a political, not an economic, organization. There are, indeed, reasons for deficits.

Illustrations? Well, if The Freeman were sold on a
straight subscription basis, we could send it to you under a Second Class Mail Permit for as little as one-fourth of a cent per copy. But as a “controlled circulation” publication (not all paid subscribers), the postage runs as much as 600 per cent more per copy. Prosperous magazines, with circulation in the millions, hold Second Class Permits, with delivery at least as punctual as for first-class mail.

In good American political theory the government has no right to use taxpayers’ money to prolong the life of a failing enterprise. Nor is there any justification for pouring millions of taxpayers’ dollars into the coffers of successful publishing corporations. There is no reason why taxpayers should be compelled to subsidize the delivery of *The Freeman* or *The Daily Worker* or anything that lies between these ideological opposites. There is no more reason for tax subsidized delivery of any book or magazine or newspaper or catalogue than there is for subsidized delivery of corn flakes. Why is it done? Simply because mail delivery is handled by a political establishment which is incapable of resisting political pressure.

**Simple Solution**

The solution is simple enough, and consists of two moves:

1. Let the Congress repeal the monopoly now granted to the government, thus permitting anyone to deliver mail for pay who wishes to do so, as unrestricted as milk or grocery delivery.
2. Let the Congress appropriate no more money to the Treasury for Post Office Department use and insist that the accounting be on a basis comparable to private enterprise accounting, to include rentals, taxes, and so on, thus requiring the Post Office Department to charge rates that will incur no deficits.\textsuperscript{4}

If the above conditions are adopted, government operation of the mails will soon be a thing of the past. Beyond this I can no more make predictions than I could have made in 1900 about the shape of 1957 automobiles. What men will do when free to try is as mysterious and as unfathomable and as miraculous as all the ideas all Americans will have tomorrow and all the days after.

I sit at my dinner table in New York. The meat comes from Kansas; the salt from Michigan; the pepper from Singapore; the tea from Japan. The brown sugar from Louisiana and the kirschwasser from Switzerland are on a grapefruit from Florida, broiled in an oven made in Los Angeles, and heated with electricity generated in New York City from Pennsylvania coal. I cannot trace the magic of it all—how every item seems to be where I am when I want it. This phenomenon is so commonplace to the millions around this largest city of the world that hardly anyone ever thinks about it. They take this perfection for granted and raise their voices to high heaven only when a coercive force interferes, like a strike or a government control. Talk about delivery!

\textsuperscript{4} The Congress, in 1956, in granting wage emoluments to postal employees, decreed that the increases could not be used for the purpose of establishing postal rates. This sort of "bookkeeping" would have to cease.
There isn't any argument for government in the mail business; there is only the clamor for the continuance of special privilege. This will cease when the free market is restored. The condition that prevails in the absence of special privilege is known as justice. Then, why not let anyone deliver mail?
DOLLARS DOWN THE DRAIN

by J. A. Harper

The story which follows could be told for practically any community in the United States, in type if not in degree and form. It could be your own community.

Westchester County, north of the City of New York, is said to be the wealthiest residential county in the United States. Not every resident there is a millionaire, of course. But the area, over-all, is one outstandingly wealthy in the United States; fabulously wealthy for the world as a whole.

It has been said that everyone who works in the City of New York wants his bedroom to be as far from his place of work as he can afford. Far to the north in Westchester County lies a typical village community among those near the fringe of possible commutation to New York. It is a pleasant little community, full of good country air and airy residences filled with kindly and pleasant people.

But in this rarefied rural atmosphere a sewage disposal "crisis" has descended upon the good people who live there. The County Health Department has proclaimed that a serious pollution problem exists.

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A disposal system to take care of the problem has been estimated to cost $3,400 per family. Though this is only one-tenth to one-sixth of the value of a common new residence in the area, and no more than the cost of a new car such as the residents frequently buy, the cost has been semiofficially declared to be unbearable—"excessive."

**Aid as the Solution**

Now what is to be done when an irresistible economic force meets a near-empty pocketbook? Either the person must adjust his appraisal of what are necessities in his life, releasing funds to pay the cost of this particular "necessity," or he must find ways of reducing its cost to fit his budget without foregoing other "necessities."

The first solution—doing without other things—is the more painful process of the two and is usually avoided or ignored if possible. The alternative, then, is either to find someone who will do the job more cheaply or do the work for oneself.

But the ingenious residents of this particular community, like their counterparts in untold others in the United States, have discovered yet another way to cut the costs: by obtaining federal aid. By taking the necessary steps to qualify, about one-third of the cost, or $1,133 per family, can be obtained from Uncle Sam. And then the remaining cost of providing this necessity, it is hoped, will be within the reach of these residents whose needs exceed their means.
The procedure for federal aid is simple. The gravy train is already loaded, ready, and waiting. All the villagers have to do is to ask in the proper way, and it shall be given. If half or more of the residents want to set up the district and appeal for alms—about $100,000 in this instance—Uncle Sam is ready, willing, and waiting. Congress this year has already appropriated $45 million for aid in such projects, and a bounteous $294 million of it has been allocated to New York.

