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 eleventh volume of Essays on Liberty, all of the selections in it having previously appeared in The Freeman or other Foundation publications between April, 1963 and April, 1964. The first ten volumes of Essays on Liberty, covering earlier Foundation releases, are still available.

Some of the shorter Freeman articles of the past year, though omitted from this book, are available in the bound volume of Clichés of Socialism. Also available separately are The Fateful Turn and The American Tradition, comprised of the Freeman articles in series by Dr. Clarence B. Carson.

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

Nobody Has a Right To Live But Me
by John Chamberlain

What Is "Employment"? by Oscar W. Cooley

Laissez Faire by Garet Garrett

The Eternal Search for Truth by Henry Margenau

The Nature of Government by Ayn Rand

Riding a Rocking Horse
from The Wall Street Journal

Published October 1964
Copyright 1964 by

The Foundation for Economic Education, Inc.
CONTENTS

The Case for Economic Freedom  
*Benjamin A. Rogge* ........................................ 9

Big Wars from Little Errors Grow  
*E. W. Dykes* .................................................. 25

What Shall Be Prohibited?  
*Leonard E. Read* ............................................ 29

Nobody Has a Right To Live But Me  
*John Chamberlain* ........................................... 41

Right and Wrong—Not Right and Left  
*Clarence Manion* ............................................. 45

The Greatest Waste  
*Paul L. Poirot* ................................................. 58

Hail to Automation!  
*John C. Sparks* ................................................ 66

Government Relief  
*Rae C. Heiple, II* ............................................. 79

Kakistocracy  
*Leonard E. Read* .............................................. 83

The Lure of a Lost Cause  
*Edmund A. Opitz* .............................................. 97

The Nature of Government  
*Ayn Rand* ...................................................... 102

The Economic Role of Saving and Capital Goods  
*Ludwig von Mises* ............................................. 116

Economic Growth  
*Dean Russell* .................................................. 125
<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Beetle and the Centipede</td>
<td>William A. Paton</td>
<td>143</td>
</tr>
<tr>
<td>What Is “Employment”?</td>
<td>Oscar W. Cooley</td>
<td>148</td>
</tr>
<tr>
<td>Who Are the Unemployed?</td>
<td>Paul L. Poirot</td>
<td>162</td>
</tr>
<tr>
<td>The Failures of Private Enterprise</td>
<td>Melvin D. Barger</td>
<td>169</td>
</tr>
<tr>
<td>Pull That Veil Away!</td>
<td>Leonard E. Read</td>
<td>178</td>
</tr>
<tr>
<td>Mercantilism: A Lesson for Our Times?</td>
<td>Murray N. Rothbard</td>
<td>182</td>
</tr>
<tr>
<td>How To Attract Capital</td>
<td>Walter B. Wriston</td>
<td>201</td>
</tr>
<tr>
<td>Profits</td>
<td>Benjamin A. Rogge</td>
<td>204</td>
</tr>
<tr>
<td>Riding a Rocking Horse</td>
<td>The Wall Street Journal</td>
<td>215</td>
</tr>
<tr>
<td>Play Store Economics</td>
<td>Dean Russell</td>
<td>218</td>
</tr>
<tr>
<td>Social Justice</td>
<td>Francis E. Mahaffy</td>
<td>239</td>
</tr>
<tr>
<td>The Businessman’s Morals</td>
<td>Fred DeArmond</td>
<td>247</td>
</tr>
<tr>
<td>The Apples of Finniss Creek</td>
<td>Stanley Yankus</td>
<td>257</td>
</tr>
<tr>
<td>The Perceptual Basis of Liberty</td>
<td>Harold B. Elsom</td>
<td>260</td>
</tr>
<tr>
<td>The Eternal Search for Truth</td>
<td>Henry Margenau</td>
<td>280</td>
</tr>
<tr>
<td>Title</td>
<td>Author</td>
<td>Page</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>----------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Is Economic Freedom Possible?</td>
<td>Benjamin A. Rogge</td>
<td>282</td>
</tr>
<tr>
<td>Jobs Require Capital</td>
<td>W. M. Curtiss</td>
<td>297</td>
</tr>
<tr>
<td>Laissez Faire</td>
<td>Garet Garrett</td>
<td>299</td>
</tr>
<tr>
<td>You Cannot Pick a Dandelion</td>
<td>Arthur Moor</td>
<td>312</td>
</tr>
<tr>
<td>The Market Is a Computer</td>
<td>Leonard E. Read</td>
<td>316</td>
</tr>
<tr>
<td>The World's Largest Lottery</td>
<td>Paul L. Poirot</td>
<td>330</td>
</tr>
<tr>
<td>Our Unique Economic System</td>
<td>Bradford B. Smith</td>
<td>337</td>
</tr>
<tr>
<td>Aggression Is Always Wrong</td>
<td>Craig Howell</td>
<td>364</td>
</tr>
<tr>
<td>Ghost Towns</td>
<td>John C. Sparks</td>
<td>369</td>
</tr>
<tr>
<td>On Breeding Prosperity</td>
<td>F. A. Harper</td>
<td>378</td>
</tr>
<tr>
<td>Man's Destiny: Forced or Free?</td>
<td>William Henry Chamberlin</td>
<td>386</td>
</tr>
<tr>
<td>Painting Government into a Corner</td>
<td>Edmund A. Opitz</td>
<td>396</td>
</tr>
<tr>
<td>... But Not Yet</td>
<td>Gordon Conklin</td>
<td>417</td>
</tr>
<tr>
<td>The Government IS in Business</td>
<td>Paul L. Poirot</td>
<td>420</td>
</tr>
<tr>
<td>Keep Freedom a Secret?</td>
<td>Leonard E. Read</td>
<td>431</td>
</tr>
</tbody>
</table>
THE CASE FOR
ECONOMIC FREEDOM

by Benjamin A. Rogge

My economic philosophy is here offered with full knowledge that it is not generally accepted as the right one. On the contrary, my brand of economics has now become Brand X, the one that is never selected as the whitest by the housewife, the one that is said to be slow acting, the one that contains no miracle ingredient. It loses nine times out of ten in the popularity polls run on Election Day, and, in most elections, it doesn't even present a candidate.

I shall identify my brand of economics as that of economic freedom, and I shall define economic freedom as that set of economic arrangements that would exist in a society in which the government's only function would be to prevent one man from using force or fraud against another—including within this, of course, the task of national defense. So that there can be no misunderstanding here, let me say that this is pure, uncompromising laissez faire economics. It is not the mixed economy; it is the unmixed economy.

Dr. Rogge is Dean and Professor of Economics at Wabash College, Crawfordsville, Indiana.
I readily admit that I do not expect to see such an economy in my lifetime or in anyone's lifetime in the infinity of years ahead of us. I present it rather as the ideal we should strive for and should be disappointed in never fully attaining. Human society is not destroyed by men who have ideals but find that they cannot, in their imperfection, always attain them; rather it is destroyed by men who have no ideals, by men who have no benchmarks against which to measure their own performances.

The tragedy of the classical socialist is that he has false ideals; the threat to society of the modern liberal is that so often he has no ideals, no guides to conduct, other than political expediency and a spurious realism. The man who insists that he will walk the middle of the road has his path determined for him by those who define the ditches, and never then takes a step of his own real choosing.

To put it another way: I am not frustrated by the fact that politicians often pass laws that do violence to the free market. I am frustrated by the fact that so many people do not know that violence has been done, that so few feel any sense of uneasiness at the departure from the ideal.

I am convinced that we continue to move away from the free market because few of the leaders of opinion even know or understand the ideal of the free market, because the ideal itself is no longer accepted as a basic guide to action. We drift toward socialism, not because we consciously wish to go there, but because we no longer know or care where our own home is.
How has this come about? Who has done us in? The fact is, of course, that we have done ourselves in. We have not been betrayed by subversives. We have been betrayed by our own indolence, by our preoccupation with profiting individually from the government interventions we deplore, by our failure to prepare and present the case for economic freedom as powerfully and persuasively as possible. The cure must start within each of us individually and not with programs to reform everyone else.

Where do we find the most powerful and persuasive case for economic freedom? I don’t know; probably it hasn’t been prepared yet, and each concerned person should work at it himself. Certainly it is unlikely that the case I present is the definitive one. However, it is the one that is persuasive with me, that leads me to my own deep commitment to the free market. I present it as grist for your own mill and not as the divinely inspired last word on the subject.

*The Moral Case for Economic Freedom*

You will note as I develop my case that I attach relatively little importance to the demonstrated efficiency of the free market system in promoting economic growth, in raising levels of living. In fact, my central thesis is that the most important part of the case for economic freedom is not its vaunted efficiency as a system for organizing resources, not its dramatic success in promoting economic growth, but rather its consistency with certain fundamental moral principles of life itself.
I say, "the most important part of the case" for two reasons. First, the significance I attach to those moral principles would lead me to prefer the free enterprise system even if it were demonstrably less efficient than alternative systems, even if it were to produce a slower rate of economic growth than systems of central direction and control. Second, the great mass of the people of any country is never really going to understand the purely economic workings of any economic system, be it free enterprise or socialism. Hence, most people are going to judge an economic system by its consistency with their moral principles rather than by its purely scientific operating characteristics. If economic freedom survives in the years ahead, it will be only because a majority of the people accept its basic morality. The success of the system in bringing ever higher levels of living will be no more persuasive in the future than it has been in the past.

Let me illustrate: The doctrine of man held in general in nineteenth century America argued that each man was ultimately responsible for what happened to him, for his own salvation, both in the here and now and in the hereafter. Thus, whether a man prospered or failed in economic life was each man's individual responsibility: each man had a right to the rewards for success and, in the same sense, deserved the punishment that came with failure. It followed as well that it is explicitly immoral to use the power of government to take from one man to give to another, to legalize Robin Hood. This doctrine of man found its economic counterpart in the system of free enterprise and, hence, the system of free enterprise
was accepted and respected by many who had no real understanding of its subtleties as a technique for organizing resources.

As this doctrine of man was replaced by one (largely reflecting Freudian psychology and sociology) which made of man a helpless victim of his subconscious and his environment—responsible for neither his successes nor his failures—the free enterprise system came to be rejected by many who still had no real understanding of its actual operating characteristics.

Inasmuch as my own value systems and my own assumptions about human beings are so important to the case, I want to sketch them for you.

To begin with, the central value in my choice system is individual freedom. By freedom I mean exactly and only freedom from coercion by others. I do not mean the four freedoms of President Roosevelt, which are not freedoms at all, but only rhetorical devices to persuade people to give up some of their true freedom. In the Rogge system, each man must be free to do what is his duty as he defines it, so long as he does not use force against another.

Next, I believe each man to be ultimately responsible for what happens to him. True, he is influenced by his heredity, his environment, his subconscious, and by pure chance. But I insist that precisely what makes man man is his ability to rise above these influences, to change and determine his own destiny. If this be true, then, it follows that each of us is terribly and inevitably and forever responsible for everything he does. The answer
to the question, "Who's to blame?" is always, "Mea culpa, I am." 1

I believe as well that man is imperfect, now and forever. He is imperfect in his knowledge of the ultimate purpose of his life, imperfect in his choice of means to serve those purposes he does select, imperfect in the integrity with which he deals with himself and those around him, imperfect in his capacity to love his fellow man. If man is imperfect, then all of his constructs must be imperfect, and the choice is always among degrees and kinds of imperfection. The New Jerusalem is never going to be realized here on earth, and the man who insists that it is, is always lost unto freedom.

Moreover, man's imperfections are intensified as he acquires the power to coerce others; "power tends to corrupt and absolute power corrupts absolutely."

This completes the listing of my assumptions, and it should be clear that the list does not constitute a total philosophy of life. Most importantly, it does not define what I believe the free man's duty to be, or more specifically, what I believe my own duty to be and the source of the charge to me. However important these questions, I do not consider them relevant to the choice of an economic system.

Here, then, are two sections of the case for economic freedom as I would construct it. The first section presents economic freedom as an ultimate end in itself and the second presents it as a means to the preservation of the noneconomic elements in total freedom.

1 See my "Who's To Blame?" in Essays on Liberty, Vol. VIII, p. 34.
Individual Freedom of Choice

The first section of the case is made in the stating of it, if one accepts the fundamental premise:

Major premise: Each man should be free to take whatever action he wishes, so long as he does not use force or fraud against another;

Minor premise: All economic behavior is “action” as identified above;

Conclusion: Each man should be free to take whatever action he wishes in his economic behavior, so long as he does not use force or fraud against another.

In other words, economic freedom is a part of total freedom; if freedom is an end in itself, as our society has traditionally asserted it to be, then economic freedom is an end in itself, to be valued for itself alone and not just for its instrumental value in serving other goals.

If this thesis be accepted, then there must always exist a tremendous presumption against each and every proposal for governmental limitation of economic freedom. What is wrong with a state system of compulsory social security? It denies to the individual his freedom, his right to choose what he will do with his own money resources. What is wrong with a governmentally enforced minimum wage? It denies to the employer and the employee their individual freedom, their individual rights to enter into any voluntary relationship not involving force or fraud. What is wrong with government-to-government foreign economic aid? It denies to the individual freedom to choose, as his conscience dictates,
whether to send aid or not. What is wrong with a tariff or an import quota? It denies to the individual consumer his right to buy what he wishes, wherever he wishes.

It is breathtaking to think what this simple approach would do to the apparatus of state control at all levels of government. Strike from the books all legislation that denies economic freedom to any individual and three-fourths of all the activities now undertaken by government would be eliminated.

I am no dreamer of empty dreams and I do not expect that the day will ever come when this principle of economic freedom as a part of total freedom will be fully accepted and applied. Yet I am convinced that unless this principle is given some standing, unless at least those who examine proposals for each new regulation of the individual by government look on this loss of freedom as a "cost" of the proposed legislation, the chances of free enterprise surviving are small indeed. The would-be controller can always find reasons why it might seem "expedient" to control the individual; and unless slowed down by some general feeling that it is immoral to do so, he will usually have his way.

Noneconomic Freedoms

So much for the first section of the case. Now for the second. The major premise here is the same, that is, the premise of the rightness of freedom. Here, though, the concern is with the noneconomic elements in total freedom—with freedom of speech, of religion, of the press, of
personal behavior. My thesis is that these freedoms are not likely to be long preserved in a society that has denied economic freedom to its individual numbers.

Before developing this thesis, I wish to comment briefly on the importance of these noneconomic freedoms. I do so because we who are known as conservatives have often given too little attention to these freedoms or have even played a significant role in reducing them. The modern liberal is usually inconsistent in that he defends man's noneconomic freedoms, but is often quite indifferent to his economic freedom. The modern conservative is often inconsistent in that he defends man's economic freedom but is indifferent to his noneconomic freedoms. Why are there so few conservatives in the struggles over censorship, over denials of equality before the law for people of all races, over blue laws, and so on?

Why do we let the modern liberals dominate an organization such as the American Civil Liberties Union? The general purposes of this organization are completely consistent with, even necessary to, the truly free society. Its modern liberal leadership has led it to make mistakes but, in spite of those mistakes, I continue as a member of the organization. After all, it was the only organization to protest when Moise Tshombe was denied a visa to enter this country. It was the first organization to study the handling of General Walker in the Mississippi case, to see if his rights before the law were being denied. Undoubtedly there are leftists in the organization, but probably few more than in other groups
with which I am involved, such as the American Economic Association, the Episcopal Church and, yes, the Republican Party.

Particularly in times of stress such as these, we must fight against the general pressure to curb the rights of individual human beings, even those whose ideas and actions we detest. Now is the time to remember the example of men such as David Ricardo, the London banker and economist of the Classical free market school in the first part of the last century. Born a Jew, turned Quaker, he devoted some part of his energy and his fortune to eliminating the legal discriminations against Catholics in the England of his day.

It is precisely because I believe these noneconomic freedoms to be so important that I believe economic freedom to be so important. The argument here could be drawn from the wisdom of the Bible and the statement that "where a man's treasure is, there will his heart be also." Give me control over a man's economic actions, and hence over his means of survival, and except for a few occasional heroes, I'll promise to deliver to you men who think and write and behave as you want them to.

The case is not difficult to make for the fully-controlled economy, the true socialistic state. Milton Friedman, Professor of Economics, University of Chicago, in his new book, Capitalism and Freedom, takes the case of a socialist society that has a sincere desire to preserve freedom of the press. The first problem would be that there would be no "private" capital, no private for-
tunes that could be used to subsidize an antisocialist, procapitalist press. Hence, the socialist state would have to do it. However, the men and women undertaking the task would have to be released from the socialist labor pool and would have to be assured that they would never be discriminated against in employment opportunities in the socialist apparatus if they were to wish to change occupations later. Then these procapitalist members of the socialist society would have to go to other functionaries of the state to secure the buildings, the presses, the paper, the skilled and unskilled workmen, and all the other components of a working newspaper. Then they would face the problem of finding distribution outlets, either creating their own (a frightening task) or using the same ones used by the official socialist propaganda organs. Finally, where would they find readers? How many men and women would risk showing up at their state-controlled jobs carrying copies of the *Daily Capitalist*?

There are so many unlikely steps in this process that the assumption that true freedom of the press could be maintained in a socialist society is so unrealistic as to be ludicrous.

*Partly Socialized*

Of course, we are not facing as yet a fully socialized America, but only one in which there is significant government intervention in a still predominantly private enterprise economy. Do these interventions pose any
threat to the noneconomic freedoms? I believe they do.

First of all, the total of coercive devices now available to any administration of either party at the national level is so great that true freedom to work actively against the current administration (whatever it might be) is seriously reduced. For example, farmers have become captives of the government in such a way that they are forced into political alignments that seriously reduce their ability to protest that of which they do not approve. The new trade bill, though right in the principle of free trade, gives to the President enormous power to reward his friends and punish his critics.

Secondly, the form of these interventions is such as to threaten seriously one of the real cornerstones of all freedoms—equality before the law. For example, farmers and trade union members are now encouraged and assisted in doing precisely that for which businessmen are sent to jail (i.e., acting collusively to manipulate prices). The blindfolded Goddess of Justice has been encouraged to peek and she now says, with the jurists of the ancient regime, "First tell me who you are and then I'll tell you what your rights are." A society in which such gross inequalities before the law are encouraged in economic life is not likely to be one which preserves the principle of equality before the law generally.

We could go on to many specific illustrations. For example, the government uses its legislated monopoly to carry the mails as a means for imposing a censorship on what people send to each other in a completely voluntary relationship. A man and a woman who exchange
obscene letters may not be making productive use of their time, but their correspondence is certainly no business of the government. Or to take an example from another country, Winston Churchill, as a critic of the Chamberlin government, was not permitted one minute of radio time on the government-owned and monopolized broadcasting system in the period from 1936 to the outbreak of the war he was predicting in 1939.

Each Step Leads to Another

Every act of intervention in the economic life of its citizens gives to a government additional power to shape and control the attitudes, the writings, the behavior of those citizens. Every such act is another break in the dike protecting the integrity of the individual as a free man or woman.

The free market protects the integrity of the individual by providing him with a host of decentralized alternatives rather than with one centralized opportunity. Even the known communist can readily find employment in capitalist America. The free market is politics-blind, religion-blind, and, yes, race-blind. Do you ask about the politics or the religion of the farmer who grew the potatoes you buy at the store? Do you ask about the color of the hands that helped produce the steel you use in your office building?

South Africa provides an interesting example of this. The South Africans, of course, provide a shocking picture of racial bigotry, shocking even to a country that
has its own tragic race problems. South African law clearly separates the whites from the nonwhites. Orientals have traditionally been classed as nonwhites, but South African trade with Japan has become so important in the postwar period that the government of South Africa has declared the Japanese visitors to South Africa to be officially and legally "white." The free market is one of the really great forces making for tolerance and understanding among human beings. The controlled market gives man rein to express all those blind prejudices and intolerant beliefs to which he is forever subject.

### Impersonality on the Market

To look at this another way: The free market is often said to be impersonal, and indeed it is. Rather than a vice, this is one of its great virtues. Because the relationships are substantially impersonal, they are not usually marked by bitter personal conflict. It is precisely because the labor union attempts to take the employment relationship out of the market place that bitter personal conflict so often marks union-management relationships. The intensely personal relationship is one that is civilized only by love, as between man and wife, and within the family. But man's capacity for love is severely limited by his imperfect nature. Far better, then, to economize on love, to reserve our dependence on it to those relationships where even our imperfect natures are capable of sustained action based on love. Far better, then, to build our economic system on largely impersonal relationships
and on man's self-interest—a motive power with which he is generously supplied.

One need only study the history of such utopian experiments as our Indiana's New Harmony to realize that a social structure which ignores man's essential nature results in the dissension, conflict, disintegration, and dissolution of Robert Owen's New Harmony or the absolutism of Father Rapp's Harmony.

The "vulgar calculus of the market place," as its critics have described it, is still the most humane way man has yet found for solving those questions of economic allocation and division which are ubiquitous in human society.

By what must seem fortunate coincidence, it is also the system most likely to produce the affluent society, to move mankind above an existence in which life is mean, nasty, brutish, and short. But, of course, this is not just coincidence. Under economic freedom, only man's destructive instincts are curbed by law. All of his creative instincts are released and freed to work those wonders of which free men are capable. In the controlled society only the creativity of the few at the top can be utilized and much of this creativity must be expended in maintaining control and in fending off rivals. In the free society, the creativity of every man can be expressed—and surely by now we know that we cannot predict who will prove to be the most creative.

You may be puzzled, then, that I do not rest my case for economic freedom on its productive achievements; on its buildings, its houses, its automobiles, its bathtubs,
its wonder drugs, its television sets, its sirloin steaks and green salads with Roquefort dressings. I neither feel within myself nor do I hear in the testimony of others any evidence that man's search for purpose, his longing for fulfillment, is in any significant way relieved by these accomplishments. I do not scorn these accomplishments nor do I worship them. Nor do I find in the lives of those who do worship them any evidence that they find ultimate peace and justification in their idols.

I rest my case rather on the consistency of the free market with man's essential nature, on the basic morality of its system of rewards and punishments, on the protection it gives to the integrity of the individual.

The free market cannot produce the perfect world, but it can create an environment in which each imperfect man may conduct his lifelong search for purpose in his own way, in which each day he may order his life according to his own imperfect vision of his destiny, suffering both the agonies of his errors and the sweet pleasure of his successes. This freedom is what it means to be a man; this is the God-head, if you wish.

I give you, then, the free market, the economic expression of man's freedom itself and the guarantor of all his other freedoms.
BIG WARS FROM LITTLE ERRORS GROW

by E. W. Dykes

A friend recently chided us libertarians for being so engrossed in “pursuing our busy little seminars on whether or not to demunicipalize the garbage collectors” that we tend to ignore the most vital problem of our time: war and peace.

Well, I’m not so sure. On the assumption that the “garbage issue” is more fundamental than the “war issue,” I take up the gauntlet exactly as our friend has flung it down.

War—like many other of today’s problems—is the culmination of the breaking of libertarian principles, not once, but thousands of times. We are challenged to jump in at this point and apply our principles to get out of the unholy mess resulting from years and years of errors on errors. The challenge might just as well have been put in terms like this: “You are a second lieutenant. Your platoon is surrounded. Your ammunition is gone. Two of your squad leaders are dead, the third severely wounded. Now, Mr. Libertarian, let’s see you get out of this one with your little seminars.”

Mr. Dykes is an architect of Canton, Ohio.
My answer: "Demunicipalize the garbage service."

Now, wait, before you cross me off as a nut. I have a point. That second lieutenant is a goner. And so is the prospect of lasting peace until man learns why it is wrong to municipalize the garbage service. You can't apply libertarian principles to wrong things at their culmination and expect to make much sense or progress. You have to start back at the very beginning, and that is precisely what our little seminars are for. There are people who build for tomorrow, others who build for a year, some who look forward a generation. The libertarian, a part of "the remnant," takes the long view—forward to the time when war will be looked upon as we now look upon cannibalism, a thing of the past. And believe me, unless someone takes the long view, wars will continue.

Suppose a group of doctors in a meeting on cancer prevention decide to do with cancer as the state proposes to do with war: "Outlaw it." What chance would the doctors have? None. And precisely for the same reason that the state can't outlaw war: They don't know what causes it.

I think I know what causes war. In an unpublished article called "War, the Social Cancer," I developed the thesis that war is the malignancy resulting from the growth of interventionism, which invariably becomes uncontrolled, once started. Without interventionism—starting way back with things like the garbage service—war simply cannot happen.

What do we do in our little seminars? We make the
case for freedom, which cannot coexist with interventionism. Slow? Of course, painfully slow. But who can really say and prove there is a better—or faster—way?

I suppose, in a way, we can be thankful—so long as wars persist—that there are men willing to tell my son how, when, and where he will fight. I am not willing to be a party to telling their sons what they will do, because that would mean abandoning my position. Probably, in a world at this stage of evolution, there have to be both kinds. I can guarantee at least one who disavows initiated violence, but only if I hold fast to that position myself.

Depend on it, this view always will be scorned by those who cannot look past tomorrow. You may also depend on it that a time will come when the little seminars will bear fruit. Listen to Albert Jay Nock:

The fascination and the despair of the historian, as he looks back upon Isaiah's Jewry, upon Plato's Athens, or upon Rome of the Antonines, is the hope of discovering and laying bare the "substratum of right-thinking and well-doing" which he knows must have existed somewhere in those societies because no kind of collective life can possibly go on without it. He finds tantalizing intimations of it here and there in many places, as in the Greek Anthology, in the scrapbook of Aulus Gellius, in the poems of Ausonius, and in the brief and touching tribute, Bene merenti, bestowed upon the unknown occupants of Roman tombs. But these are vague and fragmentary; they lead him nowhere in his search for some kind of measure of this substratum, but merely testify to what he already knows a priori—that the substratum did somewhere exist. Where it was, how substantial it was, what its power of self-assertion and resistance was—of all this they tell him nothing.
Similarly, when the historian of two thousand years hence, or two hundred years, looks over the available testimony to the quality of our civilization and tries to get any kind of clear, competent evidence concerning the substratum of right-thinking and well-doing which he knows must have been here, he will have a devil of a time finding it. When he has assembled all he can get and has made even a minimum allowance for speciousness, vagueness, and confusion of motive, he will sadly acknowledge that his net result is simply nothing. A Remnant were here, building a substratum like coral insects—so much he knows—but he will find nothing to put him on the track of who and where and how many they were and what their work was like.¹

Now, turn to William Graham Sumner:

If we can acquire a science of society, based on observation of phenomena and study of forces, we may hope to gain some ground slowly toward the elimination of old errors and the re-establishment of a sound and natural social order. Whatever we gain that way will be by growth, never in the world by any reconstruction of society on the plan of some enthusiastic social architect. The latter is only repeating the old error over again, and postponing all our chances of real improvement. Society needs first of all to be freed from these meddlers—that is, to be let alone. Here we are, then, once more back at the old doctrine—Laissez faire. Let us translate it into blunt English, and it will read, Mind your own business.²

Again I say: We will never end wars if we do not, at the minimum, understand why the garbage service should be removed from the jurisdiction of the police force, that is—government.

²William Graham Sumner, *What Social Classes Owe to Each Other* (Harper & Brothers, 1883).
WHAT SHALL BE PROHIBITED?

by Leonard E. Read

How misled we often are when judging people by first appearances! To dramatize the fact that what meets the eye is often deceiving, imagine identical twins. They do indeed look alike, but how they can differ in other respects! One brother can be an out-and-out collectivist, statist, mercantilist, interventionist; the other an ardent believer in individual rights, free market practices, and private property observances. For reasons difficult to explain, one has a socialistic orientation while the other has a libertarian devotion.

But even these opposed designations—socialist and libertarian—do not accurately or revealingly stake out the significant differences between these two men. Such labels may have considerable emotional impact, but they do not precisely distinguish the conflicting philosophies. What really marks the one from the other? Is there some one characteristic that can be identified and evaluated? Yes, I believe there is. The difference between the socialist and the libertarian thinker is a difference of opinion as to what others should be prohibited from doing. Let's

Mr. Read is President of the Foundation for Economic Education.
use this claim as a working hypothesis, think it through, and test its validity. If the claim proves irrefutable, then we have come upon a fairly simple method of evaluating our own or anyone else’s authoritarianism or, conversely, libertarianism. But first, a word about prohibitions in general.

How many animal species have come and gone no one knows. Many thousands survive and the fact of their survival, whether guided by instincts or drives or conscious choices, rests, in no small measure, on the avoidance of self-destructive actions. Thus, all surviving species have, at the very minimum, abided by a set of prohibitions—things not to do; otherwise, they would have been extinct ere this.

Certain types of scorpions, for example, stick to dry land; puddles and pools are among their instinctual taboos. There is some prohibitory force that keeps fish off dry land, lambs from chasing lions, and so on and on. How insects and animals acquire their built-in prohibitions is not well understood. We label their reactions instinctual, meaning that it is not reasoned or conscious behavior.

Man, on the other hand, does not now possess a like set

---

1Some will make the point that the authoritarian employs compulsions as well as prohibitions. My thesis is that all compulsions can be reduced to prohibitions, thus making it easier to assess authoritarianism. For instance, we say that a Russian is compelled to work in the sputnik factory. But it is more accurate to say that he is prohibited from any other employment; he builds sputniks or starves, and freely decides between the restricted choices left to him. So-called compulsions by government are, in fact, prohibitions of freedom to choose.
of instinctual do-nots—built-in prohibitions. Instead, he must enjoy or suffer the consequences of his own free will, his own power to choose between right and wrong actions; in a word, man is more or less at the mercy of his own imperfect understanding and conscious decisions. The upshot of this is that human beings must choose the prohibitions they will observe, and the selection of a wrong one may be as disastrous to our species as omitting a right one. Survival of the human species rests as much on observing the correct prohibitions as is the case with any other species.

But in our case, the observance of the correct must-nots has survival value only if preceded by a correct, conscious selection of the must-nots. When the survival of the human race is at stake and when that survival rests on the selection of prohibitions by variable, imperfect members of that race, the wonder is that the ideological controversy is not greater than now.

When Homo sapiens first appeared, he had little language, no literature, no maxims, no tradition or history to which he could make reference; in short, he possessed no precise and accurate list of things not to do. We cannot explain the survival of these early specimens of our kind unless we assume that some of the instinctual prohibitions of their animal cousins remained with them during the transition period from instinct to some measure of self-knowledge for, throughout many millennia, we know nothing of man-formalized prohibitions. Then appeared the crude taboos observed by what we now call “primitive peoples.” These have survival value in certain
conditions, even though the reasons given for the practice might not hold water.

**Forms of Persuasion**

If prohibitions are as important as here represented, it is well that we reflect on the man-contrived thou-shalt-nots, particularly as to the several types of persuasiveness—for there can be no prohibition worth the mention unless it is backed by some form of persuasive force. So far as this exploration is concerned, there are three forms of persuasion which make prohibitions effective or meaningful. I shall touch on the three forms in the order of their historical appearance.

The Code of Hammurabi, 2000 B.C., is probably the earliest of systematized prohibitions. This is considered one of the greatest of the ancient codes; it was particularly strong in its prohibitions against defrauding the helpless. To secure observance, the “persuasiveness” took the form of backing by organized police force. The *Columbia Encyclopedia* refers to the retributive nature of the punishment meted out as a “savage feature . . . an eye for an eye literally.” Not only is this the oldest of the three forms of persuasion as a means of effectuating prohibitions, but it is today very popular and much employed all over the “civilized” world, in the U.S.A. as well as elsewhere.

The next and higher form of persuasion appeared about a millennium later—the series of thou-shalt-nots or prohibitions known as The Decalogue. Here the backing was not organized police force but, instead, the prom-
ise of retribution; initially, the hope of tribal survival if the commands were obeyed and the fear of tribal extinction were they disobeyed, and, later, the hope of heavenly bliss or the fear of hell and damnation. It may be said that The Decalogue exemplifies moral rather than political law and, also, that its form of persuasion advanced from the physical to a type of spiritual force. We witness in this evolutionary step the emergence of man's moral nature.

The latest and highest form of persuasion is that which gives effectiveness to the most advanced prohibition, The Golden Rule. As originally scribed, around 500 B.C., it read: "Do not do unto others that which you would not have them do unto you." What persuasiveness lies behind it? Not physical force. And not even such spiritual forces as hope and fear. The force is a sense of justice, regarded as the inmost law of one's being. That this is a recently acquired human faculty is supported by its rarity. Ever so many people will concede the soundness of this prohibition, but only now and then do we find an individual whose moral nature is elevated to the point where he can observe this discipline in daily living. Such an individual has moved beyond the concept of external rewards and punishments to the conviction that virtue and excellence are their own reward.

**Development of the Moral Faculty**

It is relevant to that which follows to reflect on what is meant by an elevated moral nature. To illustrate the lack of such a nature: We had a kitchen employee who
pilfered, that is, she would quietly lift provisions from our larder and tote them home to her own. This practice did no offense to such moral scruples as she possessed; she was only concerned lest anyone see her indulge it; nothing was wrong except getting caught! My point is that this individual has not yet acquired what is here meant by an elevated moral nature.

What is to distinguish the individual who has an elevated moral nature? For one thing, he cares not one whit about what others see him do. Why? He has a private eye of his own, far more exacting and severe than any force or fear others can impose: a highly developed conscience. Not only does such a person possess a sense of justice but he also possesses its counterpart, a disciplinary conscience. Justice and conscience are two parts of the same emerging moral faculty. It is doubtful that one part can exist without the other.

It seems that individual man, having lost many of the built-in, instinctual do-nots of his animal cousins, acquires, as he evolves far enough, a built-in, rational, prohibitory ethic which he is compelled to observe by reason of his sense of justice and the dictates of his conscience. We repeat, proper prohibitions are just as important to the survival of the human species as to the survival of any other species.

_Do not do unto others that which you would not have them do unto you._ There is more to this prohibition than first glance reveals. Nearly everyone, for instance, will concede that there is no universal right to kill, to steal, or to enslave—because these practices cannot be
universalized, if for no higher reason. But only the person who comprehends this ethic in its wholeness, who has an elevated sense of justice and conscience, will conclude that such a concession denies to him the right to take the life of another, to relieve any person of his livelihood, or to deprive any human being of his liberty. And, one more distinction: While there are many who will agree that they, personally, should not kill, steal, enslave, it is only the individual with an elevated moral nature who will have no hand in encouraging any agency—even government—in doing these things for himself or for others. He clearly sees that there is no escape from individual responsibility by the popular expedient of collective action.

Citizen vs. State

Let us now return to the question this essay poses: "What shall be prohibited?" For it is the difference of opinion as to what should be denied others that highlights the essential difference between the collectivists—socialists, statists, interventionists, mercantilists—and those of the libertarian faith. Take stock of what you would prohibit others from doing and you will accurately find your own position in the ideological lineup. Or, this method can be used to determine anyone else's position.

Consider the following statement which came to my attention while writing this paper:

Government has a positive responsibility in any just society to see to it that each and every one of its citizens acquires all
the skills and all the opportunities necessary to practice and appreciate the arts to the limit of his natural ability. Enjoyment of the arts and participation in them are among man's natural rights and essential to his full development as a civilized person. One of the reasons governments are instituted among men is to make this right a reality.²

It is significant that the author uses the term "its citizens," the antecedent of "its" being government. Such a conception is basic to the collectivistic philosophy: We— you and I—belong to the state. Of course, if one accepts this statist premise, the above quote is sensible enough: it has to do with a detail in the state's paternalistic concern for us as its wards.

But we are on another tack, namely, examining what a person would prohibit others from doing. The writer of the above statement does not imply, at least to anyone who cannot read below the surface, any prohibitions. He dwells only on what he would have the state do for the people. Where, then, are the prohibitions? The program he favors would cost X hundred million dollars annually. From where come these millions? The state has nothing except that which it takes from the people. Therefore, this man favors that we be prohibited from using the fruits of our own labor as we choose in order that these fruits be expended as the state chooses. And take note of the fact that this and all other socialist-designed prohibitions have police force as the method of persuasion.³

³If anyone doubts that the U. S. brand of police force is not an eye for an eye, see "Violence As a Way of Life," Essays on Liberty, Vol. IX, p. 303.
Examples of Control

Socialism is the state ownership and/or control of the results of production. Our incomes are the results of production. That portion of our incomes is socialized which the state turns to its use by its prohibition of our use. It follows, then, that a person would impose prohibitions on the rest of us to the extent that he supports governmental projects which would socialize our income.

Only a few, as yet, favor the socialization of the arts and the consequent socialization of our incomes, but there are ever so many who favor prohibiting our freedom of choice in order to:

Pay farmers for not growing wheat and other crops;
Support socialist governments all over the world;
Put three men on the moon (estimated at $40,000,000,000);
Subsidize below-cost pricing in air, water, and land transportation, education, insurance, loans of countless kinds;
Socialize security;
Renew downtowns, build hospitals and other local facilities;
Give federal aid of this or that variety, endlessly.

We have not, however, exhausted the prohibitions that the socialists would impose upon us. For socialism is, also, the state ownership and/or control of the means of production. Included among the existing prohibitions are:

The planting of all of a farmer's own acreage to wheat, cotton, peanuts, corn, tobacco, rice—even to feed his own stock;
The quitting of a business at will;
The taking of a job at will;
The selling of your own product at your own price, for instance, milk, steel, and others;
The free pricing of services (wages);
The delivery of first-class mail for pay;

Again, the listing of prohibitions is endless. Harold Fleming, author of *Ten Thousand Commandments* (1951), having to do with prohibitions of just one federal agency, The Federal Trade Commission, claims that were the book brought up to date, the new title would be *Twenty Thousand Commandments*.

Those who favor the socialization of the means of production would, of course, prohibit profit and even the profit motive.

Which of all the prohibitions listed above and implicit in socialism do you or others favor? This is the appropriate question for rating oneself or others ideologically.

**Government’s Proper Role**

Those people having a libertarian devotion would, it is true, impose certain prohibitions on others. They merely note that not all individuals have acquired a moral nature sufficient strictly to observe such moral laws as “Thou shalt not kill” and “Thou shalt not steal.” There are in the population those who will take the lives of others, and those who will take the livelihood of others, such as those who will pilfer and those who will get the government to do their pilfering for them. Most libertarian believers would supplement the moral laws with social laws aimed at prohibiting one from doing
WHAT SHALL BE PROHIBITED?

violence to another's person (life) or another's livelihood (extension of life). Thus they would prohibit or at least penalize murder, theft, fraud, misrepresentation. In short, they would inhibit or prohibit the destructive actions of any and all, and that is all! Says the libertarian, "Freely choose how you act creatively, productively. I have no desire to prohibit you or others in this respect. I have no prohibitory designs on you of any kind except as you or others would keep me and others from acting creatively, productively, as we freely choose."

Be it noted that the libertarian in his hoped-for prohibition of destructive actions does no violence to anyone else's liberty, none whatsoever. The word liberty would never be used by an individual completely isolated from others; it is a social term. We must not, therefore, think of liberty as being restrained when fraud, violence, and the like are prohibited, for such actions violate the liberty of others, and liberty cannot be composed of liberty negations. This is self-evident. Thus, any accomplished libertarian would never prohibit the liberty of another.

There we have it: the socialists with the countless prohibitions of liberty they would impose on others; the libertarian aspirants whose prohibitions are not opposed to but are in support of liberty and are as few and as

---

4 How prohibited? Unfortunately, by physical force or the threat thereof, the only form of persuasion comprehensible to those lacking a developed sense of morality and justice. Be it noted, however, that this is exclusively a defensive force, called into play only as a secondary action, that is, it is inactive except in the instances of initiated, aggressive force.
simple as the two Commandments against the taking of life and livelihood. Interestingly enough, it is the socialists, the all-out prohibitionists, who call nonintervening libertarians "extremists." Is there not a remarkable incongruity between reality and casual appearance, between what careful scrutiny reveals and an emotional outburst?

Finally, libertarians, like the socialists, do not believe the human situation to be in apple pie order; imperfection is rampant. The libertarian, however, observing that human imperfection is universal, balks at halting the evolutionary process which is the ultimate prohibition implicit in all authoritarian schemes. Be the political dandy a Napoleon or Tito or one of the home-grown variety of prohibitionist, how can the human situation improve if the rest of us are not permitted to grow beyond the level of the political dandy's imperfections? Is nothing better in store for humanity than this?

The libertarian's answer is affirmative: There is something better. But the improvement must take the form of man's growth, emergence, hatching—the acquisition of higher faculties such as an improved sense of justice, a refined, exacting, self-disciplinary conscience, in brief, an elevated moral nature. Man-concocted prohibitions against this growth stifle or kill it. Human faculties can flower, man can move toward his creative destiny, only if he be free to do so, in a word, where liberty prevails.

What should be prohibited? Actions which impair liberty!
BUSINESSMEN, so I am convinced, are the salt of the earth. They assume all the risks that go with creating the goods and providing the jobs that keep people alive. They accept crushing taxes, and they dutifully fill out reams of onerous forms. Whenever a businessman is called a “robber baron,” I automatically bridle at the insult. There are times, however, when specific businessmen desert their own free enterprise philosophy, and when they do this, it is hard to speak up convincingly in defense of the system which has made the whole nation prosper.

If there is one thing a businessman should bend over backward to do, it is to give his competitor a free field with the expectation that no favors will be asked either way. The philosophy of competition demands it; the business system as a whole needs it if it is to put up any convincing argument against socialism. Yet every day, it seems, the newspapers are spotted with accounts

Mr. Chamberlain, noted critic, journalist, and editor, regularly presents “A Reviewer’s Notebook” in The Freeman. This article is from his syndicated column. Copyright, 1963, King Features Syndicate, Inc.
of the attempts of a few businessmen to get a law or a regulation adopted which would make it more difficult for their rivals to bid for the customers' trade.

There are the truckers, for example—not all the truckers, but some of them. Through their trade association truckers have been calling upon the federal government to prevent railroad mergers. The railroads rightly retort that government regulation has already stacked the cards against them in their efforts to compete for the carrying trade of the country. They argue quite correctly that mergers should be permitted in order to help them stay alive. But just when I have worked up some indignation against the truckers and a corresponding measure of sympathy for the railroads, my eye lights on a speech or a resolution put forth by some railway spokesman calling for the suppression of coal slurry pipelines.

The coal men, of course, insist upon the right to pulverize coal and ship it through pipes in a liquefied form. Well, they certainly should have the right: pipelines are part of a free enterprise economy, and the railroads have no call to try to use legal force to sabotage them. But just when I am about to mount the intellectual barricades in behalf of the coal slurry men, my roving eye encounters a news story about coal men who are demanding that the government tighten up the regulations against the importation of foreign residual fuel oil.

So it goes, ring-around the-rosy. Everybody seems to be demanding free trade for himself and the suppression of everybody else. Theater owners march on Washington to testify against the licensing of pay-as-you-see TV sys-
NOBODY HAS A RIGHT TO LIVE BUT ME

tems. The free-lance dealers in commercial credit call upon the Department of Justice to force General Motors to divest itself of its big car credit affiliate, the General Motors Acceptance Corporation. Labor unions interpose no objections when the antitrust enforcers go after the manufacturers of brass goods or electrical equipment. But their spokesmen descend as a body on Washington to lobby against any proposition that might put industry-wide unions under the same antitrust regulations that apply to everyone else.

Not so many years ago Hans Isbrandtsen, the Danish-American ship line operator, had the bright idea of putting the United States, his adopted country, back into the whaling business. He bought an old U.S. Navy vessel and had it converted into a floating whale oil rendering factory. Unfortunately, he let a foreign oil tanker replenish his ship's fuel supply off the coast of Antarctica. The foreign oil tanker, to enable Isbrandtsen's crew to stay longer on the whaling grounds, loaded up in turn with some of Mr. Isbrandtsen's American-processed whale oil and tried to bring it into an American port. Whereupon spokesmen for the domestic lard and fish oil industries seized upon the technicality to claim that the Isbrandtsen whale oil, though it had originated in an American-owned operation, was "foreign" because it had been transported by a foreigner. They insisted that the oil must be taxed at the full rate for "alien blubber." With such an attitude to contend with, Isbrandtsen got out of the whaling business—and America was left without a whale ship on the Seven Seas.
Thus it goes when one industry invokes the power of the government to suppress another. But with everybody invoking the "law" to clobber his competitors, just who is safe? The truckers try to ambush the railroads, the railroads attack the coal slurry men, the coal slurry men proceed to smack the residual oil men, the oil men, in turn, clobber each other, depending on whether their wells are in America or overseas. And trade as a whole shrinks, and everybody gets clobbered in the end.
RIGHT AND WRONG—
NOT RIGHT AND LEFT

by Clarence Manion

I have almost lost faith in semantics, and if I can spell out the word very carefully, let me say that I am just about at the point of being anti-semantic. How, for example, did our semanticists ever get us divided between right and left? The division between right and left has a mere directional connotation. Right and left, if you please, is no way to divide society on economic, political, or social issues.

What has happened to the distinction between right and wrong? Right and wrong was the division that I grew up to understand and respect. Wrong is the opposite of right, but not left. When you men get into legal practice and you frame your first petition, if you live in Ohio, (or complaint, if you live in Indiana), you will first affirm a right in your client. You will outline a certain right which this man has, whether it be of privacy, or what-not. Then in your allegation you will charge a wrong by the defendant, the wrong being the impair-

Former Dean of the School of Law, University of Notre Dame, Dr. Manion now heads the Manion Forum. From an address at the Yale Law School.
ment of the right which your client had, and which should have been left undisturbed. So your first lawsuit is going to involve a distinction, not between right and left, but between right and wrong. This is a very proper and persistent legal distinction.

In this lawsuit between right and wrong you may be wrong in your allegation of the right. And you may be wrong again in your allegation that the defendant was wrong in violating the alleged right, which may not have been a right in the first place. If these things were all clear-cut, there wouldn't be any lawsuits. However, after you have made the allegation that your client has a right, and that the defendant committed a wrong in violating the right, the die is cast. After that there are only three things that can happen to that lawsuit. One, you can win it. The second thing is, you can lose it; you may be wrong about your right, and the defendant may be right about his wrong. Or third, you may compromise it. And believe you me, you will compromise a great many of them, and be very happy to do it.

The compromising of a lawsuit is a very important part of legal practice, and sometimes the most profitable. If you win the suit and establish the right categorically, you make a precedent. That is one thing. If you lose it, and your defendant's attorney establishes the wrong of your allegation and the right of his client's position, that is another thing. If you compromise the suit, then you merely temporize. In other words, you establish a middle-of-the-road for the time being, but you haven't made any law in this compromise. You haven't contributed any-
thing to legal lore. You may have made a very profitable transaction, but that compromise will never go into a case book to guide future law students.

My point in underscoring this process is this: You, as lawyers, throughout your legal life are going to be addicted to right and wrong, not right and left; and any compromise between right and wrong, whether it is in a lawsuit or in society and politics, is essentially a temporary stratagem, which serves nothing but expediency.

Why is it that we still adhere to right and wrong as the great division in law while in society, in politics, we have abandoned that division? When you say that a thing is right or wrong, you presuppose certain tests of objective morality. In order to determine the rectitude of a thing, or the wrong of an action, you must have certain inflexible moral standards of judgment. You say, "Well, these are legal standards that we apply in the courtroom. There is no morality about them. I can have objective legal concepts without having objective moral concepts."

Let's examine that for a moment. What has that to do with our heritage of law? I won't labor the point, but I will sketch it briefly.

*Coke and Common Law*

Our American jurisprudence is an English inheritance. Back in the years before 1689 in England, when Lord Coke, the great Lord Chief Justice, was writing decisions, you will find (in Calvin's Case and Bonham's Case) that Coke was thundering limitations upon government that
were not written in constitutions because England didn’t have and doesn’t have today a written constitution. But Lord Coke was restraining the Crown by citations of the natural moral law.

The natural moral law was a legally enforceable limitation upon the British government. That was changed in 1689 by what is called “The Glorious Revolution” in England. Before 1689, the American Colonies had been all but finally settled. I ask you to bear with me during this little piece of historical recollection. Remember that our first American colony was established in 1607 at Jamestown. Thereafter we went through the establishment of the various other colonies. As a matter of fact, the only colony that was established after 1689 was Georgia. But all of our colonies were in full flower in 1689, at the time of “The Glorious Revolution” in England.

In the years between the establishment of these American colonies, including Connecticut and New Haven, the only law that was applied here was Coke’s natural or common law, along with the Mosaic Law, and the moral law. That was all the law that the early American judges had to apply in this country. But in 1689 the supremacy of Parliament was established in England by “The Glorious Revolution.” The King was no longer supreme. Parliament ascended to the supremacy. After that, instead of the natural law—and follow this closely, please—England went in for what we call colloquially today “the democratic process.” In other words, the restraint upon government now devolved entirely upon the wisdom of
the electorate, and there it stays in England today. Calvin’s Case could no longer be cited against any act of the present British government, because the British Parliament can do anything to or with the English people or their property that it desires to. That was begun in 1689.

**A Delayed Reaction**

Nearly a hundred years later, in 1776, we staged a revolution. It took us nearly 100 years to find out what had happened in England, because we didn’t have the informational devices we have now. Today, we know what the British Prime Minister said yesterday, and all of its significance; but in those days, it took a long time for the truth to seep through. We began to argue with Great Britain in 1765 or thereabouts, when a difference of opinion developed as to the rights of Englishmen. When you look at prerevolutionary literature, you will see that we were asserting the rights of Englishmen, and we were citing Coke to support them. George Mason, the author of the Bill of Rights in Virginia, was trying cases by citing Bonham’s Case and Calvin’s Case and the other decisions that were decided according to the natural law limitations upon government.

Finally Parliament made this fact known to us, that as British subjects, we had no rights that Parliament was bound to respect. That was finally made plain between 1765 and 1776. We then wrote the Declaration of Independence, in which we abandoned all references to “rights of Englishmen” and talked about the rights of
man, the rights of God's creatures. If British subjects had no rights that Parliament was bound to respect, then creatures of God, by divorcing themselves from all connection with Great Britain, could establish their rights under God and the natural law. That assertion was the first breath of the new life of this republic.

I dare say that there are people here, as there are people everywhere, who will tell you that the Declaration of Independence was simply an emotional exercise, an escape valve for the revolutionary pressures of those times, which means nothing. To say that is to impugn the integrity of the men who wrote and signed the Declaration.

Self-Evident Truths

In composing the Declaration of Independence, Thomas Jefferson wrote very precisely what all of those present subscribed to without dissent; the four facts of American life, the four facts which constitute a collective predicate for everything an American lawyer properly does in his profession. If you don't challenge me on that, I will be very much disappointed.

Take a look at that Declaration of Independence. In the Declaration of Rights of 1774, these men had made their final plea for the rights of Englishmen. Between 1774 and 1776, they learned their lesson. The rights of Englishmen were nonexistent. And so in 1776 they declared the rights of man in these words. They said, "We holds these truths. . . ." We are now told that objective
truth does not exist; that all truth is relative, like right and left. You can hold that position if you want to, but the authors of the Declaration of Independence took a different position. “We hold these truths . . .” they said, and they underscored the expression by affirming these truths “to be self-evident.”

A self-evident truth carries its proof on its face. The Founding Fathers rested their case on four truths held to be self-evident. Number one. There is a God. All men are created. The position of an Almighty Creator in the universe was thus stated in the Declaration of Independence, not as a matter of faith, but as a matter of fact. God exists. And then number two. All men are created equal—created equal. All men are not born equal. All men are not physically or materially equal. But according to this declaration, people are equal in the sight of God. And for that reason—and this to lawyers is important—for that reason they are equal before the law of the land. This is the basis of our “equal protection of the law.” It is because of what was said in the Declaration of Independence—equal before God, equal before the law, and unequal in every other way.

Well, you say, “That is purely hypothetical.” Let’s see if it is. If and when you get into the practice of criminal law, you will have great respect for fingerprints. That little fingerprint of yours is not merely a means for the detection of crime. It is used that way, but we ought to broaden its significance. Take a look at it. That fingerprint distinguishes you from everybody who now lives or who has ever lived on the face of the earth. That is the
beginning of your individuation, and beyond that your differences sprout in every direction.

I don't believe that everybody in this law school gets the same grade. I imagine that some get high marks, some low, some in between. The graduation system of law students is not peculiar. You are graduated all through life. Everybody has different aptitudes, different drives, and therefore they are different in achievement. You see, the fingerprint principle is extended throughout your personality. Some people want to be lawyers. Others want to be farmers, fabricators, plumbers, professors—until we have a whole complex of differences throughout the world. That is what makes for civilization. And whenever you try to equalize or stereotype humanity, by whatever name you call it, you are destroying the civilizing germ of difference. That is providential. Freedom will take this complex of differences and make a civilization out of it.

*Endowed by Their Creator*

But how to keep man free? Here is the next fact of life which lawyers must know. What about freedom? Where does it come from? It says in the Declaration that the source is a self-evident truth. This is our third truth, namely, that all men are endowed—not by the Bill of Rights, or the Constitution, or the statutes, or by common consent—but men are endowed, it says in the Declaration of Independence, by their Creator, by God himself, with certain rights which are inalienable, that can't
be taken away from them. They spelled out two of them. One was life, and the other was liberty. That is significant. There are other inalienable rights, but the Founding Fathers postulated these two in plain terms, life and liberty. Life is still unassailable in all civilized society, including ours. Murder is a heinous crime.

But what about liberty? In our Declaration liberty is made equally inalienable with life, a God-given, inalienable right, without which man loses his nature. It is freedom that sparks the differences of individual persons into action. How to preserve liberty? That is the hardest question of all. And that brings us to the fourth and final fact, and here is where lawyers come in. Mind you, right here is the point of a critical controversy. You say, "I will go along on God, and equality, and the creative source of rights. But what has the last fact, the last of the four cornerstones to do with it?" It appears in the same document. It is postulated as a self-evident truth. It says that "to secure these rights," to protect these gifts of God, "governments are instituted among men." Government, as postulated by the Declaration of Independence, is a conservative agency. Its job is to preserve the gifts of God with which each man is endowed.

Servant Government, Subject to God

Now, how can government preserve these rights? Government is a servant. That is hackneyed, old hat in American terminology today, "Servant Government." But how did government get to be a servant, and what
keeps government from being a master? It is the fact of
God, and of God's creation, that subordinates govern-
ment to service. This fourth and final self-evident truth
from your Declaration of Independence puts govern-
ment down because it first puts God up. A master gov-
ernment cannot withstand competition with God. And
so when government gets ready to become a tyranny, if
it wants to maintain the logic of its tyrannical position,
it must deny God. Most tyrants are sufficiently logical
to do that, as is the one with which we are presently
contending, Soviet Russia.

The reason why Soviet Russia is godless is precisely
because it pretends to be all-powerful. It cannot make
a pretense of omnipotence and at the same time ac-
knowledge an omnipotent God.

So the greatest guarantee the Founding Fathers ac-
cepted for the subordination of government to service
rather than mastery was the acknowledgment of God,
in the first place. That, as I see it, is why God is a very
important political argument in the United States, an in-
dispensable predicate of freedom. Without God, a serv-
ant government doesn't make sense. And unless your gov-
ernment is a servant, it is a master. Where government is
master, nobody is free. It is just as simple as that.

But you can't keep government in service merely by
making a declaration that it is a servant. You have to
have practical restraints, balls and chains. After they
completed the Declaration of Independence, the Found-
ing Fathers immediately went into the fabrication of our
constitutional system. Now, let me tell you something,
my friends. This constitutional system is a completely different and unique institution. The Declaration of Independence and the Constitution which followed it, both of which were designed to limit government to the service of men, were both unique, different, and revolutionary. What is the definition of a constitution? A limitation upon government. That is why constitutions are the symbols of liberty, precisely and only because liberty means limited government.

Like Fire, a Dangerous Servant and Fearful Master

Liberty is limited government. I know that is not the philosophical definition but it is the practical definition. I go along with the theological experts who will say—and I agree—that liberty is merely my right to do what I ought to do. I am not at liberty to kill the man next to me. I may have the power but not the liberty to destroy his right. But practically, liberty means limited government. What is the opponent of liberty throughout history? Is it the big corporation, the big union? No. The only institution that has destroyed human liberty irrevocably is big government. The Founding Fathers looked over 6,000 years of human history, and saw the God-given rights of man burned to a crisp at least once in every generation by the fire of government.

George Washington once said, “Government, like fire, is a dangerous servant and a fearful master.” I will always remember that. “Government, like fire . . .” You may say, “You don’t mean it.” I do mean it. It is exactly
like fire, useful, necessary, but at the same time the most dangerous instrumentality on earth. We couldn’t get along without fire. Fire has been the cause of more disasters than any other one instrumentality in the history of the human race—and government is like that. We couldn’t get along without government, because we are a benighted race. But at the same time, unless you keep government as you keep fire, under control, checked and balanced, separated, divided, tied down, government will destroy you. That is the rationale of our Constitution. It doesn’t make sense otherwise. Your government is not streamlined for efficiency. On the contrary, it is hobbled for inefficiency. The most efficient type of government is an absolute despotism.

There is no inefficiency in the government of Soviet Russia, because not more than twenty men in the Politburo now control the destinies of 200 million slaves, for that is what the poor, benighted, tortured Russian people are. So if you want efficiency in government, don’t look for liberty. There is an association of opposites in the idea of governmental efficiency and human freedom.

To Conserve These Rights

As lawyers, it will be your job to keep government at work at the preservation of rights. To secure these rights, you are going to be admitted to the bar. Can you think of any other service you are going to have as a lawyer? When you go into court, you represent a client to protect his rights. You are an officer of the court. The court
is an implementation of government. The law itself is an implementation of government. The law is a protective, a conservative device, if you please.

The law is a "department of conservation," and you are one of its officers. Everything you do for a client, in your office or out, that is honorable and ethical, will be done to preserve his rights under God and the law. Your profession, therefore, is a conservative profession, because you are trying to keep this client as you found him, trying to preserve him, his person and his property and his liberty. The lawyer who is on the other side, who represents the state, in a criminal case, is trying to preserve the liberty of the man who was defrauded, or the man who was maimed, or murdered perhaps. From the beginning to the end of every lawsuit you are in the process of conservation. Consequently, I think that the division of our population into right and left, and conservative and liberal, is a fragmentation of the proper meanings of words.

That, in brief, is why I am a conservative. As a lawyer I feel that I must be a conservative. I must uphold the traditions of this "department of conservation" to which I belong. I think, as a lawyer, I must conserve American moral and cultural resources against the exploitation of those who would use government to destroy them. And so I think "liberal," when it is used as the opposite of "conservative," is a most unfortunate contradiction in terms. For that reason, as I said at the outset, I am inclined to be anti-semantic.
THE GREATEST WASTE

by Paul L. Poirot

There is much concern today about waste of natural resources. The land area of this earth is limited, and much of it is being put to wasteful use. Soil erosion is a serious problem. Forests are being denuded, timber supplies threatened. Scarce minerals and metals and coal and oil and gas reserves are being consumed. Many communities face serious water shortages. Wild life is jeopardized, on land and in the sea. The fear is that people are multiplying out of proportion to known resources, and that future generations will be unable to survive.

There's no disputing the importance of the survival of the species; our lives may depend on it. But it is strange that people seem most concerned about this problem at the very time when they are surviving in better condition and greater numbers than ever before. It would almost appear that mankind thrives by wasting resources; though the better he thrives, the more he worries at the waste of it all.