**Source of Aid**

Since Heaven does not send showers of blessings in just this form, any thoughtful and curious citizen may ask: From whence cometh all these federal alms? He knows that Uncle Sam's pockets are notoriously full of holes and empty.

These alms come from taxes, of course, which may be thought of as just an indirect way by which people pay their bills. There is no source of such governmental funds other than taxes. These are collected from the same villagers and their counterparts throughout the land. In the main, these taxes have to come from persons far less able to pay for such "necessities" than are these particular villagers. They come in part from some poor Negro widow in Little Rock, Arkansas; from some poor orphan in Wyoming; from some young couple in Woodbine, Iowa, who are trying to save enough money to buy a small house of their own. People of such circumstances will find in their tax bills an amount sufficient to allow
Uncle Sam to be generous and send the $100,000 to these folk.

But it's even worse than that, because while the tax money is traveling from all these places to Washington and back again, much of it disappears as service fees under one name or another. Not too high a proportion ever gets back to these communities at all.

**The Service Charge**

To call this process "aid" is a careless use of language, indeed. When a banker takes a far smaller fee for handling our money and settling payments from one person to another, some are tempted to use harsh words about the banker and his fees. But when the government handles transfers of our money at a much higher fee, we accept it in common parlance as "aid," even commending the government officials for their "good will and charity."

It may seem that this one little project is a trivial matter, costing the average family in the United States only one-fifth of a cent. But precisely therein lies the danger. Each little piece added to our tax bill seems too small to be worthy of concern. And though it is said to be done democratically, about the only people who concern themselves with it are the direct beneficiaries who vote on whether or not they will, in effect, pick the pockets of every citizen of the United States. If over half of the pickers approve, the picking becomes legalized and the policeman is assigned to protect the picker rather than the victim.
Drops Make a River

Yet we go on and on with projects of this sort. Just as drops of water make a Niagara, it is these little bits of tax added to other little bits which together comprise the terrific tax burden we are now being forced to bear. In the current year, for instance, these federal grants to the states alone will amount to about $80 per family—an increase from only about $30 per family ten years ago. And for next year the Administration has programs of this sort which will cost the average family perhaps $110. Every family, in other words, will have to pay the seemingly trivial separate costs of the equivalent of 55,000 such projects all over the United States—must, in other words, pay for about 200 of them out of its income every working day.

The Losing Gamble

Some persons understand the process well, however. Not everyone is fooled into thinking that he can win in this gamble at the roulette wheel of federal “aid.” In one other Westchester community the question recently arose as to whether the school board should endorse an increase in government “aid” for the schools. The issue was acute in this community because, like so many others, it had foolishly overextended the citizens’ pocketbooks in building some fancy new schools. The head of a well-known women’s organization asserted that it was merely a question of whether “we in this community”
will get more in state aid than we have to pay in taxes. In the gamble of government aid, of course, one community cannot possibly win except as another loses, even aside from the "house-take." The lady did not bother to consider the moral issue involved in forcing minority objectors to play a losing game which the majority decides they shall play—a losing gamble called government "aid."

Our moral code in this respect is not very consistent. When Jesse James robbed a bank for the necessities he couldn't afford, we took quite a different view of the matter. Even though a Jesse, the aggressor, votes a full 100 per cent in favor of the project, the rest of the citizens deny him these acquisitive rights; they do not even allow him one single vote in the matter.

Shouldn't we use the same concept in connection with federal aid? Why not in like manner put all such proposals, like aiding this community in their sewage disposal project, to the vote of all the citizens who will have to pay the bill? Why not disfranchise the pocket pickers, so far as voting on this matter is concerned? Why give the takers of the money all the seats in the court of justice?

Freedom Lost

Highly important in this process is the loss of freedom involved. The citizens of these communities who by majority vote have thrown everyone's pocketbook into the gamble of federal aid may not realize the loss of
freedom till it is too late. If you go into a gambling casino with a few dollars and later depart with empty pockets, you still have your shirt and your trousers and your freedom. You are free to decide that you will never be a player in this losing game again. But how about federal aid? The law of the land, as laid down by the Supreme Court, has decreed that you shall lose an important part of your freedom as well. Even the minority who objected but are forced to play the game lose their freedom along with the others. For the Court has said:

It is hardly lack of due process for the Government to regulate that which it subsidizes.¹

This means that if federal aid is given for any such concern of your life, the government is thereby empowered to control that part of your life.

In the light of all this, one wonders if a sewage disposal problem is really the evil most to be feared. Perhaps we should fear most the disposal of our money and our freedom through federal aid. For if this process of federal aid continues to progress as rapidly as it has in recent years, the time is fast approaching when we shall all be largely enslaved to the government. And slaves down through history have always suffered troubles which make our worst sewage problems trivial by comparison.

Would you, for instance, knowingly sell a large degree of your freedom for a few dollars of “aid”? Suppose the

offer were made clearly and in the open in terms of its reality; would you buy it? Would you buy the loss of freedom knowing that even on a purely cost basis the house-take is heavy and you are sure to lose? If we wouldn’t buy enslavement as a total package, we shouldn’t buy it in enticing little pieces under subterfuge.
THE ANTITRUST laws are commonly thought to be the institutions that distinguish the economic system of the United States from the rest of the non-Soviet world. But for these laws, it is said, we should be plagued with cartelization as in Great Britain, Germany, or France. Many believe, in short, that the antitrust laws are responsible for our having a competitive society.

Preserving competition might have been the objective about 1890 when the basic act was passed. But certainly for the past generation the antitrust laws have not functioned to that end. Rather than preserve, they have through questionable interpretation and administration in fact impaired competition, by subsidizing and preserving inefficient competitors.

By competition, I refer to a situation that exists when the basic rules of the free society are observed—when
everyone possesses the basic rights of private property and freedom of contract. Competition is not a mode of conduct that anyone has to promote institutionally. It develops naturally and necessarily among persons who are free to pursue their own interests. Whatever one's personal interest or objective may be—businessman, sculptor, or preacher—the consequence of pursuing it puts him in competition with all who share that objective. That being the case, preoccupation with promoting competition is at best a diversion of effort which could have been used to protect private property and freedom of contract. My thesis is that we have erred in the formulation and application of the antitrust laws of the United States.

A List of the Laws

What are these laws? The first is the Sherman Act of 1890. This law makes every contract or combination in restraint of trade and every conspiracy to monopolize the trade or commerce of the United States a misdemeanor.

Next came the Clayton Act in 1914, declaring unlawful specific types of contract, such as a tying agreement or an exclusive sales contract, when the result may be to lessen competition or tend to create a monopoly. The Clayton Act was intended to clarify or make concrete the general proscriptions of the Sherman Act.

Usually included among the antitrust laws is the Federal Trade Commission Act which broadly states that unfair methods of competition shall be subject to prosecution.
Though Fair Trade laws are laws of particular states, they also come under the heading of antitrust laws. All provide that when a contract is made between the seller or manufacturer of certain goods and a retailer, providing for a specific resale price, then all purchasers of these goods with notice of the main contract are bound to observe the price set in that main contract. These state Fair Trade laws all grew out of what I believe to be unfortunate decisions under the Sherman Act prohibiting a resale price maintenance contract between a manufacturer and a retailer.

Though I see no violation of freedom of contract if a retailer is willing to sell at the resale price stipulated by the manufacturer, the Supreme Court thought restraint of trade was involved and held such resale price maintenance contracts unlawful. Conditions in the 1933 depression prompted many states to pass Fair Trade laws, and Congress suitably amended the Sherman Act to validate such state laws. But these laws now go much further than legitimatizing a reasonable contract between a manufacturer and a retailer; they enable that manufacturer and retailer to fix prices for all persons who come into possession of the goods in question. Such binding without consent appears to violate the principle of freedom of contract—a case of having pushed the Sherman Act to reach an anticompetitive result.

The Robinson-Patman Act of 1936 is the last of the antitrust laws worth noting here. This act, in general, provides that the price—including such things as advertising allowances or brokerage fees—for goods of like
grade and quality must be the same to all purchasers, subject to these qualifications: (1) A price discrimination is not unlawful if it can be demonstrated that it has no tendency to limit competition or create a monopoly. (2) If the seller can demonstrate that his costs of selling are lower to buyer A than to buyer B, then he may charge A a proportionally lower price. (3) A seller may discriminate in favor of buyer A if he can show that he had to lower his price in that instance to meet in good faith the offer of a competing seller. Like the Clayton Act, the Robinson-Patman Act was designed to be specific concerning one of the general objectives of the Sherman Act.

The Northern Securities Case

On the basis of this brief outline of the various antitrust laws, let us proceed to examine how these laws have been interpreted and used. I mentioned earlier that one consequence of antitrust action has been to preserve inefficient competitors to the impairment of competition. In other words, the antitrust laws have been perverted from a supposed charter of economic liberty into a demagogic onslaught against large and successful business with a kind of vote-buying subsidy, not for small business, but for inefficient business.

Both historically and doctrinally this process can be traced to a famous case involving Messrs. Hill and Harriman—the Northern Securities case. Hill and Harriman, after what some people called a titanic financial war,
decided that it would be to their advantage if they merged a couple of railroads running along the northern tier of states out West. The railroads were the Great Northern and the Northern Pacific. The United States sued under the Sherman Act, charging that this was a violation of both Sections 1 and 2 of that Act—a combination in restraint of trade, and an attempt to monopolize a certain portion of the trade or commerce in the area of the United States that these railroads covered.

The decision was close. A majority of one held that the holding company violated the antitrust act. Justice Harlan, grandfather of the present Justice Harlan, reasoned for the majority along these lines: In prohibiting combinations in restraint of trade, what the Sherman Act intended was to outlaw any impairment of competition. Though these companies did not compete for 74 per cent of their business, there was an overlap of 26 per cent; and when they decided to merge, that 26 per cent was destroyed. Therefore, there was a restraint of trade within the meaning of the Sherman Act.