In a primitive foraging society where each person is primarily a consumer like every other, it doubtless would

Dr. Poirot is Managing Editor of The Freeman and a member of the staff of the Foundation for Economic Education.
be true that the greater the number of persons, the fewer would be the resources available to each—and growth might mean death. But civilized, specialized, trading man is a factor of production as well as a consumer. And a growing population might well mean a higher level of living for each person, as men find new uses and new sources of materials previously unknown.

It should be obvious to anyone living in the United States today that the much-feared depletion of natural resources in no way explains how or why 191 million persons now exist in comparative luxury and ease in a land that barely supported a million persons at a primitive subsistence level before the arrival of the first white settlers a few centuries ago. The mere presence of people does not tell the full story, of course; witness the teeming millions living today near starvation levels in much of the world. Yet the economic miracle of America does testify that 191 persons can live in comparative luxury where one lived sparingly before, relying on the same basic resources, but multiplied by the creative energies of individuals when each is relatively free to develop in his own best interest the potentialities of his being.

**Vital Human Resources**

The point is that *human resources* are at least as vital to economic well-being as are such natural resources as land, minerals, fuel, water, and the like. And by far the most important lesson in the history of men and nations is the long sad story of the waste of human effort and hu-
man life, simply because some persons have taken it upon themselves to enslave and regulate and control and deny others the freedom of choice and the responsibility for their own well-being.

Almost everyone in the world today is concerned about whether the reserves of petroleum are sufficient to meet the fantastic and growing demands for the product. And some contend that this valuable natural resource is being wasted. They overlook how many human lives were wasted during the centuries before men learned of the vital properties and potential uses of petroleum.

To some at the time, it might have seemed that candles and midnight oil were being wantonly wasted by Thomas Edison and the numerous others, perhaps unknown to one another, whose inventive minds offered electric lighting to mankind. But perhaps the real waste could better be visualized in terms of the human lives lost over the centuries through ignorance of the qualities and uses of electrical energy.

Who knows how many potential geniuses failed to be born, or died in infancy, for lack of the wonder drugs and other miracles of medical science that are taken for granted today?

There might be more standing timber and fewer “pulp” magazines in our time if printing presses had never been devised. But how many lives were wasted in the centuries before men learned to write or read or communicate freely through the press? How much timber had to be “wasted” to clear land for farming, or to pave the way to discovery of steel rails and beams and other
forms to displace wooden structures, these in turn to give way to aluminum, or glass, or plastic?

**Intervention Is Waste**

Perhaps it is time to spell out more clearly here what we mean by "waste": *To the extent that any person or group interferes with another's peaceful purpose, contrary to his wishes, that is waste.* Many readers will see at once the implications in this definition, for they might define "liberty" in similar terms: *To the extent that no person or group interferes with another's peaceful purpose, contrary to his wishes, that is liberty.* All we have said, then, is that waste occurs when there is any negation of liberty. Well, that's not bad for a start!

Unless one holds the view that he, himself, is God, he should be prepared to concede to every peaceful person as much liberty or freedom of choice as he claims for his own. Human beings are fit neither to rule, nor to be ruled by, one another. Just as each person's best hope for his own emergence is through his own choice and responsibility, so the best hope for human progress is through liberty for every peaceful person. This is not to imply that we have learned to resist violence without fighting back, or that we can foresee a society without need for government as an organized defensive force against individual and collective criminal activities. We merely contend that *the best hope for self-emergence and for human progress is through liberty for every peaceful person.* Any deviation from that is waste.
When waste is thus defined as any negation of liberty, it scarcely makes sense to speak of the waste of coal or iron or land or timber in such broad general categories. If liberty is a strictly human condition, then so is waste; the terms have no applicability to things or to lower animals. The waste, if any, is imposed by man on man.

Man, of course, is a complex being, and a part of each of us in this world is the property he owns—the resources he has appropriated to his own purpose and use without infringement upon the just claims of any other person.

Now, some others, of course, may think that an owner is using his property unwisely or even wastefully, just as some persons may think that another is wasting his own time or his own life. But if we concede that liberty affords the best hope for human progress, we thereby agree not to try to live others' lives for them; and one person cannot know or say for certain that someone else is wasting his life in peacefully doing as he pleases. Nor can one say that another is wasting his own property so long as he uses it without injury to other peaceful persons. For all others know, he may be inventing a wheel, or a printing press, or an electric light, or some other potential boon to mankind. If each person is free to judge and decide how best to use his life, his time, his property, the safest presumption is that he will not deliberately waste them.

_Government Controls People_

Does the foregoing analysis mean, then, that by definition we have ruled out all possibility of waste in the tra-
ditional sense of the word? Far from it; we are merely looking at the long-neglected other side of the coin. What we are suggesting is that resources are wasted whenever the private property of any peaceful person is taken without his consent for redistribution or use by others who have done nothing to earn it. We are not referring here to taxes properly levied and collected to support the government in its limited role of defending life and property. We are referring to taxes improperly taken to finance all kinds of government intervention at home and abroad that violate, rather than defend, the lives and property of peaceful persons: that is waste.

Involved in such government-actuated waste may be the timberland a man owns, or tillable farm land, or the mineral rights or the air rights to his property, or water rights, or other privately earned and owned resources. To take such property without the owner's approval is to deny its use for the purpose he had intended—thus, to that extent diminishing his life. In the final analysis, it is human life and liberty that matter, and it is human life that is wasted when liberty is violated.

As Dean Russell has well observed, "Price control is people control,"¹ and so is rent control, wage control, rationing, tariff and protectionist legislation of all kinds, immigration control, interest and money and banking regulation, exchange control, airways and airwave control, postal regulation, managed news and censorship, and countless other aspects of intervention. This is waste,

¹ See The Freeman, October, 1961, page 25.
originating in the authoritarian acts of men, the real cost of which is measurable in human lives. Life without liberty is sheer waste.

**Faith Must Be Strong To Rely on Freedom**

It is not expected that this brief analysis will allay the fears of all who are concerned about the depletion of natural resources—those, for instance, who are firmly convinced that the government ought to intervene and set aside vast tracts of timberland lest private interests strip them bare and leave future generations without forest products. We have merely tried to point out that such conservationists, who are determined to live and control the lives of their contemporaries on behalf of posterity, are presuming to be wiser than God.

Instead of devoting their own lives and their own property to reforestation, which they allege to be of first importance, their time and effort are devoted to wasting the lives and denying the individual goals of fellow human beings. They presume that had they been in charge of planning in the past, the resulting progress for all mankind would have been greater than man has known when each was free to try. They reject the entire history of civilization, and say, in effect, that compulsory collectivism affords a better hope than liberty. They know for sure that rocks and trees are more important than liberty and human life—that God had no business allowing individuals minds of their own! Leave reforestation to the voluntary efforts of individuals? Not on your life!
Nor is this analysis expected to refute the faith of those who see no way to live without government highways and government schools and government waterworks and thousands of other government projects over and beyond the strict police function. Surely, they will contend, not all of these can be counted as sheer waste; human lives would be devoted to those projects even if the government took no hand in them at all! Probably true; but all we have tried to point out here is that, if they are right—if men would have done these things voluntarily anyway—then it was sheer waste to resort to coercive measures to force some persons to do what others would have liked to do and undoubtedly could have done better. Our point stands: *to the extent that any person or group interferes with another's peaceful purpose, contrary to his wishes, that is waste*. And the only alternative is liberty.
SOCIETY is often viewed as something so complex that it needs an equally complex organization to run it. Consequently, there is a tendency to justify acts of organizations or groups that cannot be morally justified for individuals.

This is like devising special rules of mathematics to be used only when large numbers are involved, or supposing that water in a small cup would be different from the water in Lake Erie.

The natural laws of God pertaining to man in society are not temporarily arrested simply because more people, greater sums, or longer distances are involved. Yet every day we observe supposedly intelligent men succumbing to the fallacy of complexity.

Recently, I participated in a panel to seek solutions to the problems arising from automation. One panelist, a professional labor union leader, went into great detail describing proposed labor legislation and contract objectives that he believed would result in more jobs to offset those allegedly eliminated by automatic production equipment.

Mr. Sparks is a business executive of Canton, Ohio.
He proposed a 30-hour week, an annual 13-week vacation, and a one-year-in-seven "sabbatical"—all, of course, at the original pay received for a full year of 40-hour weeks. The reasoning went like this: If each employee works fewer hours out of the total hours required to operate a factory, then more people must be hired—therefore, more persons will have jobs than before.

As the labor official spoke, a picture came to mind of a man I had known in my youth. Old Jim lived in a small house on a large lot one block from our abbreviated downtown section. There in the summertime grew all kinds of vegetables—rows of tall corn and tomato vines shored up by poles—with scarcely a spring or summer day that did not find Jim busily at work in his huge garden. He lived alone, and I never ceased to wonder, as a boy, how he could possibly eat all his garden yielded. Later, I found that Old Jim canned his vegetables and thus supplied his own food for the entire year. The little money he needed probably came from occasional odd jobs. His house was neat and in good repair. His entertainment seemed to come from children, like me, whose endless questions never failed to amuse him.

Now it came to me why the labor panelist had brought to mind Old Jim, of whom I had so often asked in my youth, "You always work so hard; why don't you take a vacation?"

His reply never changed, "Can't afford to."

"Why not?" I would press.

"Because I like to eat when the snow flies," he would chuckle. It made sense, for one could plainly see that
nearly all of his possessions came directly from his own work. If Jim did not make it or grow it, chances are he did not have it.

As the labor official spoke of an annual 13-week vacation, I could hear my boyhood self asking, "Why not take a 13-week vacation, Jim?" Jim most surely would have replied, "Thirteen weeks vacation would starve me to death, boy!"

Perhaps not starvation, but obviously if a person were to cut three months of production effort out of a year, his material level of living would be drastically reduced. Is organized labor suggesting that its members have their real income cut back by one-fourth? No, they intend that each employee shall receive his entire year's pay—four-fourths—even though he produces only three-fourths; and the gullible stand ready to believe the impossible if someone promises it to them.

The complexity introduced by dollar bills causes the labor official to say, in effect, that a vacationing employee can have his cake and eat it, too. No one can perform such hocus-pocus any more than Old Jim could have had food in the wintertime from vegetables neither planted nor canned had he taken a three-month summer vacation.

**Can Get Only What Is Produced**

If there were no government interference in agriculture to cloud one's common sense, it would be clear that the purchasing power of a farmer is the corn, wheat, and
other produce he raises. If he wants more purchasing power, he increases his output through more effort and bigger investment. A farmer who produces 4,000 bushels of corn has more purchasing power than his neighbor who has produced 3,000 bushels. The same principle applies with respect to tires, roller bearings, ceramic tile, shoes, and so on. For example, let us suppose a factory employing 120 production workers makes 12,000 color TV sets a year. The sets are sold to distributors for $150 each. Here is a breakdown of the company operations:

<table>
<thead>
<tr>
<th>Schedule A</th>
<th>Each Set</th>
<th>12,000 Sets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$ 50.00</td>
<td>$ 600,000</td>
</tr>
<tr>
<td>Materials, etc.</td>
<td>60.00</td>
<td>720,000</td>
</tr>
<tr>
<td>Fixed Costs</td>
<td>32.50</td>
<td>390,000</td>
</tr>
<tr>
<td>Earnings*</td>
<td>7.50</td>
<td>90,000</td>
</tr>
<tr>
<td>Sales</td>
<td>$150.00</td>
<td>$1,800,000</td>
</tr>
</tbody>
</table>

*12%, before taxes, as return on $750,000 investment.

The minimum sales price to cover all costs and the investors' 6 per cent (after taxes) is $150. The firm could not charge less and pay its obligations. Competitors' prices probably keep the company from charging more.

Just as the farmer's purchasing power can be measured by the bushels of grain he grows, so can these productive workers measure their purchasing power by the TV sets they produce, that is, to the extent that their efforts contribute to the total market value of each set. In the above example, the labor is one-third of such value, $50 of the total $150 sales price. Since 12,000 sets were produced by
120 production workers, the average is 100 sets each. One-third of 100 sets equals $33\frac{1}{3}$ sets, the average purchasing power of each production employee. It can also be stated in dollars by multiplying $33\frac{1}{3}$ sets by the sales price, $150.$

Next, let's try the 13-week vacation idea on our theoretical manufacturer. If one-fourth of the workers are to be on vacation at all times, the company must hire 40 additional people, making 160 production workers, each working nine months a year rather than twelve. If each performs at the same rate of productivity as before, the total number of TV sets produced will be the same—12,000—since only 120 workers will be producing at any one time during the year. Those on vacation do not produce any sets. The company has only 12,000 TV sets to sell, the same as before. Presumably, the selling price is as high as the company can ask. Possessing no magic wand that will cause the consumer to pay a higher price and having no increased number of sets to sell, the company cannot pay more total dollars for labor than it did before, namely, $600,000. This time, however, the $600,000 is divided among 160 employees rather than 120. The average income earned annually is now only $3,750, down from $5,000. Instead of the previous 100 sets produced per worker, 12,000 sets divided by 160 employees equals 75 sets a year—down 25 per cent because each worker now vacations 25 per cent of the year. Since he receives one-third the total value of the sets he produces, he now receives the equivalent of 25 sets instead of $33\frac{1}{3}$.

But, no, says my fellow panelist, the $5,000 dollars
Previously paid for twelve months' work now must be paid for nine months' work!

There are only two ways to accomplish this feat, either by inflation (government fiat), or by raising the selling price. The first is a deceptive method so that while the worker, in fact, will be paid $5,000 as before, the dollars will have shrunk in value. His purchasing power remains the equivalent of only 25 sets, still down from 33 1/3 sets. It matters not whether his annual wage is 50,000 or 500,000 paper dollars. It matters only what the dollars will be able to buy in the market place—and they simply cannot command more than the value of the 25 TV sets he has made.

As previously discussed, it is futile to try to raise the selling price, unless quality is improved or new features added. To attempt such noncompetitive action would probably lead to disaster for the company and an end to the jobs it has provided.

Answer—Produce More

The solution to the "problem of automation" is to understand and support the goal of better tools for mankind. We should embrace, adopt, welcome, hail—automation! Work with it, not against it.

Easy enough to say, some may think, but the person displaced by automation seldom sees it that way while he sits on the sideline jobless or makes the necessary adjustment and preparation for a new job.

The painful necessity to change jobs may draw sym-
pathy from friends and acquaintances, but it is hardly sufficient reason to abandon the economic "system" that yields so plentifully to so many. Every day finds some persons unwillingly relinquishing their economic position to the newcomer or the upstart. The downtown store-keeper sees his suburban competitor pass him by. The top-ranking movie heart-throb of a decade ago loses his popularity with the younger female fans. The hula-hoop manufacturers rise rapidly to the top and just as rapidly skid to oblivion. Less publicized are thousands who attempt unsuccessfully to launch new businesses. Are all of these any less deserving than the wage or salary earner hurt when the changing character of the market place also touches him?

Lack of understanding breeds suspicion and distorted vision. It is important to understand how automation has been applied in the past and how it will apply in the future if unimpeded by artificial restraints. Let us revise our earlier example accordingly.

**How Automation Raises Product Availability**

The owners are convinced that they should invest an additional $250,000 to improve mechanization. This will enable the 120 production workers to produce 18,000 sets a year, an increase of 50 per cent over the 12,000 sets made with the older equipment. Following is a revised breakdown of the same company's operation with better equipment (automation) and the same number of employees:
HAIL TO AUTOMATION!

Schedule B

<table>
<thead>
<tr>
<th></th>
<th>Each Set</th>
<th>18,000 Sets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$33.00</td>
<td>$600,000</td>
</tr>
<tr>
<td>Materials, etc.</td>
<td>60.00</td>
<td>1,080,000</td>
</tr>
<tr>
<td>Fixed Costs</td>
<td>21.67</td>
<td>390,000</td>
</tr>
<tr>
<td>Earnings*</td>
<td>6.67</td>
<td>120,000</td>
</tr>
<tr>
<td>Sales</td>
<td>$121.34</td>
<td>$2,190,000</td>
</tr>
</tbody>
</table>

* 12%, before taxes, on original $750,000, plus $250,000 new investment for automation.

Note that in this illustration 18,000 sets (instead of 12,000) have been produced with the same total labor costs and fixed costs, the same cost of materials per set, and the same 12 per cent earnings before taxes on capital invested; which means that the minimum sales price needed to cover all obligations is now $121.34 a set instead of $150. The company thus is much better able to compete than before.

Though the savings were all passed on to the consumer for purposes of this illustration, it is more likely that some would go to the production worker, some to the office employee, some to the salesman, and so forth. Note, too, that while fixed overhead costs remain the same in total, the fixed cost per set drops from $32.50 to $21.67, a significant gain as the next example will further illustrate. So, through automation, each production worker is able to turn out 150 sets, instead of 100, in contrast to the "big-vacation, create-nothing" scheme of the labor panelist.

The bogeyman feared by my fellow panelist is that of a plant automated to produce only 12,000 sets as before,
but with fewer workers. Let us apply this idea to the first example, assuming that additional investment would be available under these circumstances. Following is a revised breakdown using only 80 production workers to produce 12,000 sets on equipment that can produce 50 per cent more than the old equipment:

<table>
<thead>
<tr>
<th>SCHEDULE C</th>
<th>Each Set</th>
<th>12,000 Sets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$33.33</td>
<td>$400,000</td>
</tr>
<tr>
<td>Materials, etc.</td>
<td>60.00</td>
<td>720,000</td>
</tr>
<tr>
<td>Fixed Costs</td>
<td>32.50</td>
<td>390,000</td>
</tr>
<tr>
<td>Earnings*</td>
<td>10.00</td>
<td>120,000</td>
</tr>
<tr>
<td>Sales</td>
<td>$135.83</td>
<td>$1,630,000</td>
</tr>
</tbody>
</table>

*12%, before taxes, on original $750,000, plus $250,000 new investment for automation.

Although each production worker in this illustration produces 150 sets (12,000 sets ÷ 80 employees), note that no savings occur in the fixed overhead, and the minimum sales price to cover all obligations is more than $14 higher than that shown on Schedule B.

Major gains can come only through increased total production, not through constant output with fewer employed personnel. If the last two examples had reflected the operating decisions of two different companies competing against each other, it can readily be seen that the first company (Schedule B) is in a much more favorable competitive position than the second company (Schedule C). Company B has room to undersell Company C by 10 per cent and still cover its obligations. De-
mands by labor and price competition can be met more easily by B than by C. Indeed, it is in this manner that all levels of material living have risen throughout industrial history. Successful firms have utilized better tools and equipment—that is, automation—to bring more and better goods to market at lower prices. Companies failing to follow this route usually fall by the wayside.

Here we encounter another automated bogeyman. Says my fellow panelist, warehouses soon will be so full from overproduction that all wheels will stop. Nonsense! It is nonsense, that is, unless normal economic exchange is stopped by a synthetic rigor mortis of artificial restraint applied by government directly or by other organizations operating under special privileges.

I've never known a person whose wants in clothes were satisfied, particularly the “she's.” Nor do persons seem to reach a saturation point for cars, books, high-fidelity records and players, swimming pools, boats, camera equipment, or electronic organs. No college has sufficient facilities, no library enough books, no hospital without need for additional beds and technical instruments. It can be fun but frustrating to make one's own list of desirables that are currently beyond the reach of the old checkbook. These desirables can be attained only through greater production. The fear of general “overproduction” through automation is out of order in a free market economy. An occasional manufacturer may misjudge the demands of the people, producing a product no one wants at the price being asked. This, of course, is his error alone and his responsibility.
Automation Is Key to Better Material Living

Automated production methods give increased supplies so that more goods may be utilized by more people. At the same time, automation allows costs (and selling prices) to drop, helping to augment sales and thus building dreams into realities for more and more people every day.

Compare the inexpensive pocket-size radio of today with its higher-priced and poorer-quality counterpart of 35 years ago. Or, consider the change in the price and quality of television sets from 1948 to 1964.

The telephone service is a good illustration of an intensely automated industry. Compare these statistics from annual reports of the Ohio Bell Telephone Company:

<table>
<thead>
<tr>
<th></th>
<th>1940</th>
<th>1960</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>9,894</td>
<td>19,795</td>
</tr>
<tr>
<td>Annual payroll</td>
<td>$18,400,000</td>
<td>$113,700,000</td>
</tr>
<tr>
<td>Telephones</td>
<td>827,000</td>
<td>2,705,000</td>
</tr>
<tr>
<td>Long-distance calls</td>
<td>29,000,000</td>
<td>128,000,000</td>
</tr>
</tbody>
</table>

The number of employees doubled from 1940 to 1960, but they were able to service more than three times the number of telephones and handle more than four times the number of long-distance calls. The long-distance day-station-rate has declined, even when today's rates are stated in inflated dollars. In 1920, this rate was $14.10 to call from Canton, Ohio to San Francisco, California. In 1940, it was only $3.75. In 1960, the rate dropped to $2.10. Furthermore, the area of "free" calling (formerly long-distance calls) has expanded tremendously. Auto-
HAIL TO AUTOMATION!

Automation has been the means of reducing telephone rates for both local and long-distance calls while improving the quality of service and connecting more users than ever before. This telephone company example is not an isolated case, but is typical of the widespread accomplishment of automation.

Better manufacturing methods, improved parts, and more efficient distribution bring increasing varieties of commodities within the purchasing power of all consumers. Automation and its fruits are thus shared unless blocked by ill-advised labor contract restrictions or legislative prohibitions and penalties.

Machines and men together produce these fruits. The closer man works with tools the better his prospects for economic well-being. It is that simple. The transition from a 12-hour day to 10 and 8 and perhaps eventually to 6 should be the result of the voluntary choice of each person. Historically, such reduction in hours is closely tied to the availability and use of better tools and equipment. Primitive man, lacking tools, had to labor all of the daytime hours and much of the night just to scratch out a bare minimum existence. A six-hour day certainly would have brought starvation to him and his family. With more and better tools, human operators can afford to work fewer hours. A person tends to work with diligence to provide to the best of his ability what he considers a proper and balanced living. If he can achieve these desires in less time—through skills, and especially through better tools—he may no longer want to work the same number of hours as before, preferring additional leisure.
to enjoy more satisfying mixtures of physical, mental, cultural, and spiritual objectives.

To best achieve his evolutionary destiny, his Higher Consciousness, man must have the time and energy to reflect upon the spiritual and the philosophical. But such progress will not be forced through legislation. Man grows in spirit and in truth only according to his own determination.

Less effort expended yields fewer fruits, no matter what the starting point used for comparison. An early American colonist would have reduced his purchasing power had he stopped working a quarter of his time. The same was true of Old Jim. And the same holds for a present-day employee no matter how highly automated his job may be. The introduction of an electronic assembling machine in a factory, or of fertilizer in Jim's tomato patch, merely allows mankind to move toward better days. Condemning and interfering with such burden-saving devices is scarcely what one should expect from the creature God has endowed with the twin potentials of intelligence and moral judgment.
GOVERNMENT RELIEF

by Rae C. Heiple, II

If the problem of government relief were not so important, if it were not so expensive, if it were not so destructive to morality, and if it were not so tragic in its long-term consequences, I could remain silent. But, how can one remain silent in the face of such serious social evils?

The philosophy behind public relief is that it helps people who “need” help through no fault of their own and permits them to live a dignified and normal life, thereby facilitating their return to independence as soon as possible.

This philosophy is completely and utterly false for the reason that it fails to take human nature into consideration.

The cold, hard fact of life is that man works out of necessity, not because he likes to work but because he has to. It is the choice of eating or going hungry—the choice of being warm or cold that makes man work.

If the government is going to feed, clothe, provide a home and fire, without the necessity of work, many people won’t work. It is that simple.

The Honorable Mr. Heiple, a member of the Illinois State Legislature from Washington, Illinois, here reports his minority view to the Committee on Public Aid.
The fact that you would not take the present level of government relief in preference to working does not mean that everyone is so inclined. Unfortunately, there are large groups of people who prefer government relief to working—who do not have the same desires, ambitions, motivations, or standards of creature comfort that you think are essential. Government relief offers everything they want—so why work?

Relief will provide a home with electricity, indoor plumbing, central heat, all necessary medical attention, conventional clothing, conventional food, including meat and milk, and a certain amount of entertainment and amusement. In Chicago I observed families on relief with two television sets, hi-fi record players, and extension princess telephones. In fact, every home I visited had at least one TV and telephone. In a comparison with other states, the U. S. Department of Health, Education and Welfare's "Statistics on Public Assistance Report" of May 4, 1962, discloses that Illinois pays the highest A.D.C. (aid to families with needy children) grants, the highest A.D.C-U. (aid to needy children of unemployed parents) grants, and that Chicago pays the highest general assistance grants in the United States.

The relief grant is so high in large families that often the payments amount to more than the family could earn by working. There are thousands of A.D.C. cases on the rolls where the mother has forced the father out of the home in order to get the relief payments. There are people living together out of wedlock rather than get married and lose their relief grant. Nor does anyone
doubt that there are countless A.D.C. cases where a girl has deliberately become pregnant in order to obtain a relief check. An A.D.C. check of $150 to $160 per month to a 17-year-old girl is often preferable to a job as a housekeeper at $8 per day.

In short, government relief is a social evil. It is harmful to the recipient, encouraging him to live a life of unproductive indolence. It makes him less self-reliant. It destroys his pride and self-confidence. It removes the necessity for initiative and creative effort. It makes him a lesser personality than he was, and perpetuates his existence in an inferior position. It has caused the birth of thousands of unwanted children. This is the greatest tragedy of all. These children will have two strikes against them to begin with: they will be brought up in an environment oriented to expect something for nothing; and they are by heredity the product of persons who do not carry their own weight in society.

In all domesticated animals, the attempt is to improve the strain and develop the best traits. In the human animal, the government relief program has the result of encouraging down-breeding and the production of inferior persons. The average size of family on A.D.C. is 3.3 children, whereas the general average for our society is 2.4 children. It is a strange paradox that a self-supporting, productive family must limit the number of children they could raise, educate, and support in order to have money to pay taxes to provide a relief family a bonus for having another child.

The economic effect of relief is to encourage present
consumption, to discourage saving, to hinder capital formation, to slow down the growth rate, and to reduce the living standard.

The answer to the relief problem is simple. It is supplied by the Bible in Thessalonians II, ch. 3:10 wherein it is advised that “those who do not work shall not eat.” In other words, the ideal solution is to do away with government relief. This does not mean that people would starve. It does mean that the great majority of relief recipients would go to work. For those comparative few who are physically unable to work, I am convinced that true charity, the love of man because of the love of God, would meet all needs. The Chinese, the Jews, the Mormons meet these needs now in the face of great competition and on a voluntary basis. If the government did not pre-empt the field, others would do the same.

I never saw a man starve; you never saw a man starve. I have confidence that the rest of the people in this state have the same feeling for their fellow man, and that they would not permit anyone to starve either.

Responsibility to oneself and family, coupled with the necessity of working to meet this responsibility, are the ingredients for human progress and the development of the individual personality. Government relief is a proven failure, a social evil, a destroyer of human personality. The greatest and kindest deed government could perform would be to remove the temptation of something for nothing.
KAKISTOCRACY

by Leonard E. Read

Kakistocracy is one of those words so seldom heard that it might be taken to represent something that never existed. It means “a government by the worst men.” Lowell gave the term an intolerant but more colorful definition, “a government . . . for the benefit of knaves at the cost of fools.”\(^1\) Are we approaching this form of government, or have we already embraced it unawares? Once upon a time we thought of our nation as a republic, even after it had become in practice a democracy. But whoever thinks of the U.S.A. as a kakistocracy? The word is not even known to most of us.

The purpose of this paper is to highlight our kakistocratic tendencies and to offer a few thoughts as to how they can be halted and reversed.

A communist society, to my way of thinking, qualifies as a kakistocracy. Its coercive theme, “from each according to ability, to each according to need,” strikingly parallels a form of government in which knavery exploits ignorance. This observation requires some explanation.

Regardless of the descriptive term—communism or

welfare statism—the redistributionist philosophy in practice presupposes the existence of three classifications of persons, the archetypes of which are: (1) the person with “ability,” that is, the one from whom honestly earned property is taken, (2) the person with “need,” that is, the one to whom someone else’s property is given, and (3) the person in command of the instruments of compulsion, that is, the authoritarian.

The first archetype: The persons whose property is forcibly taken evince neither knavery nor foolishness unless they are “taken in” and thus become a party to the state welfarist tendency. Those who are taken in appear to be on the increase; behold the well-to-do as well as the business “leaders” who petition government for federal urban renewal and countless other special privileges. Thus do our “best educated” people exhibit both knavery and foolishness.2

The second archetype: Perhaps it is foolishness more than knavery that prompts the innocents to accept something for nothing. As they permit government to assume the responsibility for their security and welfare, they relieve themselves of self-responsibility, the removal of which depersonalizes the individual and thus destroys him.

The third archetype: Authoritarians, and all who sup-

---

2 Intolerance and exasperation incline many of us, like Lowell, to categorize persons whose ideas and notions we think inferior as knaves and fools. This is inferiority showing through in ourselves. There is some knavery and foolishness in the best of us; these are not exclusive traits in the worst of us. It is on ideas, not persons, that we should hang our labels.
port the forcible taking from some to distribute to others, exemplify both knavery and foolishness. That they see some benefit to themselves in this action is self-evident for, if they saw no benefit, they would not act in this manner. Nor need the benefit they see be entirely material; they can be and often are motivated by the thirst for power or popular acclaim or a mixed-up sense of what is called social justice. To feather one's own nest, that is, to gain self-satisfaction at the expense of others, regardless of the motivation, is knavery, pure and simple.

Foolishness shows forth in the authoritarian in that he unintelligently interprets his own interest. He fails to see that he cannot develop, emerge, improve himself while he is riding herd over others. The authoritarian who has you on your back, holding you down, is just as permanently fastened on top of you as you are under him. In that sense, the slave owner is enslaved, as is the slave.