Holmes Was Right

Justice Holmes, dissenting, reasoned from the fact that the Act does not say that any reduction in the number of competitors is a misdemeanor; it says that a combination in restraint of trade is a misdemeanor. He argued that since the words “in restraint of trade” were used, the Court ought to follow the meaning generally given those words under common law—the classical theory of
interpretation. He was right. The assumption is, and has to be—except in the case of deliberate specification to the contrary on the part of Congress—that the words of any statute are used in the sense of existing law. Holmes went into an exhaustive survey of the relevant common law and pointed out that there was nothing whatsoever in its history to imply that such a merger is a restraint of trade.

Holmes further said in effect: The Court must remember that the rule it is making in this case is a rule that must be applied equally to all persons engaged in mergers. If it be said that these two railroads cannot merge because they compete for 26 per cent of their business, one must say that two corner groceries who compete for 26 per cent of their business cannot merge. It would be the same for other persons. Furthermore, by this case the Court is establishing a precedent to the effect that if one of these persons should buy out the other, he is violating the law. Without realizing it, Holmes said, the Court majority is construing the Sherman Act as destructive of one of the leading principles of society in this country, that is the free, inalienable right of voluntary association.

I believe Holmes was right in this case. He was right both as a technical legal analyst and in his forebodings. Establish the premise that voluntary mergers are bad, and you have a basis for challenging normal, common business procedure in an economy based on freedom of contract. This is the daily fare of business and of capital. If a business feels that its affairs may be more rational if it combines with another firm, it merges or acquires
assets or stocks of another corporation. And yet, each time this perfectly normal thing is done, the participants are in danger of antitrust prosecution.

One must recognize the real nature of the hidden menace here. The fact is that not every merger can be prosecuted. It is a physical impossibility. A market economy could not function if every such action were prosecuted. However, from the point of view of legal science, the resulting situation is very bad. Instead of having a universal rule of law applicable equally to all members of society in free and open competition, what we have is selective prosecution.

The Political Test

What is the basis of selection? There isn’t any legal basis for selection, and if you haven’t a legal nonarbitrary basis for selection, what is your basis going to be? The answer is perfectly clear. It is going to be political and ideological. And these two things have tended to merge inextricably over the last 40 years or so.

There is a great preoccupation with timing of antitrust prosecutions; suits are brought against mergers whenever the Democrats, or the Republicans, want to make political hay by showing how rough they are on business. Add to the mix the Marxian theory that business is bound inevitably to get bigger and bigger until we are all at the mercy of the exploiting monopolists, and you have two primary qualifications for antitrust prosecution. First of all, it has to be a big business, big enough to scare
people. And secondly, the occasion has to be politically propitious.

What is to happen to a country in which success in the market place is to be a signal for prosecution by politicians anxious to curry public favor? It is a serious question, prompted by the situation which prevails today. Danger of antitrust prosecution threatens any firm that manages to grow and to out-produce its competitors.

It would really be a comfort to know that each business was doing its utmost to get as much of the market as it possibly could, that each firm was striving to put out the greatest possible production at the lowest possible cost, that, in short, it was being directed in accordance with the public good. But because of so many interventionist devices, the measuring sticks provided by a free market are no longer available. You can't be sure that a move or a failure to move on the part of a business is dictated by economic considerations in response to the desires of the people.

**Prosecutions for Price Fixing**

Further insight into the absurdities and frustrations of the antitrust laws is afforded by review of the prosecutions under the Sherman Act for price fixing. The famous Morton Salt case dealt with that issue. And there have been a great many others—perhaps 30 or 40 before the Supreme Court. But what on earth can be the consequence of a judgment that a price-fixing agreement is unlawful? What can anyone do about it if 20 firms have
agreed to charge a certain price for a product? Assuming that it is a homogeneous product, how can 20 different firms be expected to sell it at 20 different prices? If A charges 98 cents, B a dollar, and Z $1.26, how is Z to gain a sale?

The point is that such prosecutions are nothing but ceremonial political promotions of the party line: "Watch those businessmen!" We are great at berating the businessman for doing what is as natural to him as breathing. The function of the market is to find the right price, to bring competing goods toward the same price, and to screen out those producers who can't meet the price.

The Cement Institute case illustrates the point. All over the country, cement manufacturers were submitting bids that were identical to five decimal places; and the Supreme Court thought this was inherently incredible without some evil conspiracy. But if this seems incredible, try to sell cement at as much as a fraction of a cent higher than competitors are charging. When cement prices begin showing variations, it will be time to look for collusion and conspiracy.

*The Law Is Guilty*

So we find that the Sherman Act itself, the basic antitrust law, has been and is being used, not to promote and maintain competition, but to discourage the abler firms from operating to the limit of their abilities. Add to this the Fair Trade and the Robinson-Patman designs to handicap the larger more efficient merchandisers, and
there is no escaping the conclusion that the so-called antitrust laws are in fact anticompetitive and antisocial. They are pushing toward a rigid, inflexible, industrial structure which interferes with the free play of market forces.

Why the Market Works

I have already mentioned some important requirements for the functioning of a free society—for the free play of market forces. The right to private property is one. Freedom of contract is another. Beyond these is a need for better understanding of the market process—more faith in it and less fear of it.

The market works because of man’s desire to make a profit, to get more out than he puts in. Capital formation and use rest on this premise. People act in order to better themselves, increase their profits, decrease their losses. And the best opportunity for profit lies in the production of things others want—in service to others. This means that the profit motive is morally as well as economically sound.

The free play of market forces also calls for freedom to trade. Free trade policies are the most effective and successful of all possible antitrust actions. Free trade is the best kind of curb on all forms of government intervention, including subsidies to farmers, monetary tricks, or any other interference you could name. One of the grim features of our day is the great preoccupation with international peace and harmony while at the same time we have the erection of all sorts of trade barriers.
On the domestic front we glory in the productive accomplishments of the industrial revolution and freely acknowledge the advantages of large scale mass production. But we seem bound to try to stop the spreading of such advantages when it comes to distribution and retailing of these goods and services. Our politicians count noses and find more small retailers than chain store operators. So they enact Fair Trade laws and Robinson-Patman acts deliberately designed as barriers to the development of mass distribution methods which could mean better living for all as consumers. Perhaps this simply reflects a general fear of bigness in business—a feeling that the greater the number of competitors, the better.

A free competitive market is not a condition which requires for its existence large numbers of producers. It only requires freedom on the part of all people to produce if and when they wish. If the unlikely situation should exist that in a certain line of production a single firm could most economically satisfy the whole market, then, of course, you would have a condition which might be called monopoly. But this is not the aspect of monopoly that people fear. What really disturbs people about monopoly is not that a single person or firm has control over a commodity but that force, compulsion, or special privilege has been used to keep other people out.

Some history is useful here. Monopoly became a problem in the Anglo-American legal system owing to its origin. Monopoly originated in crown grants to certain people of exclusive privileges maintained by the force
of government. Queen Elizabeth granted a monopoly in salt, playing cards, and a number of other things. She did this only because she was dissatisfied with the fact that Parliament controlled the purse strings in England. Parliament had insisted on the exclusive power to tax, but Queen Elizabeth had certain ends and aims of her own, and the money needed to attain them came from the persons or groups to whom monopoly powers were granted.

Why Monopoly Is Wrong

It's very plain that this situation has nothing to do with the free market, which grants no exclusive franchise. But the market does not preclude a monopoly. In fact, monopoly in the purely descriptive sense and the right of private property are the same thing. Each of us is a monopolist. We are in exclusive control of our person and all that we legitimately create. If we legitimately create the best and most efficient organization, so productive and so efficient that no one else can compete, we have a monopoly in that descriptive sense. But there is no social harm done as long as everyone else has an equal right to get into production. There can't be any social harm because the social interest lies in the most efficient production of goods. Monopoly in this sense means only that society has achieved that end. One person, one firm, in a free competitive market, has proved to be more efficient than any other. Anyone else is free to produce, if he thinks he can compete.

We have a pretty good example of that sort of thing
in the automobile industry in this country. The industry operates in as free a market as one can have in this imperfect market economy. Unlike some other industries, this one is not plagued by an overweeningly jealous attitude toward patents. Anyone can get into it. But more are getting out than getting in. Is something drastically wrong in that industry in the sense that a social harm is being done? It seems to me, if you are fair about it, you would have to say that the big three in the automotive industry are simply better public servants in this line than anyone else.

There’s quite a difference between monopoly in the descriptive sense of being the only producer, and in the exploitative sense of using force or state aid to exclude competition. The latter is something that free men should fear. And they should know that the government itself is apt to be the culprit behind genuinely antisocial monopoly.

**A Useful Antitrust Action**

I want to make clear that one phase of antitrust policy is in my opinion of real social utility. That is the phase concerned with secondary boycotts and other predatory oppressive practices which I consider harmful interferences with the free market. Let us assume that 30 or 40 retailers, with a common supplier, have an arrangement to avoid competing and to split up territories. Along comes an interloper, a true competitor, who wants to buy from the same supplier. If the other retailers then threaten to quit buying unless the supplier refuses to
deal with the interloper, they are held to be in violation of the antitrust laws—and I think rightly so.

Though the market eventually would rectify such a situation, substantial harm could be done to the interloper in the interim. Also, such collusion might lead to a generally cartelized economy, to everyone's detriment. So I have no objections to antitrust laws as a curb on secondary boycotts and other oppressive action, though I'd prefer that such abusive practices be subject to prosecution under common law rather than special statute law.

Actually, secondary boycotts are rarely used by businessmen, the most flagrant offenders being the trade unions. However, the unions seem to be immune to prosecution under that single phase of antitrust policy that could be socially useful.

**A Positive Program**

If I were responsible for preserving competition in the United States, I should not turn to the antitrust laws for help. The common law affords all the legal action needed, and its great merit is that people in significantly similar legal circumstances have to be treated the same way. Politics are excluded.

A long step toward preserving or restoring competition in this country could be taken by abolition of the discriminatory, anticapitalistic, progressive income tax, which skims off the cream of the risk capital—takes the ammunition away from the competitors. They can’t com-
pete without ammunition, any more than boxers can perform with their hands tied behind their backs. So my platform would include a plank for repeal of the discriminatory tax laws.