**How Far Have We Gone?**

So far as this paper is concerned, it is not necessary to outline in detail how far down the communistic or from-each-according-to-ability-to-each-according-to-need road we Americans have come. A reading of the ten points of the *Communist Manifesto* should convince anyone that we are headed into a kakistocracy. For a listing of the ten points, ask for “The Communist Idea” (Part I) from the Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.
bling as a means of financing coercive (governmental) welfarism. Should this gambling idea take hold, there would be no doubt that we have arrived at a political situation founded on knavery and foolishness:

New Hampshire's political apparatus has recently enacted a state-run sweepstakes. This is the first gambling operation of the lottery type to be legalized in the United States in the twentieth century.

Other states are now under pressure to follow in New Hampshire's footsteps. A national lottery, long proposed, gains support. The idea of gambling to finance government is being taken seriously.

First, a word about gambling in general. If anyone wishes to risk his savings or bread-and-butter money in games of chance, that would appear to be his own business. Neither I nor any combination of us, through government or otherwise, have a right to inhibit or prohibit gambling, regardless of amount. People learn when they suffer the consequences of their own actions. To relieve men of their follies, as Emerson suggested, is to people the world with fools.

Gambling falls into two broad classifications. There is the penny ante or for-fun type of gambling like "a tenth" at bridge or the "two-bit nassau" at golf, or a dollar on the homecoming game. All that one participant gains another gambler loses.

Then there is the I-mean-business or serious type of gambling, the professional variety. This is the kind with the "kitty" or "house take" or "pinch" as found at race tracks and gambling houses, the winnings from which never add up to the total losses. If the game lasts long
enough, the “kitty” will, with mathematical certainty, get everything.

If one wishes to gamble for fun, or if he regards the “house take” or “kitty” or “pinch” as an entertainment charge, all well and good. But to gamble as an economic means is sheer foolishness; and to sponsor it as a political means is nothing short of knavery. To grasp this point, one needs only reflect on the impossibility of a society composed of gamblers and no one else.

Some churches and private charities resort to bingo and lotteries as a means of raising revenue. I do not claim that they have no right to do this; but I must point out that, by making this a serious business, they put their institutional approval on the house-take type of gambling as an economic way of life. I know that this is bad economics; I doubt that it is good theology; to me, it is spiritual abdication and, thus, a sign of decadence.¹

In a sense, government is the secular high priest. Ideally, it is the agency which society uses to protect economic and other rights against fraud, violence, and the like in the interest of a common justice. When govern-

¹ Why is it that so many churches and governments can adopt gambling with so little criticism? True, the critical faculty as related to gambling is not generally sensitive. But, equally important, these churches and governments are not sufficiently esteemed in the spiritual and juridical areas over which they presume to preside; their laxity is not in conflict with the little that is expected of them. To put this point in bold relief, merely imagine that FEE, a miniature institution dedicated to the high principles of freedom, should adopt bingo or lotteries as a means of raising revenue. In my opinion, all present supporters, financial and ideological, would desert our effort, so shocking would be the contrast between principled expectations and the unprincipled performance.
ment itself becomes unjust, when it turns from protector to predator, or when it invites gambling as an economic means of financing its operations, it divests itself of respectability. When government does these things, it sanctifies and fosters injustice, predation, and economic nonsense! When this point is reached, it has become a government in which knavery and foolishness take over; it has become a kakistocracy, unworthy of respect.

**A False Hope That Spreads**

The recent New Hampshire breakthrough is symptomatic of a systemic disease: the blind hope of getting something for nothing. This blind hope is not at all peculiar to the Granite State; New Hampshire is simply giving legal expression to gambling as a means of obtaining more revenue to relieve the financial pressure which has been and is being brought on by government welfarism. Actually, New Hampshire's gambling gimmick differs not a whit in principle from the action in New York where the racing season was recently extended for no other purpose than to add to the state's revenues. The same indictment can be leveled at numerous other states.

The states, as well as all municipalities, are suffering from political schemes originating, on the one hand, with the foolish hope of something for nothing and, on the other, with the knavish claims on the part of some that they know how to make this hope a reality. These schemes—building bathtubs for Egyptian camel riders, paying farmers for not farming, "social security," fed-
eral urban renewal, three men on the moon, and so on and on—have necessarily resulted in a dollar of depreciating value. The price level and, thus, the budgets of local government, in dollar terms, have risen year by year, resulting in an inevitable outgo-income squeeze. The something-for-nothing hope coming home to roost!

**Grants-in-Aid**

Proof that economic lessons cannot be learned by those who have no aptitudes for economics is the extent to which local officials and those who vote them into office have been taken in by more of the self-same knavery which has already spelled their fiscal undoing. Knavery showing forth at the federal level has persuaded the innocents at the local level that the federal government can forcibly take funds from local-ites and give part of the funds back to them, provided that the local-ites match these federal "grants-in-aid," that is, match their own money! State and local governments have fallen for this political legerdemain on a grand scale, mostly as a response to such utter foolishness as, "We're paying for it, so we might as well get our share."⁵ Thousands of local units are in a fiscal mess because they joined the knavery-foolishness combination with its inevitable day of reckoning. That day has come and gone; all that remains is to seek a remedy.

⁵See *Clichés of Socialism*, No. 16 (Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc.).
More of the Same

Now, what is the remedy we hear about? It's simply more of the very same medicine: gambling, an uneconomic means to finance uneconomic ends!

Omit New Hampshire; its gambling system is approved but not in operation as this is written. Take, instead, New York; the Empire State is experienced in the gambling business. The "kitty" or "house take" here is 15 per cent on horse-race betting, the take divided between the race track owner and the sovereign state of New York. Place a $2.00 bet. What's left? $1.70! Add 30¢ and place another $2.00 How many bets before the "kitty" has all of the $2.00? Forgetting the admission and the "breakage," what but knavery could account for such a practice and who but foolish persons can regard it as making economic sense?

I have made several vain attempts to get statistical data about national lotteries in decadent countries. Little more is uncovered than, "All the proceeds go for welfare." Sometimes education is the excuse offered, as in New Hampshire. Note well that all our gambling schemes use precisely this same misleading lingo—the knavery-foolishness combination again. Any doubt? If so, assume that the U.S.A. enacts a national lottery. The preamble of the legislation will say "to aid education" or

---

*Suppose your horse pays $2.64. You will be paid in the highest amount divisible by 5, or $2.60. The leftover pennies are called "breakage." In New York the state picks up several million dollars annually this way. Peanuts, of course, but nonetheless interesting.*
something considered good and noble. Not in the wildest imagination would the preamble read "to pay farmers for not growing tobacco" or any other such nonsense.

Yet, it makes not the slightest difference what purpose is set forth in the preamble. If the lottery loot is credited to education by the federal bookkeepers, then it merely releases a like amount for payment to farmers for not growing tobacco, or whatever. This is precisely like our foreign aid type of "reasoning" where we give food, rather than guns, to communist countries on the ground that we want them to have food but not guns. By so doing, we merely release for the purchase of guns what otherwise they would have spent for food.

In New Hampshire or New York or other places where the states take their gambling cut, we note no reduction in other forms of taxation. These monies are used only to add to the state's total take of the peoples' earned income. Politicians who contrive such revenue trappings are, by definition, utterly lacking in fiscal sanity.

Some people—"I am not passing on gambling," each hastens to add—argue that a government lottery is all right on the ground that it is voluntary: one does not have to participate unless he wishes. This type of "logic" could as well condone legalized prostitution as a source of government income because one does not have to participate unless choosing to do so. A person who leans toward libertarian principles should never get trapped into thinking that an act is good simply because it is private and/or voluntary. Many evil actions are both private and voluntary.
A Regressive Tax

Point II in the Communist Manifesto calls for "a heavy progressive or graduated income tax." This we have in the U.S.A.—up to 91 per cent! It would seem the better part of wisdom to repeal this unprincipled Amendment to our Constitution, but we should bear in mind that unprincipled taxation is but an inescapable consequence of expenditures for unprincipled governmental activities. For we cannot be rid of the effect without first ridding ourselves of the cause. The national debate, however, has not as yet engaged the cause aspect of the problem—only talk as to how to "cushion" the effect. We are ignoring the cause and are bent on contriving new forms of taxation to pay for the unprincipled activities: gambling, of all devices! Yet, we must confess, this miserable means aptly fits state welfarism.

A lottery, be it state or national, is regressive, the opposite of progressive taxation in its incidence. The progressive principle gets at the wealthy: the more income, the greater is the percentage of government take. The regressive principles gets at the poor: the less income, the greater is the percentage of government take.

A lottery-for-revenue need not, necessarily, be regressive, but in practice it is. Merely observe the lottery hawkers on the streets of Paris or Rio or Montevideo or Geneva or wherever. Who are the buyers? The wealthy? The middle class? Indeed not! Anyone sensible enough to have stashed away a competence for himself isn't likely to be taken in, to any serious extent, by the "kitty" or "house-take" type of gambling. The buyers of
lottery tickets are the poorest people in the land—fran­
tically trying to escape from their poverty by "hitting
the jack pot." And, why not? Many of their spiritual
priests have advocated the practice, and their secular
priest—government—has done likewise. To top it off, the
welfare state has assured them of food, shelter, and cloth­
ing should they plead distress, and the cause matters not;
it can be gambling or whatever.

Regressive taxation coupled with progressive taxation
only adds insult to injury. It isn't that the poor should
not be taxed; it is that they should not be hoodwinked.
Proportional taxation, rarely discussed, as distinguished
from regressive and progressive taxation, calls for the
same percentage take of all incomes, be they small or
large; in that vital sense, it treats the poor and the
wealthy alike. But to play political tricks on poor and
gullible people, such as the "kitty" type of gambling tax­
ation, is nothing less than pitiful; it is pure knavery.
Even though many very low income people may never
understand the equity and the justice of proportional
taxation, at least their innocence and/or foolishness
would be dealt with honestly. Whenever innocence and
foolishness are exploited, there we shall behold a social
decadence; there we shall witness kakistocracy as surely
as in the Roman Empire when bread-and-circuses—knav­
erly—held sway over mass foolishness.7

7 Simony, the exploitation of human weaknesses such as the "sale
of indulgences," is, according to Canon Law, a very grave sin and
simoniacal ecclesiastics may be excommunicated. In what manner
does the exploitation, by either state or church, of the propensity
to gamble differ in principle?
A Natural Aristocracy

Is there an antidote for kakistocracy? There is, indeed! It is what Jefferson called “a natural aristocracy among men,” founded, as he suggested, on “virtue and talents.” But since the idea of a natural aristocracy is about as foreign to current discussions as is the term kakistocracy, some elaboration is in order. Let me refer to a bit of personal background.

Born near the close of the 90's and of parents struggling to make a go of it on a small, Midwestern farm, I was reared in the wonderful world of work with all the fundamental lessons it had to teach. I learned the relationship between sweat of the brow and a pint of milk; I knew that each ear of corn was paid for at the end of a hoe. All that we owned was hard-gotten and, as a consequence, the little we had was hard parted with.

If there were not many con men who tried to take us in, it was because the detection of phoniness was the price of survival. The conditions in which we lived bred into us an unrelenting skepticism. To be taken in by deception was a disgrace; to be “made a sucker of” was to be identified with the unfit.

Our country school taught mental arithmetic, that is, how to do “figures in your head.” A good pupil could do 89 times 91 “in his head” nearly as easily as 2 times 2. This type of training made it hard on phonies; it was good protection against knavery.

While we didn’t know very much about the wide world, we did have many simple beliefs. I chuckle now
to think how my dad would have reacted had a college-bred bureaucrat dropped by, proposing to pay him for not growing crops. My dad knew little about political economy as taught now, but he likened all something-for-nothing schemes to the unauthorized shell games at county fairs to fleece the rural yokels. He would have "laughed his head off" had someone proposed to secure his old age by forcibly taking funds from him, spending the proceeds on moon shots, and putting an IOU in the cash box. Nor did my dad know how to monetize debt; but he didn't believe in counterfeiting, even when legalized.

There was just as much ignorance, naivété, gullibility, foolishness, knavery in our neighborhood—perhaps more—than there is now. Why, then, did not these weaknesses rise to the top and take over the situation as is now the case? Well, they simply could not flourish very well among hardworking, self-responsible, God-fearing, skeptical folk. Knavery can thrive only where foolishness lacks strong opposition; it is hopelessly out of business where there is a natural aristocracy of virtue and talents.

Fungi, for example, will flourish on a muck heap. They do not thrive everywhere, not because of the absence of fungus spores, which are always present, but because there are many situations where the spores cannot take hold.

We do not "catch cold." The germs are in all of us; they are omnipresent. But let one's resistance—health—diminish only slightly and, presto, a cold takes over.

Millions are born onto this earth annually, all ignor-
ant. Some do not improve very much and, thus, ignorance, like fungus spores or cold germs, is omnipresent. It is absurd to think that ignorance can be stamped out, but it can be held in check: Ignorance—knavery and foolishness—can be kept from taking over a society only as a natural aristocracy of virtue and talents holds it in check. Let a first-rate natural aristocracy diminish in quality only slightly and, presto, we will have a kakistocracy with lotteries to help in its financing. Virtue and talents, enough to form a thin but stiff social crust, are the lowest price at which a good society can be had. Thus, the only real solution boils down to the emergence and maintenance of a natural aristocracy.

On whom does one work to develop virtue and talents or this natural aristocracy? On others? You might as well accept the task of eliminating every fungus spore on earth! I am the only one who can develop my own virtue and talents, lighting my candle at the flames lit by others. It follows, then, that you can best help me in my project by excelling me in your own. This is the type of individualism that can insure individual liberty.
THE LURE OF A LOST CAUSE

by Edmund A. Opitz

The things with which our lives are most intimately involved are lost causes, every one of them. They are sometimes hard to recognize for what they really are precisely for this reason; it is our nature to want to back winners. The repeated advice of my college coach was: "Let the other fellow be the good loser." When I refer to lost causes, I have in mind such things as the Christian faith we profess, the Church we belong to, the ministry we look to for spiritual guidance . . . and our very life itself. I call these things lost causes, not as a prelude to offering you a counsel of despair, but quite the contrary. When a cause is victorious, the game is over and we are no longer needed. Lost causes need us, and we need to be needed. The challenge of advancing a lost cause a notch or two, and the effort this requires, gives individual life its savor and meaning.

Christians ought to be on familiar terms with lost causes. After all, it was not Jesus who said, "I came, I saw, I conquered." It was Caesar. Jesus lived a blameless

From a sermon by Edmund A. Opitz, a senior staff member of the Foundation for Economic Education, delivered at the First Congregational Church of Wauwatosa, Wisconsin, March 31, 1963.
life, brought healing to sick minds and bodies, gave the world a vision of God and man the world has never been able to forget—or ever quite remember—and so they crucified him. This does not read like the formula for a contemporary success story. As the world measures victory, this was a colossal defeat. But out of this defeat came the Church.

The Church, basically, is a company of seekers, a band of men and women who seek to become fitter instruments for the accomplishment of God’s purposes. This is perhaps the ideal Church; and if the actual Church were this and nothing else, there wouldn’t be much of a problem. The actual Church in every age has come under the spell of secular movements and enthusiasms, to the detriment of spiritual religion. Churchmen, in every age, have dreamed of a large, wealthy, and powerful ecclesiastical organization, both for the sake of organization itself and for the sake of the political power such an organization might wield. Temptations of this latter sort have always beset the Church, and they are peculiarly strong in our time when, for the first time in history, governments have been able to trick a lot of people into believing that popular welfare is now the goal of politics. It was difficult enough to keep Church and state separate when the state’s image was that of a warlord or a policeman; but now that the state has succeeded in projecting the image of a guardian angel the churches are more than ever tempted to politicalize their faith in order to get on the side of that angel! This we must resist, for the Church’s sake and also for the sake of the state.
"The Good News of Damnation"

A New England Puritan of the seventeenth century left a journal. In it he wrote: "My heart leaps for joy every time I hear the good news of damnation." Even if we were inclined to accept the Puritan's grim theology, which we are not, we'd want to challenge his idea that the news of damnation is good. Why speak of future punishment as a cause of rejoicing? It was along these lines that I used to poke fun at the Puritan mentality, even while acknowledging that it did produce some sturdy and admirable characters. This old Puritan is no longer around to tell us what he had in mind; thus we are free to speculate. Keeping in mind that his map of the universe is not the same as ours, what was he trying to say about man and man's relation to God? Let us start with his conclusion and unravel it till we reach the premises on which it is founded.

This old doctrine says, first of all, that Something or Somebody in the universe cares for us individually, one by one. This is the basic implication of any system of rewards and punishments based on merit or demerit. The conviction that this is a universe where, in the long run, we do get our just desserts implies that we have a responsibility for our lives; that nobody really gets away with anything.

No one is properly held responsible for an outcome which his actions did not affect one way or the other. Responsibility implies freedom. To say that man is a responsible being is to say that his freely made choices
do cause things to happen this way rather than that. Life's alternate possibilities of reward and punishment imply that men must choose. And because the universe does not jest, it has not given man the freedom to make a choice as to how he will commit his life without at the same time equipping that choice with power to affect the ultimate outcome. This is the core of the doctrine of Election, which a hillbilly preacher explained to his flock in this fashion: "The Lord votes for you; the Devil votes against you. It's the way you vote that decides the election." Even if you do nothing, your very inaction becomes a form of action, affecting the eventual outcome.

In other words, our lives do count for one thing or another, and we can make them count on the side of the right and the good. The individual soul is a battleground where real issues are fought out and decided. The Power behind the universe has so much confidence in man that it has made him a free and responsible being. These are the basic premises of the Puritan faith. This is part of our heritage, but each generation has to earn its heritage anew before we can make it our own.

**Obstacles Can Be Stepping-Stones to Progress**

It is obvious that a creature of such vast potential as man is not designed to float with the current; he is designed to go against the stream and he enhances his powers by so doing. We didn't volunteer for this business of living; we were—you might say—drafted into life,
and for life. We're here to learn, and to grow. The moment we rest on our oars and begin to think we've got it made, at that moment we start to come unglued. Biologically speaking, we are embarked upon a lost cause. But when we truly participate in life, we discover other dimensions than the merely biological. Life becomes a cosmic adventure, an adventure in destiny; a new kind and quality of life begins to evolve in us, and we come face to face with the eternal mysteries.

The rest of creation is complete; we alone are unfinished. The Creator has given the animal world all the answers it needs; the answers are locked up in instinctual responses as old as time. But man has not been given the answers; before our eyes the Creator has posed a gigantic question mark. We are handed a question, and the answers are ours to give. We have the responsibility, the freedom, and the power to respond.

The Church is a means for ends beyond itself; and our lives contain potentialties which can never be fully realized on the biological plane. Both are lost causes, in St. Paul's sense, where he speaks of foolish things confounding the wise and weak things confounding the mighty. Paradoxically, there is a kind of strength in weakness, and there is a kind of wisdom in foolishness. And there are victories in lost causes, because God may choose them to work out his purposes.
A GOVERNMENT is an institution that holds the exclusive power to enforce certain rules of social conduct in a given geographical area.

Do men need such an institution—and why?

Since man's mind is his basic tool of survival, his means of gaining knowledge to guide his actions—the basic condition he requires is the freedom to think and to act according to his rational judgment. This does not mean that a man must live alone and that a desert island is the environment best suited to his needs. Men can derive enormous benefits from dealing with one another. A social environment is most conducive to their successful survival—but only on certain conditions.

"The two great values to be gained from social existence are: knowledge and trade. Man is the only species that can transmit and expand his store of knowledge from generation to generation; the knowledge potentially

This article—by the author of Atlas Shrugged and The Fountainhead—appeared in the December, 1963 issue of The Objectivist Newsletter, and was reprinted by permission in the March, 1964 Freeman. Copyright © 1963 by The Objectivist Newsletter, Inc., 120 East 34th Street, New York 16, N. Y.
available to man is greater than any one man could begin to acquire in his own lifespan; every man gains an incalculable benefit from the knowledge discovered by others. The second great benefit is the division of labor: it enables a man to devote his effort to a particular field of work and to trade with others who specialize in other fields. This form of cooperation allows all men who take part in it to achieve a greater knowledge, skill and productive return on their effort than they could achieve if each had to produce everything he needs, on a desert island or on a self-sustaining farm.

"But these very benefits indicate, delimit and define what kind of men can be of value to one another and in what kind of society: only rational, productive, independent men in a rational, productive, free society." (The Objectivist Ethics.)

A society that robs an individual of the product of his effort, or enslaves him, or attempts to limit the freedom of his mind, or compels him to act against his own rational judgment—a society that sets up a conflict between its edicts and the requirements of man's nature—is not, strictly speaking, a society, but a mob held together by institutionalized gang-rule. Such a society destroys all the values of human co-existence, has no possible justification and represents, not a source of benefits, but the deadliest threat to man's survival. Life on a desert island is safer than and incomparably preferable to existence in Soviet Russia or Nazi Germany.

If men are to live together in a peaceful, productive, rational society and deal with one another to mutual
benefit, they must accept the basic social principle without which no moral or civilized society is possible: the principle of individual rights. (See my articles on rights in the April and June 1963 issues of *The Objectivist Newsletter*.)

To recognize individual rights means to recognize and accept the conditions required by man's nature for his proper survival.

Man's rights can be violated only by the use of physical force. It is only by means of physical force that one man can deprive another of his life, or enslave him, or rob him, or prevent him from pursuing his own goals, or compel him to act against his own rational judgment.

The precondition of a civilized society is the barring of physical force from social relationships—thus establishing the principle that if men wish to deal with one another, they may do so only by means of reason: by discussion, persuasion and voluntary, uncoerced agreement.

The necessary consequence of man's right to life is his right to self-defense. In a civilized society, force may be used only in retaliation and only against those who initiate its use. All the reasons which make the initiation of physical force an evil, make the retaliatory use of physical force a moral imperative.

If some "pacifist" society renounced the retaliatory use of force, it would be left helplessly at the mercy of the first thug who decided to be immoral. Such a society would achieve the opposite of its intention: instead of abolishing evil, it would encourage and reward it.

If a society provided no organized protection against
force, it would compel every citizen to go about armed, to turn his home into a fortress, to shoot any strangers approaching his door—or to join a protective gang of citizens who would fight other gangs, formed for the same purpose, and thus bring about the degeneration of that society into the chaos of gang-rule, *i.e.*, rule by brute force, into the perpetual tribal warfare of prehistorical savages.

*An Objective Code*

The use of physical force—even its retaliatory use—cannot be left at the discretion of individual citizens. Peaceful co-existence is impossible if a man has to live under the constant threat of force to be unleashed against him by any of his neighbors at any moment. Whether his neighbors' intentions are good or bad, whether their judgment is rational or irrational, whether they are motivated by a sense of justice or by ignorance or by prejudice or by malice—the use of force against one man cannot be left to the arbitrary decision of another.

Visualize, for example, what would happen if a man missed his wallet, concluded that he had been robbed, broke into every house in the neighborhood to search it, and shot the first man who gave him a dirty look, taking the look to be a proof of guilt.

The retaliatory use of force requires *objective* rules of evidence to establish that a crime has been committed and to *prove* who committed it, as well as *objective* rules to define punishments and enforcement procedures. Men who attempt to prosecute crimes, without such rules, are
a lynch mob. If a society left the retaliatory use of force in the hands of individual citizens, it would degenerate into mob rule, lynch law and an endless series of bloody private feuds or vendettas.

If physical force is to be barred from social relationships, men need an institution charged with the task of protecting their rights under an objective code of rules. 

*This is the task of a government—of a proper government—its basic task, its only moral justification and the reason why men do need a government.*

*A government is the means of placing the retaliatory use of physical force under objective control—i.e., under objectively defined laws.*

The fundamental difference between private action and governmental action—a difference thoroughly ignored and evaded today—lies in the fact that a government holds a monopoly on the legal use of physical force. It has to hold such a monopoly, since it is the agent of restraining and combatting the use of force; and for that very same reason, its actions have to be rigidly defined, delimited and circumscribed; no touch of whim or caprice should be permitted in its performance; it should be an impersonal robot, with the law as its only motive power. If a society is to be free, its government has to be controlled.

Under a proper social system, a private individual is legally free to take any action he pleases (so long as he does not violate the rights of others), while a government official is bound by law in his every official act. A private individual may do anything except that which is
legally forbidden; a government official may do nothing except that which is legally permitted.

This is the means of subordinating "might" to "right." This is the American concept of "a government of laws and not of men."

The nature of the laws proper to a free society and the source of its government's authority are both to be derived from the nature and purpose of a proper government. The basic principle of both is indicated in The Declaration of Independence: "to secure these [individual] rights, governments are instituted among men, deriving their just powers from the consent of the governed . . . ."

Since the protection of individual rights is the only proper purpose of a government, it is the only proper subject of legislation: all laws must be based on individual rights and aimed at their protection. All laws must be objective (and objectively justifiable): men must know clearly, and in advance of taking an action, what the law forbids them to do (and why), what constitutes a crime and what penalty they will incur if they commit it.

The source of the government's authority is "the consent of the governed." This means that the government is not the ruler, but the servant or agent of the citizens; it means that the government as such has no rights except the rights delegated to it by the citizens for a specific purpose.

There is only one basic principle to which an individual must consent if he wishes to live in a free, civilized
society: the principle of renouncing the use of physical force and delegating to the government his right of physical self-defense, for the purpose of an orderly, objective, legally-defined enforcement. Or, to put it another way, he must accept the separation of force and whim (any whim, including his own).

Now what happens in case of a disagreement between two men about an undertaking in which both are involved?

In a free society, men are not forced to deal with one another. They do so only by voluntary agreement and, when a time element is involved, by contract. If a contract is broken by the arbitrary decision of one man, it may cause a disastrous financial injury to the other—and the victim would have no recourse except to seize the offender's property as compensation. But here again, the use of force cannot be left to the decision of private individuals. And this leads to one of the most important and most complex functions of the government: to the function of an arbiter who settles disputes among men according to objective laws.

Criminals are a small minority in any semi-civilized society. But the protection and enforcement of contracts through courts of civil law is the most crucial need of a peaceful society; without such protection, no civilization could be developed or maintained.

Man cannot survive, as animals do, by acting on the range of the immediate moment. Man has to project his goals and achieve them across a span of time; he has to calculate his actions and plan his life long-range. The
better a man's mind and the greater his knowledge, the longer the range of his planning. The higher or more complex a civilization, the longer the range of activity it requires—and, therefore, the longer the range of contractual agreements among men, and the more urgent their need of protection for the security of such agreements.

Even a primitive barter society could not function if a man agreed to trade a bushel of potatoes for a basket of eggs and, having received the eggs, refused to deliver the potatoes. Visualize what this sort of whim-directed action would mean in an industrial society where men deliver a billion-dollars-worth of goods on credit, or contract to build multi-million-dollar structures, or sign ninety-nine-year leases.

A unilateral breach of contract involves an indirect use of physical force: it consists, in essence, of one man receiving the material values, goods or services of another, then refusing to pay for them and thus keeping them by force (by mere physical possession), not by right—i.e., keeping them without the consent of their owner. Fraud involves a similarly indirect use of force: it consists of obtaining material values without their owner's consent, under false pretenses or false promises. Extortion is another variant of an indirect use of force: it consists of obtaining material values, not in exchange for values, but by the threat of force, violence or injury.

Some of these actions are obviously criminal. Others, such as a unilateral breach of contract, may not be criminally motivated, but may be caused by irresponsibility
and irrationality. Still others may be complex issues with some claim to justice on both sides. But whatever the case may be, all such issues have to be made subject to objectively defined laws and have to be resolved by an impartial arbiter, administering the laws, *i.e.*, by a judge (and a jury, when appropriate).

Observe the basic principle governing justice in all these cases: it is the principle that no man may obtain any values from others without the owners' consent—and, as a corollary, that a man's rights may not be left at the mercy of the unilateral decision, the arbitrary choice, the irrationality, the whim of another man.

Such, in essence, is the proper purpose of a government: to make social existence possible to men, by protecting the benefits and combatting the evils which men can cause to one another.

**Police, Military, and Courts**

The proper functions of a government fall into three broad categories, all of them involving the issues of physical force and the protection of men's rights: the police, to protect men from criminals—the armed services, to protect men from foreign invaders—the law courts, to settle disputes among men according to objective laws.

These three categories involve many corollary and derivative issues—and their implementation in practice, in the form of specific legislation, is enormously complex. It belongs to the field of a special science: the philosophy of law. Many errors and many disagreements are possi-
ble in the field of implementation, but what is essential here is the principle to be implemented: the principle that the purpose of law and of government is the protection of individual rights.

Today, this principle is forgotten, ignored and evaded. The result is the present state of the world, with mankind's retrogression to the lawlessness of absolutist tyranny, to the primitive savagery of rule by brute force.

In unthinking protest against this trend, some people are raising the question of whether government as such is evil by nature and whether anarchy is the ideal social system. Anarchy, as a political concept, is a naive floating abstraction: for all the reasons discussed above, a society without an organized government would be at the mercy of the first criminal who came along and who would precipitate it into the chaos of gang warfare. But the possibility of human immorality is not the only objection to anarchy: even a society whose every member were fully rational and faultlessly moral, could not function in a state of anarchy; it is the need of objective laws and of an arbiter for honest disagreements among men that necessitates the establishment of a government.

A recent variant of anarchistic theory, which is befuddling some of the younger advocates of freedom, is a weird absurdity called "competing governments." Accepting the basic premise of the modern statists—who see no difference between the functions of government and the functions of industry, between force and production, and who advocate government ownership of business—the proponents of "competing governments" take the other side
of the same coin and declare that since competition is so beneficial to business, it should also be applied to government. Instead of a single, monopolistic government, they declare, there should be a number of different governments in the same geographical area, competing for the allegiance of individual citizens, with every citizen free to "shop" and to patronize whatever government he chooses.