Another plank in my platform to preserve competition in the United States would involve repeal of the laws which have granted so many special privileges and exemptions to labor unions and other pressure groups. In this, I take comfort from the fact that the greatest of all legal scholars, Sir Henry Maine, drew the same conclusion—an elaborate intricate code of laws is a sign, not of a sophisticated society, but of a primitive society. English law, until toward the end of the eighteenth century, was characterized by a practically solid network of laws regulating the most intimate affairs, especially when they were economic affairs. There were laws fixing the amount of flour in bread. A wheelwright couldn't be a wainwright. There were laws against forestalling, engrossing, and regrating, and so on, and on and on. Someone remarked that forward-looking men toward the end of the eighteenth century and the beginning of the nineteenth century were spending most of their time wiping laws off the books and, as you know, the impetus toward that very helpful form of human conduct was supplied by laissez faire theory.

Mankind's Eternal Task

All people interested in having a free society, I think, should be concerned with spreading ideas of freedom;
let the actual, detailed measures take care of themselves, as they inevitably will. The ideas have to come first. The most important thing to a society is that its idea factories are really well run. The scholars, writers, and philosophers of a society have to be good or there is really little hope. How does one bring about a change in the idea factories? I have no answer except that hard one of slow self-discipline, more rigorous and objective pursuit of truth; all the things that take forever. This is mankind's eternal task.
CRIMINALITY OF RULERS

by Pitirim A. Sorokin

Experience shows that the use of almost all newly discovered weapons passes, within one or two decades after their invention, into the hands of criminals. There is hardly any doubt that small thermonuclear weapons which can be easily handled by one or a few individuals will be made available within a short period. The same can be said of the means of bacteriological warfare. It would be quite foolish to expect that the criminals would willingly abstain from the use of such "handy" means or, under the existing circumstances, would be unable to obtain them at all for their "professional" operations. Some of the disastrous results of such a situation are obvious. One or a few criminals could then intimidate others and dictate their orders to communities, both large and small, spreading death and destruction to hundreds and thousands.

Still more catastrophic would be the results of a misuse of these weapons by the rulers of the states, of military forces, of business-empires, of political parties,

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of fanatical groups—even of international bodies like the United Nations, and others who may become legally empowered to control these weapons so that they would have at their disposal a vast accumulation of these instruments of death and destruction. We cannot fool ourselves with the belief that such leaders would never misuse or abuse their power and responsibility. The ugly facts of human history decisively confirm the validity of Lord Acton's dictum: "Power tends to corrupt and absolute power corrupts absolutely. Great [political] men are almost always bad men." And in correspondence with him Creighton quoted John Bright's utterance: "If the people knew what sort of men statesmen were, they would rise and hang the whole lot of them."

**A High Proportion**

Our own investigation of the criminality of the rulers—English, Russian, French, Austrian, Turkish kings, as well as the presidents and political bosses of republics—shows that one out of four of these rulers, these autocratic monarchs and dictatorial bosses of republics and democracies, has been a qualified murderer (patricide, matricide, uxoricide, fratricide, etc.). In other words, the rulers of the states are the most criminal group in their respective populations. Their criminality tends to decrease with a limitation of their power, but it still remains exceptionally high in all nations.

We have no grounds for believing that contemporary and near-future rulers will miraculously turn into wise
and blameless saints who would not misuse these fearful nuclear arms by starting a nuclear international or civil warfare.

In the light of these data, the most dangerous group for the whole of mankind is the group of rulers, assisted by the morally irresponsible scientists and inventors of destructive means. It is exactly this group who might any day unleash the greatest catastrophe for the whole of humanity that we have ever known.

Unless we can discover how to diffuse rather than to concentrate political and other power of man over man, we can expect only new catastrophies capable of ending the creative mission of humanity on this planet. This discovery will require fresh and fundamental research into problems of criminality, war, government, morality, individual and tribal egotism, and the like.
DO UNIONS CAUSE AUTOMATION?

by Hans F. Sennholz

The popular assumption that labor unions can raise the wages of the working population has been exploded repeatedly. F. A. Harper, in a Freeman series on "Why Wages Rise," expertly demonstrated that unions merely impede productivity and therefore generally retard real wages. This is not to deny that unions may temporarily raise the wages of a restricted number of members through strikes and other coercive practices. But this inevitably leads to unemployment in the unionized industries. Consequently, labor tends to shift to nonunionized industries and thus depresses their wages. We can presently observe these effects in the form of unemployment in the rigidly unionized building industries and the absorption of additional workers in many white-collar occupations.

There are other popular notions on the beneficial effects of labor unions. Many people even outside the union camp give credit to the union bosses for the American trend toward more and more industrial "automa-

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tion." They argue as follows: the unions demand higher wages. The employers, squeezed by higher labor costs, seek refuge in automation to reduce the costs. Automation then brings about higher productivity which in turn encourages the unions to demand still higher wages. In other words, the union bosses are in the driver's seat in the industrial surge toward unforeseeable productivity.

Oh, lucky land of labor unions! The economist is reminded of the fable of Aladdin's lamp whose owner merely rubs the lamp to evoke the friendly genie. Courageous union bosses clamor for more and more, and frightened businessmen realize the dream of higher and higher standards of living!

**Automation Defined**

What is "automation"? It is an ill-chosen name for production with more capital equipment. It carries the connotation of an automatism of production that creates mass unemployment. The age-old question of whether machines create unemployment needs no further discussion at this place. It is continuously revived by union leaders in desperate need of an explanation for the chronic unemployment caused by their own activity.

Production with more capital equipment necessitates industrial adjustment. In a capitalist economy an adjustment to changed consumers' demand, improved production techniques, and changing capital markets is continuously taking place.

It is no new phenomenon. When the water-piping
system was first invented and became accessible to the population through capitalist mass production, adjustments had to be made. In the big cities of Europe, thousands of water carriers, who sold their water by the bucket, were set free by this new "automation." But it also gave employment to thousands of workers in factories producing the pipes and brought forth a new craft, plumbing, which gave employment through selling and servicing the piping systems. The people who were affected by this new automation did not complain, for it was progress.

There were no labor unions, or at least their power was insignificant. And yet, there was "automation." Why? The investment capital that was necessary for production and installation became available at a price that was lower than the cost of delivery by the water carriers. At first, when the price of the piping systems was very high and the required capital outlay very great, only wealthy families could afford the improvements. When the price declined and hence also the capital outlay, the savings in cost by the piping system increased, which consequently led to more installation in the homes of all strata of population.

**Capital Must First Be Accumulated**

The fundamental prerequisite for production with more capital equipment is the existence of _new capital_. If no new capital is accumulated either through entrepreneurial profits or savings, no improvement through
additional capital outlay is feasible. If, some hundred years ago, no new capital had been available for the water-piping system, it simply could not have been introduced.

The prerequisite of new capital accumulation for production improvements refutes the notion that labor unions stimulate capital outlays. Unions are the implacable foes of profits and savings. How can they claim credit for the beneficial effects of capital accumulation?

New capital must be available at a price that constitutes a saving in cost. In other words, if a businessman is to replace an old production method with a new method that is physically more productive, it must be profitable for him to do so. The cost of the larger capital required for the innovation plus other production costs must be smaller than the combined costs of the old process.

**Interest Rate Gives Signal for Conversion**

The cost of capital is determined by the market rate of interest which in turn is determined by the state of the capital market. In a capitalist economy without confiscatory taxation and controls, capital accumulation takes place continuously. The interest rate declines and gives the businessman his signal for conversion from old production methods to new methods requiring larger capital outlays.

I should like to illustrate this. Let us take a marginal enterprise neither earning profits nor suffering losses. Let

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us assume that the interest rate it would have to pay for investment capital stands at 6 per cent. It clings to an old physically inferior production method because it requires less capital and lower interest charges on the capital invested than the new method. Its costs per unit of production are lower than they would be with the new method.

Now the rate of interest declines because of additional capital supply. Let us assume that at 4 per cent it becomes profitable to borrow the capital required for the retooling. At this point the unit costs of the new method, which is physically superior but requires larger capital investments, falls below the unit costs of the old method due to the decline in interest charges. The alert businessman at once embarks upon the conversion.

Producing at lower unit costs, this businessman now reaps a profit. He expands and increases production. The price of the product declines, which in turn leads to losses by the less capable businessman who clings to older production methods.

Inferior Production Methods Lead to Losses for All Concerned

Let us assume that our marginal enterprise clings to old production methods. Then it faces a loss, not only because of the declining prices of its product, but also because of rising labor costs. Competing modernized enterprises, earning profits and expanding production, bid up the price of labor. They work with higher labor
productivity. Also, the machine tool industries expand and attract additional labor. In order to hold its work force, our enterprise must raise wages and thus bear higher labor costs.

Comparison of costs may now lead to the following conclusions: With the interest rate at 6 per cent it was definitely profitable to continue production with the old method requiring less capital and carrying lower interest charges. With the interest rate at 4 per cent, product prices and labor costs being the same, it was profitable to resort to the physically superior method requiring larger capital outlay. But with product prices declining and labor costs rising on account of the expanding production by modernized competitors, the 4 per cent rate of interest no longer warrants the retooling. Our marginal enterprise will have to wait until the rate declines even further, let us say to 3 per cent, or until a production method becomes available that yields even greater physical productivity with the same capital outlay. Only under these special assumptions can our businessman hope to compete again with his alert competitors. Most likely he will have lost irrevocably his position as a marginal enterprise. He will have to cease production or switch to other fields of enterprise.

So far, our analysis has dealt with the effects of capital accumulation on the introduction of new production methods requiring more capital. We assumed an unhampered market with capital accumulation and declining interest rates. Let us now introduce the case of rising labor costs as a result of union coercion.
A Labor Union Coerces a Single Enterprise within an Industry

Our marginal enterprise is threatened by a strike. Investment capital is available at the rate of 6 per cent. At this rate and with unchanged labor costs it would be profitable to continue to produce with the old production method. Now union pressure increases labor costs. Is it now profitable to embark upon the expensive retooling entailing a saving of labor costs, or is it wiser to cling to the old method burdened by much larger labor costs?