Remember that forcible restraint of men is the only service a government has to offer. Ask yourself what a competition in forcible restraint would have to mean.

One cannot call this theory a contradiction in terms, since it is obviously devoid of any understanding of the terms "competition" and "government." Nor can one call it a floating abstraction, since it is devoid of any contact with or reference to reality and cannot be concretized at all, not even roughly or approximately. One illustration will be sufficient: suppose Mr. Smith, a customer of Government A, suspects that his next-door neighbor, Mr. Jones, a customer of Government B, has robbed him; a squad of Police A proceeds to Mr. Jones' house and is met at the door by a squad of Police B, who declare that they do not accept the validity of Mr. Smith's complaint and do not recognize the authority of Government A. What happens then? You take it from there.

*The History of Government*

The evolution of the concept of "government" has had a long, tortuous history. Some glimmer of the govern-
ment's proper function seems to have existed in every organized society, manifesting itself in such phenomena as the recognition of some implicit (if often non-existent) difference between a government and a robber-gang—the aura of respect and of moral authority granted to the government as the guardian of "law and order"—the fact that even the most evil types of government found it necessary to maintain some semblance of order and some pretense at justice, if only by routine and tradition, and to claim some sort of moral justification for their power, of a mystical or social nature. Just as the absolute monarchs of France had to invoke "The Divine Right of Kings," so the modern dictators of Soviet Russia have to spend fortunes on propaganda to justify their rule in the eyes of their enslaved subjects.

In mankind's history, the understanding of the government's proper function is a very recent achievement: it is only two-hundred years old and it dates from the Founding Fathers of the American Revolution. Not only did they identify the nature and the needs of a free society, but they devised the means to translate it into practice. A free society—like any other human product—cannot be achieved by random means, by mere wishing or by the leaders' "good intentions." A complex legal system, based on objectively valid principles, is required to make a society free and to keep it free—a system that does not depend on the motives, the moral character or the intentions of any given official, a system that leaves no opportunity, no legal loop-hole for the development of tyranny.
The American system of checks and balances was just such an achievement. And although certain contradictions in the Constitution did leave a loop-hole for the growth of statism, the incomparable achievement was the concept of a constitution as a means of limiting and restricting the power of the government.

Today, when a concerted effort is made to obliterate this point, it cannot be repeated too often that the Constitution is a limitation on the government, not on private individuals—that it does not prescribe the conduct of private individuals, only the conduct of the government—that it is not a charter for government power, but a charter of the citizens' protection against the government.

The Law Perverted

Now consider the extent of the moral and political inversion in today's prevalent view of government. Instead of being a protector of man's rights, the government is becoming their most dangerous violator; instead of guarding freedom, the government is establishing slavery; instead of protecting men from the initiators of physical force, the government is initiating physical force and coercion in any manner and issue it pleases; instead of serving as the instrument of objectivity in human relationships, the government is creating a deadly, subterranean reign of uncertainty and fear, by means of non-objective laws whose interpretation is left to the arbitrary decisions of random bureaucrats; instead of protecting men from injury by whim, the government is arrogating to itself the
power of unlimited whim—so that we are fast approaching the stage of the ultimate inversion: the stage where the government is free to do anything it pleases, while the citizens may act only by permission; which is the stage of the darkest periods of human history, the stage of rule by brute force.

It has often been remarked that in spite of its material progress, mankind has not achieved any comparable degree of moral progress. That remark is usually followed by some pessimistic conclusion about human nature. It is true that the moral state of mankind is disgracefully low. But if one considers the monstrous moral inversions of the governments (made possible by the altruist-collectivist morality) under which mankind has had to live through most of its history, one begins to wonder how men have managed to preserve even a semblance of civilization, and what indestructible vestige of self-esteem has kept them walking upright on two feet.

One also begins to see more clearly the nature of the political principles that have to be accepted and advocated, as part of the battle for man's intellectual Renaissance.
THE ECONOMIC ROLE OF SAVING AND CAPITAL GOODS

by Ludwig von Mises

As the popular philosophy of the common man sees it, human wealth and welfare are the products of the cooperation of two primordial factors: nature and human labor. All the things that enable man to live and to enjoy life are supplied either by nature or by work or by a combination of nature-given opportunities with human labor. As nature dispenses its gifts gratuitously, it follows that all the final fruits of production, the consumers' goods, ought to be allotted exclusively to the workers whose toil has created them. But unfortunately in this sinful world conditions are different. There the "predatory" classes of the "exploiters" want to reap although they have not sown. The landowners, the capitalists, and the entrepreneurs appropriate to themselves what by rights belongs to the workers who have produced it. All the evils of the world are the necessary effect of this originary wrong.

Such are the ideas that dominate the thinking of most
of our contemporaries. The socialists and the syndicalists conclude that in order to render human affairs more satisfactory it is necessary to eliminate those whom their jargon calls the "robber barons," i.e., the entrepreneurs, the capitalists, and the landowners, entirely; the conduct of all production affairs ought to be entrusted either to the social apparatus of compulsion and coercion, the state (in the Marxian terminology called Society), or to the men employed in the individual plants or branches of production.

Other people are more considerate in their reformist zeal. They do not intend to expropriate those whom they call the "leisure class" entirely. They want only to take away from them as much as is needed to bring about "more equality" in the "distribution" of wealth and income.

But both groups, the party of the thoroughgoing socialists and that of the more cautious reformers, agree in the basic doctrine according to which profit and interest are "unearned" income, are therefore morally objectionable, are the cause of the misery of the great majority of all honest workingmen and their families, and ought to be sharply curbed, if not entirely abolished, in a decent and satisfactory organization of society.

Yet this whole interpretation of human conditions is fallacious. The policies engendered by it are pernicious from whatever point of view we may judge them. Western civilization is doomed if we do not succeed very soon in substituting reasonable methods of dealing with economic problems for the present disastrous methods.
Mere work—that is, effort not guided by a rational plan and not aided by the employment of tools and intermediary products—brings about very little for the improvement of the worker's condition. Such work is not a specifically human device. It is what man has in common with all other animals. It is bestirring oneself instinctively and using one's bare hands to gather whatever is eatable and drinkable that can be found and appropriated.

Three Factors of Production

Physical exertion turns into a factor of human production when it is directed by reason toward a definite end and employs tools and previously produced intermediary products. Mind—reason—is the most important equipment of man. In the human sphere, labor counts only as one item in a combination of natural resources, capital goods, and labor; all these three factors are employed, according to a definite plan devised by reason, for the attainment of an end chosen. Labor, in the sense in which this term is used in dealing with human affairs, is only one of several factors of production.

The establishment of this fact demolishes entirely all the theses and claims of the popular doctrine of exploitation. Those saving and thereby accumulating capital goods, and those abstaining from the consumption of previously accumulated capital goods, contribute their share to the outcome of the processes of production. Equally indispensable in the conduct of affairs is the
role played by the human mind. Entrepreneurial judgment directs the toil of the workers and the employment of the capital goods toward the ultimate end of production, the best possible removal of what causes people to feel discontented and unhappy.

What distinguishes contemporary life in the countries of Western civilization from conditions as they prevailed in earlier ages—and still exist for the greater number of those living today—is not the changes in the supply of labor and the skill of the workers and not the familiarity with the exploits of pure science and their utilization by the applied sciences, by technology. It is the amount of capital accumulated. The issue has been intentionally obscured by the verbiage employed by the international and national government agencies dealing with what is called foreign aid for the underdeveloped countries. What these poor countries need in order to adopt the Western methods of mass production for the satisfaction of the wants of the masses is not information about a "know how." There is no secrecy about technological methods. They are taught at the technological schools and they are accurately described in textbooks, manuals, and periodical magazines. There are many experienced specialists available for the execution of every project that one may find practicable for these backward countries. What prevents a country like India from adopting the American methods of industry is the paucity of its supply of capital goods. As the Indian government’s confiscatory policies are deterring foreign capitalists from investing in India and as its prosocialist bigotry sabo-
tages domestic accumulation of capital, their country depends on the alms that Western nations are giving to it.

Consumers Direct the Use of Capital

Capital goods come into existence by saving. A part of the goods produced is withheld from immediate consumption and employed for processes the fruits of which will only mature at a later date. All material civilization is based upon this "capitalistic" approach to the problems of production.

"Roundabout methods of production," as Böhm-Bawerk called them, are chosen because they generate a higher output per unit of input. Early man lived from hand to mouth. Civilized man produces tools and intermediary products in the pursuit of long-range designs that finally bring forth results which direct, less time-consuming methods could never have attained or only with an incomparably higher expenditure of labor and material factors.

Those saving—that is consuming less than their share of the goods produced—inaugurate progress toward general prosperity. For the seed they have sown enriches not only themselves but also all other strata of society.

It benefits the consumers. The capital goods are for the owner a dead fund, a liability rather than an asset, if not used in production for the best possible and cheapest provision of the people with the goods and services they are asking for most urgently. In the market economy the owners of capital goods are forced to employ their prop-
Property as if it were entrusted to them by the consumers under the stipulation to invest it in those lines in which it best serves those consumers. Virtually, the capitalists are mandataries of the consumers, bound to comply with their wishes.

In order to attend to the orders received from the consumers, their real bosses, the capitalists must either themselves proceed to investment and the conduct of business or, if they are not prepared for such entrepreneurial activity or distrust their own abilities, hand over their funds to men whom they consider as better fitted for such a function. Whatever alternative they may choose, the supremacy of the consumers remains intact. No matter what the financial structure of the firm or company may be, the entrepreneur who operates with other peoples' money depends no less on the market, that is, the consumers, than the entrepreneur who fully owns his outfit.

**How To Raise Wages**

There is no other method to make wage rates rise than by investing more capital per worker. More investment of capital means: to give to the laborer more efficient tools. With the aid of better tools and machines, the quantity of the products increases and their quality improves. As the employer consequently will be in a position to obtain from the consumers more for what the employee has produced in one hour of work, he is able—and, by the competition of other employers, forced—to pay a higher price for the man's work.
As the labor union doctrine sees it, the wage increases that they are obtaining by what is euphemistically called "collective bargaining" are not to burden the buyers of the products but should be absorbed by the employers. The latter should cut down what in the eyes of the communists is called "unearned income," that is, interest on the capital invested and the profits derived from success in filling wants of the consumers that until then had remained unsatisfied. Thus the unions hope to transfer step by step all this allegedly unearned income from the pockets of the capitalists and entrepreneurs into those of the employees.

**Intervention and Unemployment**

What really happens on the market is, however, very different. At the market price \( m \) of the product \( p \), all those who were prepared to spend \( m \) for a unit of \( p \) could buy as much as they wanted. The total quantity of \( p \) produced and offered for sale was \( s \). It was not larger than \( s \) because with such a larger quantity the price, in order to clear the market, would have to drop below \( m \) to \( m_1 \). But at this price of \( m_1 \), the producers with the highest costs would suffer losses and would thereby be forced to stop producing \( p \). These marginal producers likewise incur losses and are forced to discontinue producing \( p \) if the wage increase enforced by the union (or by a governmental minimum wage decree) causes an increase of production costs not compensated by a rise in the price of \( m \) to \( m_2 \). The resulting restriction of produc-
tion necessitates a reduction of the labor force. The outcome of the union’s “victory” is the unemployment of a number of workers.

The result is the same if the employers are in a position to shift the increase in production costs fully to the consumers, without a drop in the quantity of $p$ produced and sold. If the consumers are spending more for the purchase of $p$, they must cut down their buying of some other commodity $q$. Then the demand for $q$ drops and brings about unemployment of a part of the men who were previously engaged in turning out $q$.

The union doctrine qualifies interest received by the owners of the capital invested in the enterprise as “unearned” and concludes that it could be abolished entirely or considerably shortened without any harm to the employees and the consumers. The rise in production costs caused by wage increases could therefore be borne by shortening the company’s net earnings and a corresponding reduction of the dividends paid to the shareholders. The same idea is at the bottom of the unions’ claim that every increase in what they call productivity of labor, (that is, in the sum of the prices received for the total output divided by the number of man hours spent in its production) should be added to the wage bill. Both methods mean confiscating for the benefit of the employees the whole or at least a considerable part of the returns on the capital provided by the saving of the capitalists. But what induces the capitalists to abstain from consuming their capital and to increase it by new saving is the fact that their forbearance is counterbal-
anced by the proceeds of their investments. If one de­
prives them of these proceeds, the only use they can make
of the capital they own is to consume it and thus to in­
augurate general progressive impoverishment.

The Only Sound Policy

What elevates the wage rates paid to the American
workers above the rates paid in foreign countries is the
fact that the investment of capital per worker is in this
country higher than abroad. Saving, the accumulation
of capital, has created and preserved up to now the high
standard of living of the average American employee.

All the methods by which the federal government and
the governments of the states, the political parties, and
the unions are trying to improve the conditions of peo­
ple anxious to earn wages and salaries are not only vain
but directly pernicious. There is only one kind of policy
that can effectively benefit the employees, namely, a pol­
icy that refrains from putting any obstacles in the way
of further saving and accumulation of capital.
ECONOMIC GROWTH

by Dean Russell

The word “democracy” now has a rival for popularity; it is “economic growth.” And like democracy, economic growth seems to mean whatever the user wants it to mean. Ordinarily, the growth of our economy is measured by the gross national product figures, and thus refers to total national spending (government and private) without regard to what the spending is for. By that popular measurement, however, we shall see that a decrease in our material level of living can occur during a period of high economic growth, as is often the case during wartime. Obviously, that type of growth is not what one ordinarily has in mind when he thinks of a prospering economy.

To avoid such confusion, I define economic growth as any increase in the production of goods and services that consumers want and will pay for voluntarily. If economic growth (that is, a higher level of living) refers to anything else, the term becomes not only meaningless but actually misleading.

For example, as I have defined it, an increase in the production and sales of canning machinery, hula hoops, Dr. Russell is Director of the School of Political Economy of the Foundation for Economic Education.
and vacation tours represents real economic growth; we consumers want them, are willing to pay for them ourselves, and are confident that they increase our level of living in one way or another. Otherwise we wouldn't buy them. But the current inclusion of the cost of bigger armies and more bomb factories in our economic growth figures is surely a distortion of what we all visualize when we speak of a growing economy. For clearly, those projects mean that fewer (not more) goods and services are available for our daily consumption. While I am highly in favor of giving up a part of my income to build nuclear submarines, surely it is misleading to add the cost of them to our economic growth figures, as is now done.

_Gross National Product_

Millions of intelligent and responsible persons are obviously in disagreement with my definition and concept of economic growth. Most economists and practically all officials of the United States, as well as those of the Soviet Union, define economic growth as _any_ increase either in capital goods or in consumer goods and services, government or private—that is, any increase in gross national product. By their measurement, it makes no difference at all whether the consumers want the goods and services and are willing to pay for them. Nor, apparently, does it make any difference to them whether our level of living is thereby increased or decreased, so long as the figures themselves are rising.

According to them, any increase in the capacity to
make tanks or hydrogen bombs should be included, along with houses and bread, as economic growth. The building of dams to water deserts to grow food to be stored in surplus ships are all included in our economic growth. As now measured, our gross national product (and thus our economic growth) could be increased dramatically if our government printed the money to pay unemployed workers to tear down one-half of all the houses in the United States, and then paid them again to build back the houses. Our gross national product (and thus our rate of economic growth as now measured) would be increased by the destruction as well as by the construction. Further, if the government today were to forbid the production of automobiles and require the manufacturers to spend the same amount of money on the production of buggies, our economic growth figures would not necessarily thereby decrease. I am of the strong opinion, however, that my level of living would fall sharply if I had to travel by horse and buggy instead of by automobile.

Since governmental decisions and activities now play such a prominent part in our economic growth, perhaps a comparison of how the American economy has performed under different degrees of government control would be of interest at this point. You understand, of course, that it is impossible to find two periods in economic history that are truly comparable. Further, measurements such as gross national product are, at best, merely rough and often erroneous estimates of what happened in the economy as a whole in the past. So while
these statistical devices are of some value to economic historians, the figures must be interpreted with extreme care.

**Variable Growth Rates**

Economic growth figures for the United States are rather sparse before 1900. Even so, economists consider them adequate for indicating general trends. For example, from the founding of the United States as a nation in 1789, and continuing until 1830, the growth rate per capita, as measured by rough estimates of gross national product in dollars of the same general purchasing power, was poor indeed. In fact, it barely moved forward during that entire 41-year period. But for the next 100 years, from 1830 to 1930, the rate of growth by the same measurement was truly phenomenal. While economic historians are far from unanimous in their estimates, it seems reasonably certain that the per capita real level of living of the American people at least tripled during that 100-year period, and perhaps quadrupled. And if one chooses to count as growth the longer life expectancy, the shorter work week, and the increased variety and quality of the goods and services produced, the Americans of 1929 might well have considered themselves six or eight times better off materially than were their great-grandparents of 1830.

That fantastic growth record accounts for the oft-heard statement that the level of living in the United States tends to double with each generation of 30 years or so. But from 1929 through 1962, our growth rate has been
well below the preceding 100-year average. And for the past five years, the rate has been much like that of 1789-1830; that is, it has been just barely moving forward. If one is interested in advocating and supporting policies to help our economy prosper again, he is obligated to search for probable reasons to explain the differing growth rates during those periods. So let us first briefly examine the early economic history of our nation.

_Mercantilism in Early America_

Most of us are unaware that the United States did not have a free market economy during its early history. Our forefathers generally endorsed and supported the mercantile philosophy that existed throughout the Western world from around 1500 to around 1800. True enough, the sad results of that semiconrolled economy as practiced by Great Britain was one of the causes of the American Revolution. But the economic causes of the revolt were inspired more by the place assigned to the American colonies in the general scheme than by a repudiation of the philosophy of government intervention as such.

Throughout the War for Independence, and continuing for the first 40 years or so after the colonies became a nation, the leaders of the national and state governments of the United States generally continued to follow the old mercantile and semifeudal policies of the government-directed economy. On the national level, there were vast public works projects, irresponsible manipula-
tion of the money supply that resulted in ruinous inflation, and heavy controls of various kinds on all foreign trade. Human slavery was a national policy. In itself, that sad and uneconomic practice necessarily meant that the economy was far from free.

On the state level, the politicians generally continued their customary controls over wages, hours of work, working conditions, and apprentice regulations. They encouraged certain businesses and professions with tax concessions and subsidies. They discouraged, and sometimes prohibited, other professions and businesses.

The evidence is clear that the economy of the United States did not prosper during its early history of mercantilism. We cannot prove that the various controls caused the stagnant economy; we can only say with certainty that the economy did not move forward under them.

The philosophy of mercantilism (that is, a type of controlled economy) came under increasing attack during the last quarter of the eighteenth century. The free market philosophy that was formalized by Adam Smith in his *Wealth of Nations* in 1776 found increasing acceptance in both Great Britain and the United States. The free market did not come to Britain until 1846 and the repeal of the so-called Corn Laws. There is no comparable and specific date for the emergence of the free market economy in the United States. But with the exception of the still-feudalistic and slave-owning South, it is reasonably safe to say that the economy of this nation was generally free from serious government restrictions by 1830.
A Century of Rapid Growth

The most fantastic material growth record the world has ever known then began in the United States and lasted for the next 100 years. Wages were left to find their own levels—and they soon became the highest in the world. The feudalistic guild policies and restrictive apprentice regulations were repudiated. Labor unions as we know them were nonexistent. While the federal government did continue to encourage and subsidize various projects it considered to be of national importance (railroads, for example), at least it abandoned its former policy of direct ownership and control. With the exception of the Civil War period, those great increases in production throughout that century of progress consisted almost entirely of goods and services that consumers wanted and paid for with their own money. Further, the increase here referred to was on a realistic per capita basis that included the millions and tens-of-millions of immigrants who clearly preferred our free market system to the still-feudalistic continental European system. It was during this period—probably around the end of the nineteenth century—that the United States became the most powerful nation, with the highest level of living, that the world had ever known.

Some persons claim that our rapid growth and high level of living were due primarily to our vast areas of land. But several other nations with vast areas of land continued to stagnate during the same 100 years.

Others point to our vast mineral, forest, and water
resources. But that hardly explains why other nations with similar natural resources made little if any progress.

Nor are Americans innately more intelligent than the people of other nations. Nor did they work longer hours here than elsewhere. Nor did they begin with a stock of machines and factories (capital) that was not available on equal terms to others.

After considering all possibilities that might account for our rapid growth rate during those 100 years, I am forced to the conclusion that the primary reason was our essentially free market economy and the "hands off" policy generally followed by our government.

**Back Toward Intervention**

But just as the philosophy against government controls over the economy began to find increasing acceptance around the end of the eighteenth century, just so did the reactionary philosophy for a return to government controls begin to find increasing acceptance in the United States early in the twentieth century. The Republican President, Theodore Roosevelt, discovered that political campaigns to restrict "big business" found ready acceptance among the voters. The Republican President, William Howard Taft, was in favor of the Federal Reserve Banking System of 1913 with its national control of our money and banking policies. Those two Republican Presidents also favored the Sixteenth Amendment and the new tax system of penalizing the successful and subsidizing the unsuccessful. Campaign
pledges to "conserve our natural resources" proved to be the surest possible way to gain high political office. The American people even turned to the federal government for a constitutional amendment to control our drinking habits and to abolish an entire industry!

State regulation of wages, hours, and general working conditions grew apace. The labor union movement gained millions of members and became a powerful force in the economy. Even so, our economy was still the freest in the world, and it continued to forge ahead for the next 30 years at about the same rate of growth and increasing level of living as those of the preceding 70 years.

Then came the stock market crash in the fall of 1929. It was another of those setbacks that invariably follow an expansion of credit and "paper investment" that are based on inflation instead of real savings. In previous similar occurrences (1907 and 1921, for example), the policy of our government had still generally been to do nothing during such periods of business failures and increased unemployment. Thus, as usual, those two "money and credit" depressions quickly ran their courses—the unsound investments were liquidated, and the economy surged forward again. But by 1929, a new philosophy concerning the purpose and functions of government had been accepted by most of our political leaders and the American people in general.

A direct result of this new (actually, old and reactionary) philosophy was a sharp increase in positive government action to get our economy rolling again. The
Republican President, Herbert Hoover, rushed in with his Reconstruction Finance Corporation to help business, and thus to prevent unemployment. He also advanced and supported several agricultural programs to help the hard-pressed farmers. He encouraged the idea of shorter hours of work in order to decrease production and keep prices high. He also encouraged industrial leaders to keep wages above the competitive free market level. He clearly endorsed the concept of creating prosperity and economic growth by deficit financing and make-work projects.

In short, contrary to what is generally believed, Mr. Hoover fully committed the powers of government to the positive task of ending the recession and, as he phrased it, to put two chickens in every pot. But under increased government controls and spending, the recession turned into a depression and became worse, year by year. By 1933, our level of living had dropped back to that of 1906, as measured by gross national product on a per capita, constant dollar basis.

Then Mr. Roosevelt took office, with still greater controls over the economy to make it move forward again. He increased sharply both deficit spending and make-work projects. The depression continued. There was a partial recovery in 1936-37, followed by another crash in 1938. More than ten million persons were still looking for jobs. In fact, mass unemployment—and a sharply reduced level of living for the American people—continued in an extreme form until we went to war in 1941.

These facts and comparisons cannot correctly be used
to prove that the longest and most severe depression in our history was positively caused by government intervention in the market place, even though one may logically suspect that such is the case. But these figures do prove one thing beyond any shadow of a doubt: While there may or may not have been other reasons for the continuation of the depression, our level of living positively declined during that 12-year period of increasing controls and deficit spending by government to get our economy rolling forward again.

**World War II, and After**

It was not until 1942 and our all-out war effort that the actual gross national product reached a level that was in harmony with the long-time growth rate of 1830-1930. At that point, and for the next three years, the growth rate as measured by gross national product leaped forward to new levels. Much of the growth was real; that is, more products per capita were produced for consumption. But the products that caused most of the increase—tanks and battleships—contributed nothing to our level of living. If, as I recommend, the growth rate were measured only in real terms of voluntarily-bought houses, cars, clothing, and similar products, our per capita level of living was still low in 1945—in fact, lower than the 1929 level per capita, even though the nation’s total production that now counts as economic growth had increased markedly.

Now let us see what happened to the growth rate and level of living under continuing government controls.
and deficit financing from the end of World War II through 1962. During about half of that period, we made considerable progress. But throughout that 18-year period, our rate of growth has been well below the 1830-1930 average. Only during the Korean War was there any marked increase in it, as measured by gross national product. But once again, that temporary spurt was due primarily to the production of guns and bombs, which hardly add to one's level of living. For the past five years, the actual annual growth rate for the increasingly controlled American economy has been well below one per cent per capita—less than one-half what it was in the comparatively free economy that generally prevailed for the 100 years before 1930 and the initiation of positive government action to move our economy forward. Further, that disturbing decrease in our long-time rate of growth has included a heavy and still increasing amount of government services that few people really want or are willing to pay for.

So even when we use the *socialistic* measurement for economic growth—that is, *all* production, government or private, wanted or not wanted—our economy has not performed at all well under government direction. A more realistic measurement of economic growth—one that is reasonably close to the measurement I recommend—is the money you and I have left after taxes to spend for goods and services we want. So here is the comparison for disposable personal income in constant dollars per capita for two periods of the same length—1897 to 1930, and 1930 through 1962.
That figure doubled itself between 1897 and 1930 in our essentially free economy. Even with the tremendous immigration that occurred during that 33-year period, real per capita take-home pay increased by at least 100 per cent. But since 1929—during the following 33-year period—disposable personal income has increased by only around 65 per cent.

Our government is now engaged in an extensive program to increase our faltering rate of economic growth and level of living. The actions already taken, and those proposed for the coming years, are markedly similar to the measures followed by the government from 1930 through 1945—that is, deficit spending, inflation, and make-work projects, plus a huge increase in armament production. Most definitely, those measures were a failure then, as measured by the production of consumer goods and services to increase our level of living. I can find no logical reason to suppose these schemes will be any more successful now.

Statistically, however, the government has the power to increase our rate of growth considerably—if we count every product or service that the government buys or produces (wanted or not wanted), as is now the case. By the customary and popular means of deficit financing and inflation, our government can indulge in all sorts of grandiose “economic growth” projects—urban redevelopment to tear down large sections of our cities and build them back again, draining swamps and irrigating deserts in order to increase the amount of arable land we can pay people to keep out of production, trips to
the moon, increased production of all the items that are used to fulfill our foreign aid commitments, more price supports and subsidies that consumers won't willingly pay, and so on through 10,000 and more similar projects. All of these will probably increase our gross national product, and thus will also increase our economic growth rate as now measured.

"New Frontier" Psychology

Personally, I fail to see how any of these projects can truly increase our level of living by producing more goods and services that consumers want and are willing to pay for. But, worse still, and in spite of the sad record of government interventions in the economy in the past, most of us now look to the federal government as the mainspring of our economic well-being. If you doubt this, ask the next five persons you meet what they think would happen to our economy if the "cold war" suddenly ended and our military machine was dismantled within the next year, even with a corresponding decrease in taxes. Ask any economist what he thinks would happen to our gross national product and employment levels if the government immediately reduced its non-military spending by one-half, even with a corresponding across-the-board tax cut. Ask those who are protected against both foreign and domestic competition, and those who receive subsidies, what they think would happen to total production in our nation if their subsidies and protection and government guarantees were re-
moved. Put those same questions to the top management of the privately-owned corporations all across the nation. Nearly all the answers will be the same. That is, whether or not it is true, they honestly believe that if our government discontinued any or all of those things, our economy would be in serious trouble.

Now stop and think! Our economy is in serious trouble, and has been in trouble most of the time since the government began directing and controlling it so extensively in 1930.

More than one-third of our national income is now taxed away and spent by government on all levels, and we have serious economic difficulties. Suppose the government taxed and spent one-half of our incomes; would that solve any problem now before us? Surely the answer is no.

Suppose the government were in total control of our economy, instead of merely in partial control; do you imagine that we consumers would thereby get more goods and services we want? Again, surely the answer is no.

When you get right down to it, though, those are the only two positive actions that our government can take to "get our economy moving." That is, our officials can tax more and spend more—directly, or indirectly by means of planned inflation. And they can impose more controls. Those are the only positive "economic growth" weapons in the government's arsenal. Yet, beyond any shadow of a doubt, our rate of economic growth has been comparatively low under increased government
spending and controls in the past. But in spite of that record, millions of sincere and good Americans are imploring our government to take positive action to get us moving again—with more spending and more controls!

Now it is logical to assume, of course, that the increase in some economic services that have been traditionally provided by government actually does represent real economic growth in much the same sense as similar private services. For example, education is a service that all parents want for their children. And presumably, we are willing to pay for it—in whatever form the bill is presented to us. This applies also to highway construction, fire departments, and to perhaps one or two other products or services for which the government has assumed almost total responsibility. But even when government does provide consumers with services they want and are willing to pay for—services that actually do increase our material level of living—there is no positive way to measure their economic values. And even at best, I am confident that we are paying more for them than would be the case in a market economy.

Now I am well aware of the claims advanced by the disciples of John Maynard Keynes concerning the secondary (or multiplier) effects of government spending, even when the spending is for the production of goods that cannot be used in our daily living. That is, the persons who are paid by government to produce the goods for our military and foreign aid programs will, in turn, use the money to buy consumer goods and services. That new or increased consumer purchasing power will thus
contribute to real economic growth in the sense I have defined it.

That appears to be the reasoning behind the present Administration’s planned deficit of $12 billion or so for next year. But if we are to avoid continuing inflation, the government must first tax the money away from the people. If that fiscal policy is followed, the tax payments will necessarily decrease the taxpayers’ ability to purchase consumer goods and services themselves, or to invest in the growth of our factories and machines. Thus any new jobs and production created by government spending from taxes will merely replace the jobs and production destroyed by the taxes themselves.

An Illusion of Progress

If the spending is by deficit financing and inflation instead of taxation, it is true that the result is often a pseudo prosperity, for a short period of time. Then, since the increased industrial activity is based primarily on government spending and inflation, the stimulating effect is brought to a halt as soon as prices catch up with the increased money supply. Many formerly profitable investments then become unprofitable. Thus, in order to keep the illusion going, the economic pump must be primed again and again—as has clearly been the case in the United States since 1929. Sooner or later, that bankrupt policy must collapse here, as it has in scores of other nations that have adopted it. The inevitable result is then revolution or dictatorship—or both. That probable
result of a policy of continuous inflation should be given serious thought by all Americans who are, actively or passively, now deciding the type of economy we will have for ourselves and our children for the next 50 years.

To help us decide, this final fact from economic history should also be considered: I cannot find even one historic example to show that a controlled economy has ever resulted in a higher level of living than a comparable free economy over a significant period of time. I can, however, find many examples to the contrary. The most dramatic one currently is, of course, the comparison of East and West Germany. Comparisons of current versus past economic policies in Japan, Italy, and various other nations also give the same answer.

I am convinced that we American people are not now following a realistic path toward economic growth when we turn to government “to get us moving again.” We forget that the only positive ways the government can use to attempt this are to tax, inflate, spend, and control—that is, to leave you with less real money to spend, and to restrict the ways you can spend what you have left. Thus we are clearly not choosing the means and policies that will increase the long-time production of goods and services that we consumers want and are willing to pay for. I am convinced that the only possible way to accomplish that goal is to reject totally the restrictive influence of government controls and ownership and deficit spending, and to return to the free market economy that is the hallmark of a responsible and prosperous people.
THE BEETLE AND THE CENTIPEDE

by W. A. Paton

In the cool of the evening, so the story goes, Mr. Beetle and Miss Centipede came out from under the rocks and started to do a bit of gossiping as was the practice among such creatures in the old days.

“Good evening, my dear Miss Centipede,” said Mr. Beetle, in his best voice, and “Good evening to you, Mr. Beetle,” the lady replied in sprightly fashion.

After some discussion of the weather, the food supply, and the hazards recently encountered, the conversation slowed down and in an effort to keep the visit going Mr. Beetle hit upon a new topic.

“Miss Centipede,” he said, “the part of your anatomy that has intrigued me most for a long time—although I don’t think I’ve mentioned it before—is your beautiful array of legs, and I’m also greatly impressed by the marvelous skill you display in manipulating them as you scurry about. I have only six legs to keep track of, but I don’t move very briskly and am regarded as rather awkward by all my friends. You, on the other hand, with fifty legs on the right side and fifty more on the left, handle all
this equipment with no apparent difficulty, and travel with speed, and most gracefully, in any direction you choose to go, and change your course as you wish without the slightest hesitation. Tell me, my dear Miss Centipede, how in the world do you do it?"

On hearing this little speech Miss Centipede tossed her head and rolled her eyes coquettishly (the reader may need to use a little imagination right here), and replied:

"Good Mr. Beetle, you make far too much of something that is really quite simple. I get about smoothly and gracefully—I admit it, you see—because it is actually very easy for me to keep my legs in order and have them respond to my wishes."

Mr. Beetle was not satisfied. "It may seem easy to you," he said, "but your pedal apparatus looks very complicated to me, and I don't see how you can keep from getting tangled up—getting your wires crossed, so to speak—at least occasionally. I wish you'd tell me how you really go about it. Suppose, for example, that you want to move the sixteenth leg on your left side, just how do you issue the proper instructions to accomplish this?"

"There's nothing to it," she said jauntily; "I'll show you." Miss Centipede then tackled the prescribed chore. She twisted and squirmed, went through all sorts of contortions, got up quite a sweat in fact, and all without achieving the desired result. Finally, instead of moving the sixteenth leg on the left she managed a pitiful little twitch of the eleventh leg (counting from the front) on the right.
Mr. Beetle now realized that he had started something that should have been left alone, and as Miss Centipede continued her struggle he became genuinely alarmed.

"Please, Miss Centipede," he begged, "don't bother your pretty head any longer with my silly inquiry. The matter is of no consequence and I'm afraid you are making yourself ill. We can discuss this some other time."

But Miss Centipede had her back up and according to all the accounts of the episode she kept on trying desperately for an hour or so until she was completely exhausted. But this wasn't the worst of it. When she finally gave up, she had become so confused that she couldn't move at all! One writer introduces a dab of verse in telling about this unhappy outcome, somewhat as follows, according to my hazy recollection:

She wrought herself to such a pitch
She stretched out, helpless, in the ditch.

And the poor creature was permanently paralyzed thereafter, from all fifty waists down, and finally died of starvation.

This tale has a moral for these days—one that is fairly evident to anyone familiar with and concerned about the impact of the tide of government intervention upon the intricate mechanism of the free market. Among the wonders of human society—perhaps the greatest of them all—is our network of exchange activities and the accompanying mosaic of prices. It is this instrument which
has fostered and implemented a truly astonishing degree of specialization in production, and has made available an almost countless array of consumer goods and services. Operating through the price structure, the market acknowledges and integrates the inclinations and choices of millions of individuals, and the system promptly reflects the constantly changing attitudes and circumstances of the host of participants. It is in this connection that the term "miracle" has often been applied to describe the functioning of the free competitive market. Without directives, without government intervention, without central planning, the impersonal forces of the market, acting automatically, direct the allocation of resources, appraise the contributions of the productive factors, and distribute the product. But this marvelous mechanism, not anyone's invention but the very essence of economic development and activity, can undoubtedly be crippled and finally wrecked altogether by conscious interference and tinkering. Left alone, with the power of the state confined to checking predatory actions, the market performs wonders in guiding economic conduct; loaded with price fixing, government regulation, bureaucratic intervention and planning, the market apparatus falters and eventually becomes ineffective. In his classes years ago Fred M. Taylor laid great stress on the need for a hands-off policy if the price system were to be effective in directing economic activity, and his favorite admonition in this connection was: "Don't monkey with the thermostat."

The bad results of present-day interference with the market are everywhere apparent, but there are few signs
of any abatement of the socialist trend. The planners are twisting and squirming, like Miss Centipede, and each additional effort to control the economy sets up a chain of new contortions and dislocations. But the dedicated interventionists who are now in the saddle don’t seem to be afraid of the stagnation and paralysis awaiting them—and the rest of us, unfortunately—at the end of the road.
WHAT IS EMPLOYMENT?

by Oscar W. Cooley

"EMPLOYMENT" is not a simple term denoting the mere holding of a job for which a wage is paid, or the operating of one's own business. Rather, it signifies the state of anyone who is doing what, under the circumstances, he most wants to do. Such a person is fully "employed." A community or nation has "full employment" when all of its people are fully employed.

The ways in which people may be employed are legion. One may be writing a book, another writing a letter. One may be teaching a class, or speaking from the hustings. One may be tending a lathe, a baby, or a fish line. One may be driving an automobile, baking cookies, dancing the twist, enduring an appendectomy, or lying on the ground gazing up into the blue. All are employment, all are done to satisfy, and the satisfactions received, whether measurable in money or not, are income to the recipient and a part of the "national income."

Shister wrote, concerning a worker who prefers part-

Mr. Cooley is Associate Professor of Economics at Ohio Northern University. This article is from a chapter in his book, Paying Men Not To Work, The Caxton Printers, Ltd., 1964.
time work in his home locality to migrating elsewhere for full-time work:

... if the attachments in the area mean so much to the worker that he would rather stay there than move to a full-time job it follows that these attachments have a real value to him, though they have no market value. In a *free society*, they are every bit as much a part of the “national income” as is a suit of clothes, an automobile, or a yacht.¹

And yet, those who compute the national income ignore psychic reward, dismissing it for the reason that it is immeasurable. They are content to reckon the monetary income and cite it as the total of satisfactions received, when plainly it is not. Because a quantity cannot be measured does not mean that it does not exist. Certainly, one cannot ignore such a quantity as though it did not move people to act.

Income, since it consists of satisfactions received, or the wherewithal to exchange for such satisfactions, tends to satisfy the recipient. It removes, in whole or in part, his uneasiness. He now consumes or enjoys the income, and then tends to return to the same source for more. Thus, if his income is gained from work, he resumes the work; if it is gained from leisure, he continues the leisure. Only when in his mind an image forms of a way to earn more or higher quality income does he change his ways. Human action, then, is motivated by the search for satisfactions, that is, for income, material or psychic.

In one respect, psychic income is superior to monetary

income. Money must be converted into consumable goods or services and the latter consumed before actual satisfactions are realized, but psychic income requires no conversion or consumption since it consists of the final satisfactions themselves. It is immediate income while money income is mediate. Thus, work yields wages, which must be exchanged for food before one can enjoy the satisfaction of eating and of renewing his strength, but leisure yields income in the form of rest, recreation, social activity, and so forth, which is the satisfaction itself, directly and immediately experienced.

On the other hand, monetary income has the superiority of being exchangeable for any satisfactions which are available for purchase. Psychic income is not exchangeable. Hence, if one is to enjoy those satisfactions which can only be purchased, some money income is necessary.

**Examples of Psychic Income**

As a rule people are not motivated by psychic income or by material income alone but by a combination of the two. Rarely is one present without the other. Sometimes one will be a negative quantity, but their algebraic sum will be positive. To give examples:

Here is a man who farms not merely for the material rewards he gains from farming, which he is aware are less than he could earn in business, but because he enjoys living outdoors, tilling the soil, and being his own boss. Without these psychic rewards, he would desert the
WHAT IS "EMPLOYMENT"?  

farm for business. His life-work has been determined by psychic income.

Here is a man who loves science and the laboratory and the search for knowledge; he is a research physicist though he knows that he might earn more money as an engineer. Psychic, not material, income is the determinant of his vocation.

One may imagine a contractor who builds houses in Florida, though he once made and could still make more money building skyscrapers in Manhattan.

A certain man is in politics because he believes he can thereby serve his community, or because he enjoys the power that political office confers.

This woman has deliberately quit her salaried job in an office to stay at home and keep house and bring up children.

Here is a man who quit a government job out of boredom and took a job in industry because it was more exciting.

And here is one who is living on unemployment compensation for the time being because he is tired of the time-clock and the foreman and likes to play cards, or because the readjustment he would have to make in order to get a job would be too unpleasant.

Examples of lives directed by psychic factors are all about us. Indeed, everyone, if he will examine his own motives, will admit that many, perhaps most, of his actions are prompted, fully or in part, by the prospect of direct satisfactions, either physical, intellectual, or spiritual.
It may be taken for granted that all men want greater rewards, either material or psychic or both, than they are receiving. In some the desire for increased reward is much keener than in others; those in whom it is keen are on the lookout for more lucrative employment.

Some complain that their rewards are altogether “too small” and insist that they should have more. If they are able to persuade the community of this, they may be given an additional material reward or they may be offered the chance to work and earn an additional amount.

Those whose rewards are considered by the community to be “too small” and who aver that they want to earn more are classed as “unemployed” and are looked upon as a social problem. The “problem” is to increase their rewards. It is assumed (wholly without proof) that they cannot do this for themselves and hence that society must do it for them.

However, the “unemployed” are not differently situated from others. They are receiving some rewards and they want more; the same can be said of us all. If the “unemployed” are helpless, so is everyone.

**Who Is More Deserving?**

Somehow it is assumed that people in certain circumstances are more deserving of increased rewards than are others. It cannot be because these people, the “unemployed,” now receive less total rewards than others receive for, psychic rewards being immeasurable, it is im-
possible to calculate and know anyone’s total reward.

Granted, the “unemployed” are usually receiving less material rewards than the “employed” receive. However, an “unemployed” person may easily be receiving vastly more psychic reward, and hence more total reward, than an “employed” person. So, one wonders why the “unemployed” person’s neighbors tax themselves to give him money to increase his total reward. They likely may be giving “to him who hath.”

No one but the person himself knows or can know what the rewards, that is, the total income, of his way of life are. Therefore, the only criterion the community has for determining whether his rewards are “sufficient” are his actions. If he bestirs himself to increase his rewards, evidently his rewards are “insufficient” to meet his wants. Dissatisfied with his present way of life, he changes it.

Since only he knows what his present rewards are, only he can know whether they compare favorably with what he might receive in a different situation. Therefore, only he can decide whether he should make a change.

There is no call for any action by the community; any such action, in fact, will inevitably collide with his own action, since a body cannot move in two directions at one time. For example, a grant of “relief” by the community may meet head-on his intent to go to a neighboring city to look for a job—and may overcome it. The relief payment plus the psychic reward attached to remaining idle in his home environment may exceed the wage of working in the neighboring city plus any psychic re-
ward (or cost, that is, negative reward) connected with the new environment and experience.

In such case, the action of the community cannot be said to have “solved” a “social problem.” In the first place, there was no “social problem,” and in the second, the community’s action is merely alternative to his own, planned, autonomous action. It is different but not “better”; in fact, it is socially “worse,” because it has imposed a cost on the community which the person’s own contemplated action would not have imposed.

The Meaning of “Full Employment”

Those who advocate “full employment” are really advocating not “full” employment, which already prevails, but directed employment. They claim to desire more people to be employed, but they really desire people to be employed in different ways than prevail. The “unemployed” and the “underemployed” they want to see “fully” employed. But by what right do they state that some are not doing as much as they ought to do? And how do they justify using the power of government to hire people to alter their employment?2

The error arises from the assumption that some of the nation’s human resources are not being used and hence can be put to use without taking them away from any

---

2 When the federal government finances public works spending with newly manufactured, costless “money,” as it frequently does, the power of government is being used to commandeer resources, just as truly as it is when men are drafted into the armed forces.
other use—that Paul can be paid without robbing Peter. But, as we have seen, all people are employed, at some activity, if it be nothing more exciting than rocking on the front porch, and all are receiving rewards, material and immaterial, in unknown amounts. Who is to say that they are not now “fully” employed, or that they will be more “fully” employed after some have been moved by external direction into different employment?

The authorities admit that in recent years employers have actively sought workers while in the same areas an ever-increasing number of workers were reported without jobs. There is abundant evidence that jobless people are being dissuaded, by public aids, from taking available jobs. It is manifestly untrue to say that these people can be hired, by massive injections of new money into the spending stream, without cost to the economy. As soon as such a person is hired—for example, on a public project launched to eliminate his “unemployment”—he will cease to receive and enjoy the psychic satisfactions he was receiving as a jobless person, and the national income will be reduced by the amount of these satisfactions. The value of the income sacrificed will be equal to the least amount he would go to work for on the public project, minus the amount of cash aid he had been receiving.

To put it another way, while out of a job and on unemployment compensation, a person receives his livelihood plus the satisfactions of idleness. When he is put to work on a public works project, he receives only his livelihood. Yet the “full employment” school of thought holds that there has been no loss.
The aim of the "full employment" school is to provide relatively high-wage jobs and attract workers into them. Private employers, being limited by the marginal productivity of the workers, cannot provide such jobs, but the government can. The "full employment" advocates would insure against workers taking low-wage jobs by providing generous unemployment compensation and public assistance, which compete successfully with low-wage jobs for the workers' favor. The higher the levels of these aids, the more people who appear to claim them, and hence the longer the rolls of the "unemployed." Thus, "less than full employment" becomes a chronic condition, making appropriate, according to the Keynesian prescription, ever greater injections of fiat money. In short, their solution to "unemployment" is to raise wages—which in turn results in more "unemployment."

This vicious circle can only be broken by recognition that "less than full employment" is a fiction. No free person is "unemployed." Everyone is employed at the activity of his choice. Some are more productive of measurable wealth than others, but only in a totalitarian state could any pretense be made of directing everyone into that employment where he produced the most measurable wealth. In a free society, people spend much time and energy in producing immeasurable, psychic wealth. They also switch quickly from producing material wealth to producing psychic wealth, and vice versa.

Any theory of employment which ignores psychic wages and the employments which yield such wages is incomplete and inadequate. Any attempt to quantify all
wages and express the quantities in a common measure of value is doomed to failure. No one knows or can know what another’s income totals. Hence, no one can know what the total “national income” is, or whether it is greater or less this year than last. If we consider an increase of national income to be a “measure of economic growth,” no one can make other than the wildest estimate of the rate of economic growth.

Since World War II, government spending has been liberally used to direct people into wage employment, and undoubtedly some have been so directed. Whether this has caused the “national income” to be higher than it would have been is impossible to say. However, it is a matter of common observation that not all have been induced to take wage jobs; the lengthening relief rolls and the continuing queues of unemployment compensation claimants testify to that.

More and more we hear of “chronic unemployment.” Some call it “permanent unemployment.” It is really not unemployment at all but alternative employment. In many cases public agencies are playing the role of “employers”; in others the people are “self-employed,” or subsisting on savings or other resources of their own.

To hold that whenever there is “less than full employment” people can be directed into wage jobs without being lured away from other satisfying activity and thus without detracting from production already in progress is to imply that all jobless people are wasting their time and would give up nothing if they were to take jobs. To reveal the weakness of this implication, we need only ask:
What of those who have quit work voluntarily? What of the retired, the professors on sabbatical leave, and so on? In fact, a state of chosen leisure may well be the richest employment imaginable. Literally "full employment" at wage and salary jobs would be a most wasteful use of manpower. To use government power to achieve "full employment" is just as antisocial as it is uneconomic.

**Inflationary Spending**

Economists widely hold that it is evil—the term is "inflationary"—for government to launch a spend-to-create-employment program when "full employment" already prevails, but to do this when there is "less than full employment" is quite all right, in fact, is the appropriate remedy. If, as the writer holds, there is no essential difference between "full employment" and "less than full employment"—if in a true sense the former always prevails in a free society, it follows that government spending programs are always inflationary.

The essence of such a spending program is that the government spends costless, or "legally counterfeit," money to hire resources. The source, and the only source, of the value of such "money" is the value of other money in circulation. It is a diluting operation, for all the world like pouring a bucket of water into a can of milk. In reality, the government claims and takes the services of resources, including workers, without giving up wealth for them. A fully employed economy, it is held, cannot afford to give up these services but a "less than fully employed" economy can.
If, however, as held here, people are “unemployed” because they prefer to be, that is, because the satisfactions of “unemployment” add up to a more attractive package than do the satisfactions of “employment,” then manifestly they will not benefit by being moved into employment, which means being required to give up the greater satisfactions for the lesser. This is really the meaning of “inflation”; it is a process by which people are lured into comparatively unproductive employment, the entire economy is impoverished, and all are condemned to receive lesser satisfactions. Thus, regardless of what the statisticians say is the “rate of unemployment,” government spending is never the remedy.

Conclusions

What bearing has this theory of employment on the thesis that government “aids” are subsidizing idleness and reducing productivity? Just this. Through aids, we are enabling people to consume without producing. The subsidized persons are, to the extent of the subsidy, escaping the disutility of labor, which is imposed on man by nature. They are becoming drones, living off the workers. And they are assuming this favored status on the ground that through forces beyond their control they have been placed in the disadvantageous position of being “unemployed” and thus have a valid claim upon society.

In point of fact, they are not “unemployed,” nor are they victims of forces beyond their control. They are free persons choosing from various alternatives how they shall spend their days, just as all persons are doing. They are
free to produce little, if they wish, but it follows that they should consume proportionately, in which case they will be moved most strongly to become more productive.

Society cannot afford to give them consumption goods in excess of what they produce, since this merely prolongs their unproductive state, nor is there any reason, economic or other, for so doing. On the contrary, reason dictates that the "aids" be cut off, both to save the product for those who have produced it and to stimulate the unproductive to become more productive.

Perhaps the most serious aid-induced waste is the erosion of the spirit of enterprise, which inevitably results from putting people on a dole, since it reduces the necessity to venture and to exert oneself. The American worker's ready acceptance of the fatalistic notion that he "cannot find a job" should give us pause. Only as the worker succeeds in selling his labor and keeping himself continuously at work will the economy produce to the utmost.

Government "aid" of all kinds, whether it be compensation to the "unemployed," relief to the "needy," price supports to farmers, minimum wages to workers, subsidies to shipbuilders, easy credit to "small" business, urban renewal grants, defense contracts to "depressed areas," or "aid to education," should be discontinued, if not immediately, then gradually. Government should withdraw from the "aid" business, at the same time serving notice on the people that they must depend upon their own initiative. Not only the federal but the state and local governments should demobilize their "aid" forces.
Such action, we predict, would be followed by such a surge of productive activity as this country has never seen. As the easy lackadaisical, subsidized life came to an end, men would bestir themselves, throw off their aid-induced lethargy, shed the cynical “everybody’s-getting-his-why-shouldn’t-I-get-mine” attitude, and go to work with vigor and daring.

The “unemployed,” having no government crutch to lean upon, would break down the “union wage” tradition and find jobs at market wages. As they went to work, production would increase, new projects not now feasible because of cost would spring into being and enterprise would expand. The demand for capital would increase. Simultaneously, knowing that they now must depend on their own resources, people would save more, providing the new investment funds. Opportunities for entrepreneurs would multiply. So would opportunities for workers.

We must get used to the idea that the job is not static—not a given. The technology of electronics, computers, and so forth accelerates the displacement of workers. That is to say, entrepreneurs are enjoying a period of extraordinary success in devising less costly ways of production. They are not “creating jobs,” nor can they be expected to do so; their function is to create wealth. The worker must fend for himself. This makes it all the more essential that we not demobilize the job-seeker, but that we encourage the job-finding, job-creating efforts of every worker.
WHO ARE THE UNEMPLOYED?

by Paul L. Poirot

Unemployment was no problem on Robinson Crusoe's island. Nor does it plague the people of primitive agrarian societies where each serves as jack-of-all-trades to wrest his bare living from nature. The American Indians, for instance, failed to utilize a number of natural resources, but all the people were fully employed—at a subsistence level.

In a sense, it seems that unemployment comes with capitalism and industrialization—a consequence of savings and automation and division of labor and trade—a problem that follows economic progress. But this says only that employment must come first. Before $A$ can offer a job opportunity attractive to $B$, $A$ must possess capital in the form of creative ideas, raw materials, tools, scarce resources that will enable $B$ to work more effectively than he could on his own. There is nothing to be gained in doing each other's laundry. The reason why individuals exchange labor, or work for one another, is that each gains something by the trade, or thinks he does. Some are more skilled at one task, some at another. Some men are able to save more and accumulate capital faster than others. Some have extraordinary managerial abilities. Some are superior salesmen. And so they trade, to their
WHO ARE THE UNEMPLOYED?

mutual advantage, offering employment opportunities to one another.

Employment opportunities must have been developed in a society before there can be such a thing as unemployment. But is there anything inherent in the industrialization process or in the market economy that necessarily causes unemployment? That a man can earn a better living for himself by working under another's supervision for wages explains why he might be so employed. It fails to explain why he might stop working altogether or be unemployed. Why, then, does the problem of unemployment seem to develop as men begin to specialize and trade and seek economic progress through industrialization?

Look to the Intervention

There is abundant evidence that unemployment occurs in the most prosperous industrialized economies in the world. There also is ample evidence of unemployment in poverty-stricken nations such as Red China where industrialization is attempted through coercion and men are forced from traditional subsistence farming into the tax-supported heavy industries planned and promoted by the rulers. When shortages of raw materials or tools disrupt "The Plan" in Red China, the coolies who have been drawn into factories find themselves unemployed and starving.

Evidently, it is not the stage or the degree of industrialization that accounts for the severity or persistence of unemployment. Serious unemployment can occur in a
United States of chronic surpluses as well as in a Red China or Russia of chronic shortages. Perhaps the surpluses and shortages afford a clue. These are signs of a malfunction of the market, of supply in excess of demand, or vice versa. There is a surplus of wheat in the United States because someone has been using the force of the government to regulate the price of wheat, holding it up by law instead of leaving it free to rise or fall to that point which would tend to balance supply and demand and clear the wheat market. And the shortage of food grains in Red China likewise is the result of government tampering with the price signal, holding the prices down by law to a point too low to stimulate the production consumers want and otherwise would pay for.

It should be clear that a surplus or a shortage of any commodity is not an inevitable consequence of industrialization or of trade in an unrigged market. The surplus or shortage arises because of price control—because the market is not allowed to perform its natural function of bringing supply and demand toward equilibrium—because people are not permitted to buy and sell what they please at prices acceptable to everyone concerned. When a surplus or a shortage of any commodity occurs, you may rest assured that the force of government has displaced individual choice.

The effect of price control for services—that is, control of the level of wages—is the same as the effect of government price control of commodities. In other words, unemployment in reality is a surplus of labor. And a surplus of labor can occur in any society only if someone
is using the force of government to hold wage rates above the level that would clear the labor market. If willing workers are unable to find willing employers at a given wage rate, this means that the wage rate is being held at too high a level. On the other hand, if wages are set by government at lower than a free market level, then willing employers will be unable to hire as many willing workers as they'd like; the resultant shortage of labor is sometimes referred to as "over-full-employment."

Unemployment is not a necessary condition of industrialization or free market exchange; it is caused by control of wage rates—by the government directly, or by some person or group having usurped and exercised governmental powers of coercion. This explains why there can be unemployment in a prosperous wealthy nation as well as in Red China: wage rates are being held higher than the supply-demand situation warrants.

**Unemployed by Definition**

The government-assembled statistics of the United States show that unemployment has averaged over the past two years about 5.5 per cent of all experienced wage and salary workers, and that about 80 per cent of those classed as unemployed were eligible for government "unemployment compensation." Certainly, that is one answer to the question: "Who are the unemployed?" They are the ones the government recognizes as unemployed.¹

¹See the preceding article in this volume, "What Is 'Employment'?" by Oscar W. Cooley.
It may be argued, of course, that the government bases its count on faulty information, that many of those presumed to be unemployed are simply waiting out the normal interval between jobs, or that some of them have never really looked for job opportunities and wouldn't work if offered the chance. And of the four out of five actually being paid not to work, a high proportion must consider that arrangement the most satisfactory of all ways to "earn" a living. At least, it should come as no surprise to anyone that 5.5 per cent of the labor force are unemployed when the coercive power of government is used to uphold a high level of wages and when a government subsidy is made available to those who can't find work or won't accept it at prevailing wage rates and conditions of employment. From that point of view, it might appear that the government's count overstates the seriousness of the unemployment situation.

**Working for Nothing**

There is another side of the picture, however. Does the government's count include the thousands of farmers who are being paid not to produce wheat, cotton, tobacco, and other "basic commodities"? Are not these farmers as effectively unemployed as the laborers collecting "unemployment compensation" for not producing coal or cars or steel or whatever? And can it be said that they were fully and effectively employed who grew the wheat and cotton and other "surplus" commodities now deteriorating in government storage?
Are shipyard workers fully and effectively employed while building subsidized vessels for a subsidized merchant marine? What of those workers in "depressed areas" who are engaged in subsidized highway construction, or subsidized urban renewal; are they fully and effectively employed? Above all, what of the jobs "saved" in shady and questionable private enterprises by the government's deliberate policy of deficit-financed inflation designed to conceal business bankruptcies and thus keep working those union members who otherwise would have priced themselves out of the market into the ranks of the unemployed?²

Without further extending the list of government projects and policies designed primarily to make work for the otherwise unemployed, it seems reasonably clear that the government's unemployment count has grossly understated rather than overstated the seriousness of the problem. When governments at various levels in the United States are spending more than a third of the total earnings of all individuals, there can be little doubt that far more of us are effectively unemployed than government statistics reveal. The beneficiaries of this government intervention and spending are not really earning their own living because they are not working at jobs for which anyone would voluntarily employ them.

Furthermore, these workers are worse than idle; for the purely make-work projects that employ them to no useful economic purpose also draw from the market all

kinds of raw materials and tools and power and light and heat and other scarce and valuable resources, in effect wasting them and increasing the prices of supplies remaining for the creative and constructive purposes of those willing to risk their own time and savings.

The harsh fact is that government intervention—in the form of special powers and privileges to labor unions plus a vast tax-and-deficit-financed matrix of “depressed area” work projects designed to shelter and hide those who have arbitrarily priced their services out of the market—has resulted in a surplus of labor, a rate of unemployment and malemployment that not even the wealthiest nation in the world can long endure. The government statistics do not even begin to show the extent of the unemployment problem. The corrective is to repeal those grants of power and privilege, stop the foolish government spending, and let prices and wages find their own level in a free market.
THE FAILURES OF PRIVATE ENTERPRISE

by Melvin D. Barger

The fantastic successes of the American free enterprise system and the dismal failures of socialism in the USSR, Red China, and elsewhere, should be familiar facts to anybody who reads. And it is probably the glittering productivity of the American business system that forces its domestic enemies to attempt their changes, not by openly advocating socialism, but by declaring themselves to be in favor of "preserving competition," "saving capitalism," or "protecting small business." Scarcely any Americans except a few splinter groups of eccentrics call themselves "socialists," for "socialism" won't sell under its own brand name. Free enterprise has been so successful that even its opposite has to be offered as a form of free enterprise!

Yet, there are thousands of business failures every year in the United States, to say nothing of costly mistakes made by companies which nonetheless manage to stay solvent. All of these failures are costly also in terms of human anguish. Nobody likes to talk about them; they are

Mr. Barger, formerly in industrial public relations work, is now on the editorial staff of The Wall Street Journal.
skeletons in the closet of American business. This is regrettable, for the very failures of private enterprise are a powerful argument in favor of maintaining as much freedom as possible. Failure has its rightful function in the free market place, and we ought never to suppose for a moment that failure is completely bad. It has some important uses which ought to be examined and talked about.