The answer to this question obviously depends on the extent of the wage increase enforced by the labor union. It may be that the physically more productive method requiring larger capital outlay with some savings in labor costs is less costly than the old method burdened by the new labor costs. Or it may be that the old method is still less costly than the new method. But either answer is utterly insignificant for our enterprise, for each alternative entails higher production costs which cannot be passed on in the form of higher product prices. Both methods, therefore, lead to losses for our marginal enterprise and its ultimate bankruptcy.

This conclusion clearly demonstrates that the union clamor for higher labor costs does not lead to "automation," but merely confronts the entrepreneur with the choice of two losses: through the old method burdened with higher union wages, or through the new method burdened with higher capital costs.
A Whole Industry Is Coerced

In the foregoing case, our enterprise suffered losses on account of union coercion; there is no refuge in automation. Let us now assume that, instead of our marginal enterprise being threatened by a local union, the whole industry suffers from the grip of a nation-wide labor organization. In this case, as in that of a single enterprise, the given alternatives are the following: increased costs through higher union wages or increased costs through larger capital outlay with some savings in wages. Again the question of which one of the evils is the smaller depends on the specific case. But no enterprise can be expected to embark upon expensive retooling merely to suffer the smaller loss.

However, this case of an industry whose labor costs are increased by an industry-wide union organization differs from that of a single enterprise in an important respect. The higher production costs lead to industry-wide losses which in turn force a restriction of production. The curtailment in product supply then leads to higher product prices.

The higher product prices growing out of production restrictions may in fact permit the surviving producers to choose one of the two costly alternatives. It is conceivable that expensive retooling with higher capital costs may be the less costly alternative and may even be profitable on account of the higher product prices.

There is still another factor standing in the way of conversion to production methods requiring more capi-
tal. The surviving enterprises that prefer the expensive retooling exert an influence on the capital market. The rate of interest tends to rise. In other words, investment capital may no longer be available at 6 per cent, but may rise to, let us say, 7 per cent. This would reduce the likelihood of large capital expenditures for retooling.

"Automation" as Maladjustment

But, in some cases, the unions may indeed force the surviving producers to undertake the conversion. The conditions are the following: industry-wide union coercion, restriction of production, higher product prices, and the barring of all union-free newcomers to the field. It is conceivable, for instance, that General Motors, Chrysler, and Ford have been forced by the coercion of the automobile workers' unions to resort to some "automation" that otherwise might not have been undertaken.

This is by no means a laudable achievement. The capital needed for the costly retooling is withdrawn from other more productive uses. Other industries that profitably converted to production methods requiring more capital now find themselves short of capital. They have to be content with old inferior methods and must wait until additional capital is accumulated through profits and savings. In the meantime, consumers must pay higher prices than they would have paid if the retooling could have been achieved in some way.

In other words, the "automation" brought about by union coercion constitutes a maladjustment of "automa-
tion," that is, a diversion of funds from more productive to less productive employments. On balance, it constitutes a decrease in productivity, lower wages, and lower standards of living.

**Higher Productivity through "Shortening Inventions"**

Production improvements in general require larger capital outlays. Capital must be available at a rate of interest that permits the introduction of methods of production requiring additional capital. This condition stresses the importance of capital accumulation through profits and savings. It also points at the disastrous effects of confiscatory taxation and wasteful union practices.

I used the words “in general” because there is an important exception to the rule. Once in a great while creative human genius brings forth what Böhm-Bawerk called “shortening inventions.”¹ They are inventions that are physically more productive without requiring additional capital outlays. For instance, a machine is invented that is more productive although it is no more expensive, or even less expensive, than the old machine in use. Or, a new material is invented with comparable qualities but cheaper than the material in use. In this case, all producers in the field will immediately employ the invention without having to wait for new capital to be accumu-

lated. It even may free some capital for various other purposes.

As we cannot depend on creative genius continuously to improve our production methods through "shortening inventions," we seem bound to rely on the slow and painful process of saving. For this reason we must defend the free enterprise system from all interventionist attacks on savings and, especially, from attempts at capital consumption by the labor unions.
COME with me into one of those wooden cabins that cling to the French side of the Pyrenees [in 1846].

We discover that the father of the family has not been able to earn much in that mountainous section of the country. His poorly-clothed children shiver in the icy blast. The fire is out and the table bare.

On the other side of the mountain in Spain, there are wool, firewood, and corn. But the poor father is forbidden to use them because they are grown in another country!

By law, the foreign pine may not warm his cabin; his children may not taste the Spanish corn; the wool of Navarre may not warm their cold bodies.

We are told that national interest (general utility) demands this. If this is so, then it must be admitted that national interest is in conflict with justice.

The government has absolute control over the lives of consumers and uses these consumers in the name of

national industry. This is an encroachment upon their liberty. The law forbids the people to exchange their goods and services for the goods and services of their neighbors on the other side of the frontier. Since the willing exchange of goods and services is not immoral, then the law commits an act of injustice.

The writers of the “protectionist school” claim that this is necessary to protect national industry and public prosperity. Thus the advocates of tariffs and other restrictions against trade are faced with this sad conclusion: Justice and the public interest are incompatible.
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