Three Case Studies

Here are three actual business failures that will serve as cases in point:

• Six years ago a giant automobile company risked over $200 million in the design, production, and promotion of a new car. In a short time it had to be taken off the market, leaving only an assortment of jokes and a badly disillusioned group of dealers;

• A small Michigan firm with a seasonal product diversified into the school seating business, which appeared extremely attractive and profitable during the early planning stages. Powerful competition and other forces finally caused them to liquidate the project, at a heavy cost;

• An electronics firm built a special plant for the production of gears under a government contract. Production costs in this unfamiliar business drove them to the wall, and only a fortunate sale of the plant and machinery saved the company from immediate insolvency.
Now these were personal tragedies for the persons directly involved. Investors suffered through losses in savings, suppliers were deprived of valuable customers, employees lost jobs, and executives were demoted or forced to resign. In view of the "wear and tear" that failure imposes on human feelings, it is tempting to demand relief measures of some kind. The dealers who risked their savings on the new car had nothing to do with the adverse market conditions that caused it to fail. The employees who were laid off because their company failed to make good in the school seating business were acting in good faith; they probably did their own work efficiently and well. And the small Midwestern community that had such high hopes for the electronics firm's gear business did not really deserve the blow that came when the plant closed. In all of these cases, the free market seemed to deal brutally with some rather innocent and decent people.

It so happens that in the three cases cited, little provision was made to soften the impact of failure. These were industries that did not have some kind of a pipeline into public funds, so the business managers had to "eat their own mistakes." Except for unemployment payments to laid-off employees, everybody involved had to take the consequences of failure. And the result, in each case, was that the managers took decisive and energetic steps to liquidate the failing operation as rapidly as possible. They had to, in order to avoid disaster.

There was a happy sequel to each failure. The automobile company went on to enjoy some unexpected sales
successes with a sports-type car and the soon-to-appear compacts. It was able to use many of the production facilities that had been assigned to the defunct model. The company that failed in the school seating business applied its energies more determinedly than ever in its own line, grateful that they had withdrawn from the ill-advised seating venture before losses became unendurably heavy. And the plant vacated by the unhappy electronics firm was purchased by a growing, well-financed company that has since expanded the facility and tripled employment.

Hence, it should be clear that although failure was undesirable, and resulted from somebody's mistaken judgment, the free market put a "stop loss" on it as quickly as possible, thus halting further drains on scarce capital and other resources. Market freedom is, in fact, practically indispensable in the handling of a business failure. Business managers have to be able to take action without delay, and in some cases the losses might be so great that any postponement at all will be fatal. There is also the chance that corrective measures might save the situation; here again, the manager needs the freedom to act promptly. A third reason, one that is often important to the workers and the community where the business is located, is that decisive action may eventually transfer the plant and equipment to more capable hands.

None of this should be interpreted to mean that failure is being glorified or is something particularly characteristic of the free enterprise system. It is only to say that the free market place has some built-in methods of
dealing with failure that all other systems lack. Under any other system, failure continues to perpetuate itself, with hidden but nevertheless real losses to the entire community.

Controlled Failures

Now let us turn to the controlled market place and see what happens when failure occurs. Controlled businesses can be either those that are directly owned by the government, such as the Post Office, or those privately owned but regulated by a government agency. In either case, the “failure” mechanism is not allowed to perform its proper role. Failure happens, but it is “remedied” by doses of subsidy or by regulation that thwarts the called-for liquidation of a questionable operation. As more and more legislation is passed giving the government additional controls over the economy, it also becomes increasingly difficult to deal wisely with failure.

We are sadly familiar with the methods of handling failure in government-owned enterprises. The postal deficit is something that seems to get aired annually, and as all of us know, Congress always finds the funds to make it up. It is common knowledge that the Post Office has hundreds of operations around the country that probably fail to pay their own way, and that the rates for the various classes of mail have been decided by political considerations rather than economic ones. And it is politically impossible for Congress to make the hard decisions that the market place makes automatically for
the privately-owned firm. Thus, rather than shut down certain services that are losing huge sums of money, the Post Office department allows the public to fool itself by paying through taxes for the services it does not pay for directly in postage. Some mail users also get huge benefits that everybody pays for, since not all people use the mails equally.

Were this same principle applied to every commodity and service that we buy, the result would be an over-all decrease in the amount and quality of these goods and services; for the incompetent suppliers would be kept in business along with those we would select under free market conditions.

**Subsidized Subways**

Another kind of government-owned industry that avoids the stigma of failure is the municipally-owned transportation system. A certain large North American city has a new subway system that is something of an engineering marvel in rapid transit. One is picked up in a beautiful new underground subway station and whisked to the heart of the city in cars that ride almost as smoothly as the latest jet aircraft.

To the uninformed, this rapid transit system is a dazzling success. Unfortunately, it is actually a dismal failure, for it was built by public funds and cannot pay its operating expenses out of its fares. Were it a privately-owned firm, it would already be in bankruptcy. But it is kept alive by subsidy, and the persons who use the system literally
enjoy a free ride at everybody's expense. Nor is it possible to raise fares to cover the true cost of operation and perhaps give the taxpayers a "profit." Had this alternative been open, we must remember, it would have drawn private capital into the venture originally.

**Regulated Rates**

What happens when failure occurs in an industry that is privately owned but publicly regulated? One serious effect is that the owners are unable to liquidate their investment without some kind of permission from the authorities. If a radio station has been losing money, for example, the owners are forced to continue losing money until they can find a new buyer and the Federal Communications Commission approves of the license transfer—a procedure that may take months. If an airline has been losing money to such an extent that its management decides that the best alternative is a merger with a healthier concern, this near life-and-death matter for the company cannot be disposed of without governmental approval. If a railroad wishes to discontinue an unprofitable branch line or adjust its rates, it can do so only with permission from state or federal authorities. And in economic affairs, this matter of delay becomes a critical thing, for it means a continuance of the adverse conditions that made the proposed move necessary. In some cases it is as if a group of doctors held a lengthy conference and argued about a means of dealing with a situation while the patient bled to death.
Government's practice of rescuing ailing industries with a subsidy or some other favor is also highly questionable. As we know, this is often undertaken for humanitarian reasons, and the public is sometimes moved to pity those unemployed as a result of the failure. Farm subsidies often are advocated on the grounds that the "small farmer must be saved," although we seldom learn just how many small farmers actually are saved by the subsidy program and why it is so necessary to "save" the small farmer rather than let the free market guide him into new methods or into some other work.

Unemployed Miners

Lately, the depression in the coal mining industry has also bedeviled the nation's conscience, and one national weekly news magazine featured a particularly touching and pathetic cover story on the troubles of an unemployed Kentucky miner. Such a story almost moves one to demand that Congress scrap the capitol dome, if necessary, to get the unemployed miners back to work. It seems pompous and hardhearted to ask why the coal industry is languishing and if it will ever make a comeback. And if the government adjusts its own purchasing practices to create more uses for coal, as has been suggested, does this create unemployment in another extractive industry and also saddle the government with a less efficient fuel?

It's hard to find an answer to the coal miners' problems, but a safe assumption is that it lies in the direction
of more market freedom rather than less. For their problem is that coal failed in the market place when placed in competition with gas and oil. Meanwhile, mine operators chose to mechanize rather than pay the wage rates demanded by the miners. Any subsidy for the coal industry or the distressed coal towns is simply a government attempt to repudiate, through its powers of taxation, the decisions the users of coal have been making about it for some time.

Thus we see that governments cannot really prevent failure; they can only mask it or use their power to force the rest of society to subsidize certain parts of it. While this is ostensibly humanitarian, the long run effects must be a slowing down of progress and continuous unemployment, along with demands for further subsidies in the form of public works and the like. Allowing failures to eliminate or to correct themselves as efficiently as possible is one of the most important functions of the free market.

Businesses fail because among other things they cannot hold their costs in line and retain the allegiance of their customers. Let the responsibility for learning how to succeed remain with the managers of the failing businesses. The grim alternative is an economy where nobody fails and nobody succeeds—but everybody stagnates.
PULL THAT VEIL AWAY!

by Leonard E. Read

Combating statism is not, as many assume, a project in propaganda; it is, instead, a probing operation. The problem is not one of merely getting others to grasp the little we already know; it is far more a matter of discovering that which we ourselves do not yet understand.

A major area of exploration, of course, is to find new and better ways to explain and dramatize the miracles of productivity and progress which attend free market, private property, limited government practices; most of us are but dimly aware of the potentialities of freedom. But while we are probing into the positive, we must also explore and understand the negative: why so many persons find socialism attractive. Why? Let's explore this one.

Why do people endorse the welfare state? Certainly, it will not do to ascribe bad motives to all of them—such as malevolence, greed, and a thirst for power. These unwholesome drives doubtless do account for many turn-man-over-to-government positions but they utterly fail to explain why countless clergymen, educators, business leaders, and others of good intent—even big taxpayers—have joined the state welfarist landslide. Please examine the following as a possible answer.
Based on some thirty years of personal probing, I am now convinced that most advocates of state welfarism are motivated by a kindly sentiment. These advocates observe or read or hear about people living in conditions that are below par; slums, poor diet, inadequate medical and hospital opportunities, too high prices for their power and light and other things they buy, too low prices for their labor, and so on and on. These sensitive people see instances of misery and misfortune; their heart goes out to the lame, the halt, the blind, the afflicted. No question about it, their desire to remedy the ills of mankind is motivated by kindness. Admirable, up to this point!

Now, what do most of these kindly people advocate as a means to satisfy their compassionate ends? They advocate government aid. Such kindness is myopic or shortsighted, for these folk see no more than meets the eye; that is, they have no awareness beyond the benefits they would bestow upon certain individuals or groups. What they fail to see is the burden their government aid inflicts on millions of individuals outside their perspective. They are conscious only of trying to help those they have in view; they are blind to—unconscious of—the anonymous millions their system plunders, destroys. Their remedy consists of a presumed kindness which gratifies them and a major injustice of which they are unaware. Moral, social, political myopia, nothing less!

How circumspect is the individual in his own little orbit! Within his circle of acquaintance and personal experience he behaves like a human being. Unless de-
mented, he would no more think of pilfering from these few than he would stand by and watch one of them starve to death. Indeed, not!

But, if he be shortsighted, observe his behavior toward those outside his orbit, these being well over 99 per cent of the population. To him these millions are only a mass blur, a mere something he lumps off as "the people." With respect to this human lump he becomes inhuman. To "it" he accords no attributes of individuality; "it" he considers fit for exploitation: send the police force into "it" and obtain funds for not growing crops or to finance the local urban renewal or to subsidize a thousand and one little objects of his own peculiar "kindness." Motivated by kindness and in the name of kindness, these victims of myopia commit an enormous unkindness!

What the victim of myopic kindness overlooks is that most of the millions outside his orbit—those in the great mass blur—have little orbits of their own, each suffering the same myopia, each having him relegated to an "it" to be exploited. Does this not explain how a kindly sentiment, when coupled with shortsightedness, produces so much of man's inhumanity to man?

Those, on the other hand, who are blessed with a modicum of vision or far-sightedness are not confronted with any mass blur. They clearly see that every individual outside their own orbit has the same right to and yearning for life as they themselves do. They know that any real kindness to one cannot have its origin in an unkindness to another; that any practice which contradicts
universal principles must, perforce, be unprincipled.

Why such an ado about myopic kindness? Simply because this shortsightedness, when associated with kindly sentiments, partially explains why good people are lending themselves to a world-wide devolution; and, also, because this shortsightedness can, in many instances, be easily overcome. All of us suffer myopia in varying degrees. All of us have experienced staring at a thing and seeing nothing or reading a line and perceiving nothing. Then someone has pointed out the beauty or the truth and, behold, we see or perceive! Truth and beauty are all about us and, for those who seek, little more is required than to have someone—a teacher—pull the veil away.

This, we believe, is the spirit of freedom, the spirit in which free men are bound to proceed. We further believe that the more who acquire this spirit of everlasting inquiry, the more quickly will freedom prevail among men.
MERCANTILISM: A LESSON FOR OUR TIMES?

by Murray N. Rothbard

MERCANTILISM has had a “good press” in recent decades, in contrast to nineteenth century opinion. In the days of Adam Smith and the classical economists, mercantilism was properly regarded as a blend of economic fallacy and state creation of special privilege. But in our century, the general view of mercantilism has changed drastically: Keynesians hail mercantilists as prefiguring their own economic insights; Marxists, constitutionally unable to distinguish between free enterprise and special privilege, hail mercantilism as a “progressive” step in the historical development of capitalism; socialists and interventionists salute mercantilism as anticipating modern state-building and central planning.

Mercantilism, which reached its height in the Europe of the seventeenth and eighteenth centuries, was a system of statism which employed economic fallacy to build up a structure of imperial state power, as well as special subsidy and monopolistic privilege to individuals or groups

Dr. Rothbard is a consulting economist in New York City. Among his works are the comprehensive two-volume treatise, Man, Economy, and State (1962) and America’s Great Depression (1963).
favored by the state. Thus, mercantilism held that exports should be encouraged by the government and imports discouraged. Economically, this seems to be a tissue of fallacy; for what is the point of exports if not to purchase imports, and what is the point of piling up monetary bullion if the bullion is not used to purchase goods?

*The Mercantilists Were Practical*

But mercantilism cannot be viewed satisfactorily as merely an exercise in economic theory. The mercantilist writers, indeed, did not consider themselves economic theorists, but practical men of affairs who argued and pamphleteered for specific economic policies, generally for policies which would subsidize activities or companies in which those writers were interested. Thus, a policy of favoring exports and penalizing imports had two important practical effects: it subsidized merchants and manufacturers engaged in the export trade, and it threw up a wall of privilege around inefficient manufacturers who formerly had to compete with foreign rivals. At the same time, the network of regulation and its enforcement built up the state bureaucracy as well as national and imperial power.

The famous English Navigation Acts, which played a leading role in provoking the American Revolution, are an excellent example of the structure and purpose of mercantilist regulation. The network of restriction greatly penalized Dutch and other European shippers, as well as American shipping and manufacturing, for the benefit
of English merchants and manufacturers, whose competition was either outlawed or severely taxed and crippled. The use of the state to cripple or prohibit one's competition is, in effect, the grant by the state of monopolistic privilege; and such was the effect for Englishmen engaged in the colonial trade.

A further consequence was the increase of tax revenue to build up the power and wealth of the English government, as well as the multiplying of the royal bureaucracy needed to administer and enforce the regulations and tax decrees. Thus, the English government, and certain English merchants and manufacturers, benefited from these mercantilist laws, while the losers included foreign merchants, American merchants and manufacturers, and, above all, the consumers of all lands, including England itself. The consumers lost, not only because of the specific distortions and restrictions on production of the various decrees, but also from the hampering of the international division of labor imposed by all the regulations.

**Adam Smith’s Refutation**

Mercantilism, then, was not simply an embodiment of theoretical fallacies; for the laws were *only* fallacious if we look at them from the point of view of the consumer, or of each individual in society. They are not fallacious if we realize that their aim was to confer special privilege and subsidy on favored groups; since subsidy and privilege can only be conferred by government *at the expense* of the remainder of its citizens, the fact that the bulk of
the consumers lost in the process should occasion little surprise.¹

Contrary to general opinion, the classical economists were not content merely to refute the fallacious economics of such mercantilist theories as bullionism or protectionism; they also were perfectly aware of the drive for special privilege that propelled the "mercantile system." Thus, Adam Smith pointed to the fact that linen yarn could be imported into England duty free, whereas heavy import duties were levied on finished woven linen. The reason, as seen by Smith, was that the numerous English yarn-spinners did not constitute a strong pressure-group, whereas the master-weavers were able to pressure the government to impose high duties on their product, while making sure that their raw material could be bought at as low a price as possible. He concluded that the motive of all these regulations, is to extend our own manufactures, not by their own improvement, but by the depression

¹"The laws and proclamations . . . were the product of conflicting interests of varying degrees of respectability. Each group, economic, social, or religious, pressed constantly for legislation in conformity with its special interest. The fiscal needs of the crown were always an important and generally a determining influence on the course of trade legislation. Diplomatic considerations also played their part in influencing legislation, as did the desire of the crown to award special privileges, con amore, to its favorites, or to sell them, or to be bribed into giving them, to the highest bidders . . . The mercantilist literature, on the other hand, consisted in the main of writings by or on behalf of 'merchants' or businessmen . . . tracts which were partly or wholly, frankly or disguisedly, special pleas for special economic interests. Freedom for themselves, restrictions for others, such was the essence of the usual program of legislation of the mercantilist tracts of merchant authorship." Jacob Viner, Studies in the Theory of International Trade (New York: Harper & Bros., 1937), pp. 58-59.
of those of all our neighbors, and by putting an end, as much as possible, to the troublesome competition of such odious and disagreeable rivals . . .

Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer . . . But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce.

In the restraints upon the importation of all foreign commodities which can come into competition with those of our own growth, or manufacture, the interest of the home-consumer is evidently sacrificed to that of the producer. It is altogether for the benefit of the latter, that the former is obliged to pay that enhancement of price which this monopoly almost always occasions.

It is altogether for the benefit of the producer that bounties are granted upon the exportation of some of his productions. The home-consumer is obliged to pay, first, the tax which is necessary for paying the bounty, and secondly, the still greater tax which necessarily arises from enhancement of the price of the commodity in the home market.²

**Before Keynes**

Mercantilism was not only a policy of intricate government regulations; it was also a pre-Keynesian policy of inflation, of lowering interest rates artificially, and of increasing "effective demand" by heavy government spending and sponsorship of measures to increase the quantity of money. Like the Keynesians, the mercantilists thundered against "hoarding," and urged the rapid cir-

---
mercantilism: a lesson for our times? 187
culation of money throughout the economy; furthermore, they habitually pointed to an alleged "scarcity of money" as the cause of depressed trade or unemployment. Thus, in a prefiguration of the Keynesian "multiplier," William Potter, one of the first advocates of paper money in the Western world (1650), wrote:

The greater quantity ... of money ... the more commodity they sell, that is, the greater is their trade. For whatsoever is taken amongst men ... though it were ten times more than now it is, yet if it be one way or other laid out by each man, as fast as he receives it ... it doth occasion a quickness in the revolution of commodity from hand to hand ... much more than proportional to such increase of money. . . .

And the German mercantilist F. W. von Schrotter wrote of the importance of money changing hands, for one person's spending is another's income; as money "pass[es] from one hand to another ... the more useful it is to the country, for ... the sustenance of so many people is multiplied," and employment increased. Thrift, according to von Schrotter, causes unemployment, since saving withdraws money from circulation. And John Cary wrote that if everyone spent more, everyone would obtain larger incomes, and "might then live more plentifully."

---


4 Quoted in Viner, op. cit., p. 38.

Historians have had an unfortunate tendency to depict the mercantilists as inflationists and therefore as champions of the poor debtors, while the classical economists have been considered hard-hearted apologists for the status quo and the established order. The truth was almost precisely the reverse. In the first place, inflation did not benefit the poor; wages habitually lagged behind the rise in prices during inflations, especially behind agricultural prices. Furthermore, the “debtors” were generally not the poor but large merchants and quasi-feudal landlords, and it was the landlords who benefited triply from inflation: from the habitually steep increases in food prices, from the lower interest rates and the lower purchasing-power of money in their role as debtors, and from the particularly large increases in land values caused by the fall in interest rates. In fact, the English government and Parliament was heavily landlord-dominated, and it is no coincidence that one of the main arguments of the mercantilist writers for inflation was that it would greatly raise the value of land.

**Exploitation of Workers**

Far from being true friends of laborers, the mercantilists were frankly interested in exploiting their labor to the utmost; full employment was urged as a means of maximizing such exploitation. Thus, the mercantilist William Petyt wrote frankly of labor as “capital material . . . raw and undigested . . . committed into the hands of supreme authority, in whose prudence and disposition it
is to improve, manage, and fashion it to more or less advantage.” Professor Furniss comments that “it is characteristic of these writers that they should be so readily disposed to trust in the wisdom of the civil power to ‘improve, manage and fashion’ the economic ‘raw material’ of the nation. Bred of this confidence in statecraft, proposals were multiplied for exploiting the labor of the people as the chief source of national wealth, urging upon the rulers of the nation divers schemes for directing and creating employment. . . .” The mercantilist’s attitude toward labor and full employment is also indicated by their dislike of holidays, by which the “nation” was deprived of certain amounts of labor; the desire of the individual worker for leisure was never considered worthy of note.

**Compulsory Employment**

The mercantilist writers realized frankly that corollary to a guarantee of full employment is coerced labor for those who don’t wish to work or to work in the employment desired by the guarantors. One writer summed up the typical view: “It is absolutely necessary that employment should be provided for persons of every age that are able and willing to work, and the idle and refractory should be sent to the house of correction, there to be detained and constantly kept to labor.” Henry Fielding wrote that “the constitution of a society in this country having a claim on all its members, has a right to insist on

---

*Quoted in Furniss, *op. cit.*, p. 41.

the labor of the poor as the only service they can render.” And George Berkeley asked rhetorically “whether temporary servitude would not be the best cure for idleness and beggary? . . . Whether sturdy beggars may not be seized and made slaves to the public for a certain term of years?” William Temple proposed a scheme to send the children of laborers, from the age of four on, to public workhouses, where they would be kept “fully employed” for at least twelve hours a day, “for by these means we hope that the rising generation will be habituated to constant employment. . . .” And another writer expressed his amazement that parents tended to balk at these programs:

Parents . . . from whom to take for time the idle, mischievous, least useful and most burdensome part of their family to bring them up without any care or expense to themselves in habits of industry and decency is a very great relief; are very much adverse to sending their children . . . from what cause, it is difficult to tell.9

Perhaps the most misleading legend about the classical economists is that they were apologists for the status quo; on the contrary, they were “radical” libertarian opponents of the established Tory mercantilist order of big government, restrictionism, and special privilege. Thus, Professor Fetter writes that during the first half of the nineteenth century, the

Quarterly Review and Blackwood’s Edinburgh Magazine, staunch supporters of the established order, and opponents

8 See Furniss, op. cit., pp. 79-84.
9 Ibid., p. 115.
of change in virtually all fields, had no sympathy with political economy or with laissez-faire, and were constantly urging maintenance of tariffs, expenditures by government, and suspension of the gold standard in order to stimulate demand and increase employment. On the other hand the Westminster's [journal of the classical liberals] support of the gold standard and free trade, and its opposition to any attempt to stimulate the economy by positive government action, came not from believers in authority or from defenders of the dominant social force behind authority, but from the most articulate intellectual radicals of the time and the severest critics of the established order.  

Southey Favors Nationalization

In contrast, let us consider the Quarterly Review, a high Tory journal which always “assumed that the unreformed Parliament, the dominance of a landed aristocracy ... the supremacy of the established church, discrimination of some sort against Dissenter, Catholic, and Jew, and the keeping of the lower classes in their place were the foundations of a stable society.” Their leading writer on economic problems, the poet Robert Southey, repeatedly urged government expenditure as a stimulant to economic activity, and attacked England’s resumption of specie payments (return to the gold standard) after the Napoleonic Wars. Indeed, Southey proclaimed that an increase in taxes or in the public debt was never a cause for alarm, since they “give a spur to the national industry, and call forth national energies.” And, in 1816,

---

Southey advocated a large public works program for relief of unemployment and depression.\textsuperscript{11}

The \textit{Quarterly Review}'s desire for stringent government control and even ownership of the railroads was at least frankly linked with its hatred of the benefits that railroads were bringing to the mass of the British population. Thus, where the classical liberals hailed the advent of railroads as bringing cheaper transportation and as thereby increasing the mobility of labor, the \textit{Quarterly}'s John Croker denounced railroads as "rendering travel too cheap and easy—unsettling the habits of the poor, and tempting them to improvident migration."\textsuperscript{12}

The arch-Tory, William Robinson, who often denounced his fellow Tories for compromising even slightly on such principles as high tariffs and no political rights for Catholics, wrote many pre-Keynesian articles, advocating inflation to stimulate production and employment, and denouncing the hard-money effects of the gold standard. And the Tory, Sir Archibald Alison, inveterate advocate of inflation who even ascribed the fall of the Roman Empire to a shortage of money, frankly admitted that it was the agricultural class that had suffered from the lack of inflation since resumption of the gold standard.\textsuperscript{13}

\begin{itemize}
\item \textsuperscript{12} Quoted in \textit{Ibid.}, p. 62.
\end{itemize}
Controls Under Elizabeth

A few case studies will illustrate the nature of mercantilism, the reasons for mercantilist decrees, and some of the consequences that they brought to the economy.

One important part of the mercantilist policy was wage controls. In the fourteenth century, the Black Death killed one-third of the laboring population of England, and naturally brought sharp advances in wage rates. Wage controls came in as wage-ceilings, in desperate attempts by the ruling classes to coerce wage rates below their market price. And since the vast bulk of employed laborers were agricultural workers, this was clearly legislation for the benefit of the feudal landlords and to the detriment of the workers.

The result was a persistent shortage of agricultural and other unskilled laborers for centuries, a shortage mitigated by the fact that the English government did not try to enforce the laws very rigorously. When Queen Elizabeth tried to enforce the wage controls strictly, the agricultural labor shortage was aggravated, and the landlords found their statutory privileges defeated by the more subtle laws of the market. Consequently, Elizabeth passed, in 1563, the famous Statute of Artificers, imposing comprehensive labor control.

Attempting to circumvent the shortage caused by previous interventions, the statute installed forced labor on the land. It provided that: (1) whoever had worked on the land until the age of 12 be compelled to remain there and not leave for work at any other trade; (2) all
craftsmen, servants, and apprentices who had no great reputation in their fields be forced to harvest wheat; and (3) unemployed persons were compelled to work as agricultural laborers. In addition, the statute prohibited any worker from quitting his job unless he had a license proving that he had already been hired by another employer. And, furthermore, justices of the peace were ordered to set maximum wage rates, geared to changes in the cost of living.

The statute also acted to restrict the growth of the woolen textile industry; this benefited two groups: the landlords, who would no longer lose laborers to industry and suffer the pressure of paying higher wage rates, and the textile industry itself, which received the privilege of keeping out the competition of new firms or new craftsmen. The coerced immobility of labor, however, led to suffering for all workers, including textile craftsmen; and to remedy the latter, Queen Elizabeth imposed a minimum wage law for textile craftsmen, thundering all the while that the wicked clothing manufacturers were responsible for the craftsmen’s plight. Fortunately, textile employers and workers persisted in agreeing on terms of employment below the artificially-set wage rate, and heavy textile unemployment did not yet arise.

**Enforcing Bad Laws**

The program of wage controls could not cause undue dislocations until they were stringently enforced, and this came to pass under King James I, the first Stuart king of
England. Upon assuming the throne in 1603, James de­
decided to enforce the Elizabethan control program with
great stringency, including extremely heavy penalties
against employers. Rigorous enforcement was imposed
on minimum wage controls for textile craftsmen, and on
maximum wage decrees for agricultural laborers and
servants.

The consequences were the inevitable result of tamper­
ing with the laws of the market: chronic severe unem­
ployment throughout the textile industry, coupled with
a chronic severe shortage of agricultural labor. Misery
and discontent spread throughout the land. Citizens were
fined for paying their servants more than ceiling wages,
and their servants fined for accepting the pay. James, and
his son Charles I, decided to stem the tide of unemploy­
ment in textiles by compelling employers to remain in
business even when they were losing money. But even
though many employers were jailed for infractions, such
Draconian measures could not keep the textile industry
from depression, stagnation, and unemployment. Cer­
tainly the consequences of the policy of wage controls was
one of the reasons for the overthrow of the Stuart tyranny
in the mid-seventeenth century.

**Mercantilist Practices in Colonial Massachusetts**

The young colony of Massachusetts engaged in a great
many mercantilist ventures, with invariably unfortunate
results. One attempt was a comprehensive program of
wage and price controls, which had to be abandoned by
the 1640's. Another was a series of subsidies to try to create industries in the colony before they were economically viable, and therefore before they would be created on the free market. One example was iron manufacture. Early iron mines in America were small and located in coastal swamps ("bog iron"), and primary manufactured, or "wrought," iron was made cheaply in local bloomeries, at an open hearth. The Massachusetts government decided, however, to force the creation of the more imposing—and far more expensive—indirect process of wrought iron manufacture at a blast furnace and forge. The Massachusetts legislature therefore decreed that any new iron mine must have a furnace and forge constructed near it within ten years of its discovery. Not content with this measure, the legislature in 1645 granted a new Company of Undertakers For An Iron Works in New England, a 21-year monopoly of all ironmaking in the colony. In addition, the legislature granted the company generous subsidies of timberland.

But despite these subsidies and privileges, as well as additional large grants of timberland from the town governments of Boston and Dorchester, the Company's venture failed dismally and almost immediately. The Company did its best to salvage its operations, but to no avail. A few years later, John Winthrop, Jr., the main promoter of the older venture, induced the authorities of New Haven colony to subsidize an iron manufacture of his at Stony River. From the governments of New Haven colony and New Haven township, Winthrop was granted a whole host of special subsidies: land grants,
payment of all costs of building the furnace, a dam on the river, and the transportation of fuel. One of Winthrop's partners in the venture was the deputy-governor of the colony, Stephen Goodyear, who was thus able to use the power of government to grant himself substantial privileges. But again, economic law was not to be denied, and the ironworks proved to be another rapidly failing concern.

One of the most vigorously-held tenets of the dominant neo-Marxist historians of America has been the view that inflation and debtors' relief were always measures of the "lower classes," the poor farmer-debtors and sometimes urban workers, engaging in a Marxian class struggle against conservative merchant-creditors. But a glance at the origins of debtors' relief and paper money in America easily shows the fallacy of this approach; inflation and debtors' relief were mercantilist measures, pursued for familiar mercantilist ends.

Debtors' relief began in the colonies, in Massachusetts in 1640. Massachusetts had experienced a sharp economic crisis in 1640, and the debtors turned immediately to special privilege from the government. Obediently, the legislature of Massachusetts passed the first of a series of debtors' relief laws in October, including a minimum-appraisal law to force creditors to accept insolvent debtors' property at an arbitrarily inflated assessment, and a legal-tender provision to compel creditors to accept payment in an inflated, fixed rate in the monetary media of the day: corn, cattle, or fish.

Further privileges to debtors were passed in 1642 and
1644, the latter permitting a debtor to escape foreclosure simply by leaving the colony. The most drastic proposal went to the amazing length of providing that the Massachusetts government assume all private debts that could not be paid! This plan was passed by the upper house, but defeated in the house of deputies.

The fact that this astounding bill was passed by the upper house—the council of magistrates—is evidence enough that this was not a proto-Marxian eruption of poor debtors. For this council was the ruling group of the colony, consisting of the wealthiest merchants and landowners. If not for historical myths, it should occasion no surprise that the biggest debtors were the wealthiest men of the colony, and that in the mercantilist era a drive for special privilege should have had typically mercantilist aims. On the other hand, it is also instructive that the more democratic and popularly responsible lower house was the one far more resistant to the debt relief program.

Massachusetts has the dubious distinction of having promulgated the first governmental paper money in the history of the Western world—indeed, in the history of the entire world outside of China. The fateful issue was made in 1690, to pay for a plunder expedition against French Canada that had failed drastically. But even before this, the leading men of the colony were busy proposing paper money schemes. The Rev. John Woodbridge, greatly influenced by William Potter's proposals for an inflationary land bank, proposed one of his own, as did Governor John Winthrop, Jr., of Connecticut. Captain John Blackwell proposed a land bank in 1686,
the notes of which would be legal tender in the colony, and such wealthy leaders of the colony as Joseph Dudley, William Stoughton, and Wait Winthrop were prominently associated with the plan.

The most famous of the inflationary land-bank schemes was the Massachusetts Land Bank of 1740, which has generally been limned in neo-Marxist terms as the creation of the mass of poor farmer-debtors over the opposition of wealthy merchant-creditors of Boston. In actuality, its founder, John Colman, was a prominent Boston merchant and real-estate speculator; and its other supporters had similar interests—as did the leading opponents, who were also Boston businessmen. The difference is that the advocates had generally been receivers of land grants from the Massachusetts government, and desired inflation to raise the value of their speculatively-held land claims. Once again—a typically mercantilist project.

**Keynes Wouldn’t Learn**

From just a brief excursion into mercantilist theory and practice, we may conclude that Lord Keynes might have come to regret his enthusiastic welcome to the mercantilists as his forbears. For they were his forbears indeed; and the precursors as well of the interventions, subsidies, regulations, grants of special privilege, and

---

14 See the illuminating study of Dr. George Athan Billias, *The Massachusetts Land Bankers of 1740* (University of Maine Bulletin, April, 1959).
central planning of today. But in no way could they be considered as "progressives" or lovers of the common man; on the contrary, they were frank exponents of the Old Order of statism, hierarchy, landed oligarchy, and special privilege—that entire "Tory" regime against which laissez-faire liberalism and classical economics leveled their liberating "revolution" on behalf of the freedom and prosperity of all productive individuals in society, from the wealthiest to the humblest. Perhaps the modern world will learn the lesson that the contemporary drive for a new mercantilism may be just as profoundly "reactionary," as profoundly opposed to the freedom and prosperity of the individual, as its pre-nineteenth-century ancestor.
HOW TO ATTRACT CAPITAL

by Walter B. Wriston

The development of a country requires the investment of large sums of money. Where this money comes from and the manner in which it is spent are critical problems which go far beyond economic theory and are likely to have an impact on the political future of the world.

Many years ago Mr. Thomas Braniff at the inaugural flight of the Braniff Airways into Buenos Aires, had an interview with the then dictator of the Argentine, Juan Perón, who inquired of him how to attract private capital. Mr. Braniff replied that it was a very simple thing. "Capital goes where it is wanted and it stays where it is well treated." Nobody has ever said it better. It is true of all capital, both foreign and domestic, for domestic capital flees from the same conditions which repel foreign capital.

The number one condition for the retention of local capital and the attraction of foreign capital is a relatively stable currency. If the currency of your country is depreciating at the rate of 20 to 40 per cent a year, there is not

Mr. Wriston is Executive Vice-President of the First National City Bank of New York. This article is condensed from his address given at the Bank's Customers Overseas Conference, May, 1963.
much point in saving your money as all that will happen is that you will watch the reward of your labor wiped out by rising prices. People who work hard and acquire capital quite naturally want to invest it in something to conserve the fruit of their labor, to take care of their old age, and to pass on to their children. It is, therefore, perfect nonsense to talk about stopping the flight of capital, much less attracting foreign capital in an atmosphere of runaway inflation. Money runs downhill toward the happiest blend of high reward and safety, and nobody has ever found a way to make it run uphill for more than a very limited period of time, even through a series of highly technical and questionable gimmicks.

The second basic requirement for the attraction of capital is some reasonable expectation that the rules of the game will not be changed with any great frequency. Private capital can adapt itself to most rules, provided always that the expectation exists that the game will be played by those rules over a period of time. It is for this same reason that private capital is frightened away by direct economic controls. While the private investor willingly accepts the risks of the free market place, he almost inevitably shies away from situations where arbitrary decisions by government administrators can make or break his business.

Third, through curious mental processes which are unknown to me, some countries proceed to nationalize all the subsidiaries of foreign companies without fair or adequate compensation, and then express amazement that there is no capital inflow from foreign sources and, in
HOW TO ATTRACT CAPITAL

fact, large capital outflows from their own people. Re­
spect for property rights is a fundamental prerequisite
for private investments whether foreign or domestic.

There is no real shortage of capital in the world, and
I do not know of any major project which has been held
up solely because of the lack of money. Capital is plenti­
ful wherever it is "wanted and well treated." The real
bottleneck in the development of the world is the short­
age of human capital: people with the skill, training, and
education intelligently to employ the world's resources.

The facts are that when political freedom and free
enterprise spread, markets increase, and that the expan­
sion of markets is only prevented through political moti­
vation. The interest of American business in the expan­
sion of a free enterprise system around the world as part
of a free political system is based not only upon moral
considerations, but on the hard fact that there is no mar­
et for consumer goods among slaves. The problem is
not one of division whereby the static resources of a coun­
try will be reallocated by some planner's program, but it
is a problem of addition and multiplication whereby we
must set our minds to increase the production forces and
to broaden the areas of freedom and trade.
PROFITS

by Benjamin A. Rogge

By any measure one can conceivably use, profits have been shrinking in recent years. Profits after taxes in 1941 constituted 9 per cent of the national income: in 1961 they constituted 5+ per cent of the national income. Profits as a percentage of dollar sales averaged 5½ per cent in the period 1947-1949; now they are averaging 2½ to 3½. Profits as a percentage of net worth averaged 11 to 13 in the period 1947-1949; now they are averaging 6 per cent to 7.

Can we deduce from this information that profits are now too low or that they were once too high and are now just right? This is a complex question and calls for a complex and serious answer.

The first problem is to define what is meant by “too high” and “too low.” Unfortunately, total dollar figures tell us almost nothing; as a matter of fact, neither do percentage figures of the kind I have given above. I am no more justified in using those figures to prove that profits are now too low than a trade union economist

This article is from an address before the National Association of Manufacturers’ Clergy-Industry Relations Committee and Clerical Advisory Council.
would be in using them to prove that profits were once too high.

The percentage share of profits in the national income of a country is largely determined by the relative abundance or scarcity of entrepreneurial capital and talent. In a country where capital is scarce and business leadership talent is in short supply, profits will and must command a larger share of the national income than in a country where both capital and talent are relatively abundant. The failure to recognize this fact is the single most important deterrent to economic growth in the underdeveloped countries of the world today. The governments of those countries, inspired in part by the anti-profits bias of both the socialists and the modern liberals, have tried to keep profit levels low, or have punished or nationalized the high-profit firms. In doing so, they have dried up the wellspring of all economic development: vigorous, aggressive entrepreneurship.

It follows as well that as an economy matures and becomes relatively better blessed with capital and leadership, the percentage share of the national income represented by profits will decline. Thus, the figures I presented above do not necessarily prove that profits are now too low.

The Concept of "Normal" Profits

So let us abandon our inquiry into total figures. Where can we turn? One technique of explanation frequently employed is that of evaluating profit figures for the in-
dividual firm. If, for a given firm or industry, profits as a percentage return on sales or investment are found to be significantly higher than for other firms or industries, profits are said then to be "too high"; if much lower than for other firms or industries, they are said to be "too low."

This technique seems on the surface to be a valid one, and its validity is apparently attested to by the fact that even businessmen use it when they want to prove that their firms or industries are in need of help or are suffering under special handicaps.

One assumption here is that normal profits (as determined by the statistical average of all profits) are the right or "just" profits and that profits above or below normal are thus "too high" or "too low."

This approach is often used by trade unions to show that a given group of firms has been making abnormally large profits and thus can and should pay higher wages.

It is extremely unfortunate that this point of view on profits has received such wide acceptance in all groups in our society. It implies that businesses should be permitted (perhaps even assisted) to make a "normal" or "fair" profit, but become suspect once they earn more than this statistical norm.

This approach rests on a serious misunderstanding of the function of profits and losses in a free market economy. It is true that, in the long run, and in a competitive market, each firm will be making profits no more and no less than it could make in alternative activities. This is true because if the typical firm in the industry
were making higher than normal profits, other firms would enter the industry and profits would be driven down. If the typical firm were making lower than normal profits, some firms would leave the industry and profits for those remaining would rise. Thus in the long run profits do tend to be at the so-called normal or average level.

However, at a given moment of time in a changing, dynamic economy, few firms or industries will be in this long-run equilibrium position. Most will be in the process of making adjustments to the changing circumstances. Thus in some industries, profits will be well above normal, and in others, profits will be well below normal.

It is this fact which leads the firms involved to make the adjustments called for in the service of consumers. The abnormally high profits in some industries are the signal that consumers are calling for more firms to enter those industries. The below normal profits or outright losses in other industries are the signal that consumers are calling for some firms to get out.

The importance of this signal system can be illustrated by the life-history of the ball-point pen. When Reynolds produced the first ball-point pen, he sold it for around $12.95. It is doubtful if, even then, production and distribution costs were as much as one-fourth of the selling price. By any measure known to man, Reynolds was receiving abnormally high profits. However, the signal went out loud and clear and soon every pen company had its ball-point pens and new firms entered the field almost daily. Within a short period of time, the price of
the pens had dropped below five dollars. Now I am writing this paper with a pen that I bought with nine others for a total cost of $1.19 for the 10.

Suppose the government, shocked by Reynolds' profits, had insisted on recapturing all of his profits above a return of say 6 per cent on capital and made this a universal rule for the industry. Or suppose that Reynolds' workers had insisted on their wages being increased until his profits were brought down to normal. In either case, the price of ball-point pens might well be still $12.95. But because the abnormally high profits were permitted to serve as a signal to other producers, the results were as we have described them above.

A Vital Set of Signals

The above-normal profits then are not "too high" in any value sense, nor are the below-normal profits "too low." They are simply signals and very, very important signals as well. In fact, the efficiency of the economy is completely dependent upon their not being silenced or modified.

Nor is this signal system costly to the consumer it serves. Abnormally high profits in some areas tend to be balanced by below-normal profits in other areas and the net cost to the consumer is minimal.

If the consumer insists on recapturing the excess profits, surely he is compelled by logic and conscience to indemnify those who are getting below-normal profits and the net gain would be of no immediate significance. The
price of doing so, though, would be the destruction of the combined signal and incentive system of the free market—and hence his hope for a free and prosperous society.

In the same way, the worker who would demand that wages be tied to profits, that the employer share his excess profits with him, should be compelled by logic and conscience then to take wage cuts whenever his firm is making below-average profits. Thus presented, few workers would have much enthusiasm for the arrangement.

In sum, then, we gain little insight into what has happened to profits by asking if some firms are making profits above or below the average. Such deviations from the average are a normal and indispensable part of the functioning of the competitive market economy.

The Concept of Market Structure

We seem now to have thrown out all meaningful ways of evaluating profits, of determining what has happened to profits. Perhaps we should give up in despair and turn our attention to some other problem.

Fortunately, there still remain certain indirect approaches to the problem that do have meaning. Let me go back to a phrase I have used several times, “the competitive market.” It is literally true that profits never can be said to be too high or too low in a competitive market. In such a market, forces are always at work to bring profits back to the normal level and the net cost to the consumer is minimal.
But what if the markets in which the firms deal are not competitive? What then of profits?

If a given firm has a monopoly of its market, it may be able to make above-normal profits and to make them indefinitely. The signal is going out, but the other firms are prevented by the monopoly power of this one firm from answering the signal. Under these circumstances it is quite meaningful and realistic to say that profits are "too high."

Again, if the firm is selling in a competitive market, but buying its resources (for example, its labor services) from units that are not competing, it may suffer from a cost squeeze on profits that will cause those profits to be persistently below normal. In the short run, the owners of the firm will suffer, and in the long run, the consumer will suffer as firms will get out of the industry in response to a basically false or distorted below-normal profit signal. Here again it is quite meaningful and realistic to say that profits are "too low."

Our search then must take us to the markets of this country, to ask whether product and resource markets are less or more competitive than they once were or than they could or should be.

Product Markets and Resource Markets

Let us begin with the selling side, with product markets. It is commonly assumed that American business was once small in size and competitive, but that it is now large in size and monopolistic.
This is a complex subject which cannot be explored fully in limited space. However, here are my views in brief form.

(1) I believe that it can be demonstrated that product markets in America are more competitive today than they have ever been. My reasoning is that, though firms have grown in size, markets have grown even more rapidly. The absolute size of the actual firm is unimportant. What is important is its size relative to the industry or market in which it operates.

Improvements in transportation and communication and the development of substitutes for almost any and every kind of product have so widened markets that neither A&P nor U.S. Steel has as much real market power as did the small town grocery store and the local iron foundry a century ago!

(2) I believe that such instances of monopoly as do arise tend to be rather quickly erased by the dynamic changes in the economy.

(3) I believe that almost all instances of persistent monopoly power as do exist can be attributed to positive protection of that power by government. The protection takes such forms as price supports in agriculture, tariffs, fair trade laws, special franchises and licenses, subsidies, and so on.

(4) I believe that the unhampered market naturally tends to be a competitive market. Monopoly is not only unnatural, but can be maintained only with the positive support of government.¹

¹See my "Is Economic Freedom Possible?" page 282 of this volume.
If what I have written above is true, then we can add that profits are not generally "too high" in the American economy, except in those cases where the government is giving direct or indirect support to monopoly power. (Profits can be "too high" even if they are in fact losses! Thus, if the government is subsidizing or otherwise aiding a declining industry, losses will be less than in a free market. Thus, returns to the firms involved are "too high" in that they do not accurately reflect the true signal being sent out by consumers. Excess resources will be held in the industry long after the consumer has ordered them out! A case in point would be agriculture.)

We turn now to the buying side of the markets in which firms operate: to the resource markets. Are these markets less or more competitive than they used to be or than they can or should be?

This too is a complex question, and again I can do no more than summarize my argument.

(1) I believe that resource markets also tend to be competitive in the absence of government intervention. Improved transportation and communication have expanded alternatives confronting both the buyer and the seller of most resources, including labor.

(2) However, governments have been particularly active in labor markets in the last 30 years and have done much to force the employer to hire his labor in non-competitive markets. Governments have done this through direct setting of wages, hours, and working conditions and by encouraging, protecting, and giving special privileges to trade unions.
(3) I believe that the effect of this has been to make of the trade union a government-sponsored instrument for distorting the workings of the market. It has resulted in a never-ending cost squeeze on profits in large segments of the American economy.

If what I have said is true, then it follows that what has happened to profits is that they tend to be “too low” in those segments of the American economy most influenced by trade unionism and by wage legislation. Thus the high profit signal is somewhat muffled and resources may not be entering the industry at the rate consumers are ordering them to!

This tendency is reinforced by the taxing process. Both the fact and the form of profits taxes tend to reduce the effectiveness of the signal system. The effect is one-sided in that profitable industries have their returns taxed by the government, but unprofitable industries do not receive subsidies—nor should they. Permission to do some spreading of losses does not help firms in industries that are expanding and generally profitable, year after year.

Moreover, the unrealistic handling of depreciation leads to persistent overstating and hence overtaxing of business earnings.

Summary

I have argued that most of the usual ways of evaluating profits are meaningless. I have suggested that profits best can be examined indirectly, by weighing them in the context of the markets in which firms buy and sell.
I have expressed my belief that the greatest distortion in those markets in America today is in the labor areas, and that, as a consequence of this distortion and of other factors, profits tend to be "too low" in large segments of American industry.

I would add that this fact goes a long way to explain the persistence of unemployment in an apparently prosperous nation. The general business climate created by government interventions, particularly in the labor markets, is not one that creates buoyancy and optimism in the business world. Thus, the economy tends to sag and adjustments are not quickly or easily made. More directly, unemployment tends to be concentrated in those industries and those areas most influenced by aggressive union action in the last 30 years.

If these "too low" profits persist, the economy is in danger of being moved even further from the free market ideal. The apparent failure or refusal of private enterprise to "do the job" will lead Americans to demand more and more government intervention (witness the demand for deficit spending to "get the country going.")

The solution lies not in raising profits by granting special favors to business (as is so often suggested) but in reducing or eliminating the special handicaps business has faced in its labor markets and in other ways during recent decades.

If this is not done, we are in danger of losing our free economy; and when economic freedom is lost, all other freedoms must follow, sooner or later.
Riding a Rocking Horse

An Editorial

Prodded by a bombardment of clever television commercials, we recently decided to buy a rocking horse for the toddler visiting our house. The one that caught our eye bore the brand name of a leading toy producer; it was beautifully designed and could whinny and ask for hay. The suggested retail price was about $45—as our rocking horse might say, that ain’t hay.

But a check of several stores disclosed that the highest price actually quoted was $34.95. We finally bought it at a discount house for $27.95.

Hardly an unusual experience. And we are sure that the millions of other Americans who do this sort of thing every day feel that their bargain-hunting and price-comparing is not only proper but prudent, as well as good for the national economy.

A number of gentlemen in Congress, however, want to change all that. Surprising though it may seem, it is quite possible that the “quality stabilization” legislation now in the works may get enacted. Under that fancy label, the owner of a brand name would be able to enjoin a price cutter from advertising his product below the price which the brand owner specifies.

Now why would anyone want to do that? Mainly the drive is sparked by small manufacturers and retailers who object to price cutting. Certainly some of them do face formidable competition from discount houses and regular stores that also discount. Unfortunately, "quality stabilization" is no answer to their problem.

If prices really could be pegged at a certain level, it would disarm the discounters for a time. But it would give the independent at best a short-term advantage, and we could expect to see the discount houses meet this challenge with brands of their own which a discerning public would quickly snap up.

In fact, any form of price-fixing—the true name for this sort of legislation—raises more questions than it answers. As the OPA showed during World War II and Diocletian found in ancient Rome, it simply defies administration. People are capable of considerable agility in getting around rules that violate common sense and normal instincts.

Even the manufacturers themselves, whatever their public pronouncements, don't demonstrate much confidence in pegged prices. For brand owners' products could hardly arrive on the shelves of discount houses without their tacit consent. The volume of discount business is just too great to forfeit.

For these reasons, similar "fair trade" legislation (wonderful the euphemisms these people dream up) has been repudiated in the market place, overturned in the courts, and abandoned by various state governments. The new
effort is testimony that the would-be price-fixers don't give up easily.

Apart from the impracticality, what can be said of the quality of the thinking of quality stabilization's backers? Are they not trying to wreck the very market place in which they and most of their customers have to earn their living?

Are they not asking for a privilege which would amount to an indirect subsidy? Forcing their customers to pay higher prices than would otherwise be asked? Adding their own weight to that philosophy which would force the hand of government into every act of exchange?

The best that can be said for such legislation is that it fosters a temporary delusion of protection. The worst is that it seeks the "stability" of stagnation through the discredited mechanism of government controls.

Meanwhile the young rider looks pert in the saddle of his articulate rocking horse. What makes the two of them especially authentic is the little cowboy hat and jacket we bought to go with the horse. We were, of course, able to do that with the $7 we saved in today's unstable markets.
The "father of the Tennessee Valley Authority," Senator George Norris, once said: "A proposal from a great association of Tennessee says, in effect, 'Let TVA property be subject to taxation the same as everybody else's property.' . . . If we go to that extreme, Senators can see that the TVA would be out of business in three months."

Senator Norris was wrong. There is no more reason why the Tennessee Valley Authority should go broke with its annual real loss than there is that the United States Post Office must go out of business with its staggering yearly deficit. There is no necessary relationship in either instance between their production costs and their selling prices. In fact, there can't be any such relationship; for as we shall see, government planners have no possible way of ever knowing the complete costs of their projects. Since they can't calculate their full real costs, obviously they can't set asking prices that are economically realistic. And since they can't set realistic prices, the resulting allocation of scarce resources is necessarily inefficient.

I had read about this basic economic problem of "socialist calculation" in my college textbooks, but I never
fully understood the arbitrary and unrealistic nature of nonmarket pricing and allocation of resources until I began "playing store" with my five-year-old son. We started our game by making a generous supply of price tags to correspond with the "play money" he already owned. Then he was given a roll of scotch tape and asked to put prices on all his merchandise, or scarce resources. And like any other manager who doesn't have to worry about costs and prices that are set by competition in a market economy, my son's price selections were remarkable.

In his enthusiasm for our game, the youngster had appropriated his mother's jewelry box and priced all the items in it, along with his own toys. I quickly bought back her engagement ring for thirty cents. He was somewhat disappointed when I refused to buy a fascinating charm bracelet at $300. And he was completely heartbroken when I passed up his favorite cloth dog at $500.

Actually, the only reason you and I can understand my son's unrealistic pricing is because we live in an economy in which prices (and the resulting allocation of resources) are still mostly determined by competition and consumer choice. If this were not so—if you and I lived in the arbitrary play world of socialist production and pricing—it is doubtful that we could do much better.

Perhaps I shouldn't have, but I decided to try to explain to that youngster about production costs and product prices and how they serve as guides for resource allocation (what to produce) in a market economy. But at age five, he didn't understand my economic explana-
tions—any more than do the adults who price electricity for the Tennessee Valley Authority or for similar projects in Russia.

In all three cases—play store in my basement, communism in Russia, and socialism in Tennessee—the price setters _always_ select whatever prices suit their whims at the moment. There is no automatic economic mechanism to decree otherwise. For even when the consumers are permitted a choice (and choose not to buy at all), this does not in any way necessarily affect the continued existence of the government project. If the project were _privately_ owned, however, of course it would go bankrupt and the resources would be converted to the production of a product more in demand by the consumers.

That engagement ring in my basement play store was a real bargain, as is electricity in Tennessee. For reasons I can only guess at, TVA electricity is _priced_ well below the prevailing rates charged by privately owned companies in adjoining areas; the real _cost_ of producing it, however, is considerably higher. How much higher, neither I nor the TVA managers have any positive way of knowing.

For example, the planners of TVA can never know the real or market value of the various private electric companies and lands they acquired by "eminent domain" (or the threat thereof) when they moved into Tennessee with their philosophy of common ownership of the means of producing electricity. While our American courts still do the best they can in assigning prices to confiscated property, in the final analysis it is still an
arbitrary decision. By its nature, the procedure of judicial pricing of capital assets is still necessarily somewhat similar to that followed by my five-year-old son in his play store, outside of the real market economy.

But in contrast to my young son, the managers of the Tennessee Valley Authority claim they do use realistic cost accounting and a double-entry system of bookkeeping. Thus, from the very beginning, they were faced with the problem of what interest rate (if any) to charge against TVA for the arbitrarily selected capital expenditures finally recorded in their books as a cost of producing electricity.

**Capital Costs**

In a realistic market situation where persons are free to choose, this issue presents no pricing or allocation problem to a businessman; he records in the cost column whatever it cost him to borrow the capital. Even when the businessman uses his own capital instead of borrowing it, he knows that there is still a real “alternate opportunity” interest cost—that is, he could have loaned his capital to someone else at 5 per cent interest, with comparatively little risk of losing it. Thus, if a businessman can’t earn more than the prevailing interest rate on the capital invested in his own business, clearly he has misallocated his resources; and he should choose another profession.

The managers of the Tennessee Valley Authority are not bound by this realistic market procedure. Even so,
for some unknown reason, they did (and still do) record a low interest charge against a small segment of the hundreds-of-millions-of-dollars that were spent on the electrical part of that project. Why only a part, and why only at a rate that is well below the interest cost that even our largest private utilities must pay when they borrow money? Well, the decision was made on much the same basis that my five-year-old son decided to charge $500 for his toy dog; he could do as he pleased without fear of competition or bankruptcy in his play store, and that happened to be what pleased him at the moment. He doubtless had his reasons, just as the managers of the Tennessee Valley Authority had their reasons for their actions, including their recent and confusing procedure of selling revenue bonds that are necessarily guaranteed by the taxing powers of the federal government of which TVA is a department. That “solution” proves nothing about the economic merit of TVA; it merely measures the purchaser’s appraisal of the government’s ability to collect taxes.

Also, it never entered my son’s mind to charge a price that would cover the rent on the house in which he was playing store—just as our government officials gave no consideration whatever to the cost of the unknown millions of man-hours of labor that were expended by various other government departments and agencies on the Tennessee Valley Authority. Yet, someone paid—and is still paying—that unknown and unrecorded cost.

In their efforts to convince the American people that government ownership is cheaper and more productive
than private ownership, the planners of the Tennessee Valley Authority decided that TVA should not pay taxes to the federal government, or even record the existence of such a social cost. Why? I don’t know.

The Taxpayer Is Liable

In a socialist economic system—and in a basement play store—it doesn’t really make much difference one way or the other. Whatever the taxes and interest cost of the capital are or should be—and regardless of whether or not those costs are recorded—the price of the product is still always whatever the planners want it to be. There is absolutely nothing in a socialist economy, either in theory or practice, to decree otherwise.

If you write to the Tennessee Valley Authority and ask them if their rates for electricity can be used as a valid measurement for the rates charged by private companies, the reply will be, in effect, “Certainly.” Ordinarily, that reply will be sent to you in a franked envelope! No government enterprise ever has to worry about increases in the cost of postage or taxes. Nor must they fret about securing additional capital; they have a seemingly inexhaustible source (you, the taxpayer) at absolutely no cost or risk to any manager of a socialized project.

Actually, this is not the fault of the managers of government projects, either in Tennessee or Russia. For even if they did want to record the full cost, there just isn’t any realistic way to determine it for a project that is backed by the taxing and police powers of government.
The very best that the manager of such a command opera-
tion can do is to observe what the costs are for sim-
ilar products and services in a competitive market of
investor and consumer choice, and then record similar
costs against the government project. To some extent,
TVA has followed that procedure. But in a totally social-
ized world, the economy would degenerate into utter
chaos in the relatively few years it would take the man-
agers to forget the realistic relationships between costs
and prices that had served to allocate resources in the
once free market.

No Basis for Comparison

If you doubt this, imagine that the entire world has
finally been organized on the Russian, Chinese, Tennes-
see Valley Authority idea of government ownership and
operation of the means of production—all production.
And imagine that, as has been the case in Russia for
many years, no person can own or sell or rent land, ma-
chinery, or any other capital equipment. Literally, there
is not (and cannot be) a market price for any of them
under their economic system. Now imagine that you are
suddenly in charge of allocating the vacant land in a
large city to its most productive use—that is, to the use
that will satisfy the most urgently felt wants of consumers
in general.

Since your decision as "chief land allocator" must
necessarily be made arbitrarily and without consulting
the consumers, will you choose to allocate the land to
office buildings or to the growing of beets? Office build­
ings, you say? Well, why? In the absence of a market for land and capital, how can you know that the consumers (the people in general) would rather have the land used for office buildings than beets? The land is not for sale or rent in a socialized economy where private ownership and use are automatically forbidden. Thus no one can bid on it for those or any other uses. And thus there is no rational or effective economic mechanism that consumers can use to inform the planners of their preferences.

In a market economy of private ownership, however, the most desirable use for the land (and other means of production) can be, and is, quickly decided by the highest bidder. If the beet grower outbids the office builder, the land is used for beets. If he has miscalculated and can't at least cover his total costs by the sale of his product to willing buyers who have freedom of choice, he goes broke—and some other person who is searching for profit-making opportunities replaces him and produces whatever product he thinks the consumers will buy. Thus the consumers, by their buying or abstention from buying, will make sure that the land is used for a purpose that pleases them.

But under total socialism, there is no price and no market for any capital good, including land. No person is free to produce what he thinks the consumers would prefer. Thus all land, all natural resources, all building materials, and all capital of any description must be arbitrarily assigned to whatever purpose happens to
please the planner. Literally, there is no other alternative in a command economy.

Even when prices are assigned to the final products that consumers are permitted to buy (as is now generally the practice in Russia), this does not determine the amount or type of production. While the Russian planners sometimes double consumer prices overnight, or even cut them in half, those political maneuvers and whims have no bearing at all on what will be included in the next five-year plan. Those decisions are made on other grounds.

Anyone's Guess

In a market economy, however, a price rise is a signal to consumers to consume less of that product, and to producers to produce more of it. But under government ownership, prices are always arbitrary and usually capricious. Under socialism, prices serve merely as a distribution device that the planners have found easier to administer than a system of ration coupons. In the final analysis, they have no choice but to assign the prices somewhat as my five-year-old youngster set them in his play store.

Again, this is not the fault of any particular socialist. By its nature, government ownership and production cannot possibly operate in any way except arbitrarily. That's why the Russian government assigns, or knowingly permits, a considerable amount of vegetable farming to be done within the city limits of Moscow, by persons who still live in log cabins.
My guess (based on the real actions of producers and consumers in a market economy) is that farming would not be done in Moscow, if the land were privately owned and if producers and consumers had a real choice in the matter. I will also guess that those log cabins without plumbing would have disappeared long ago in a free market. But I'll admit it's only a guess; for no one can possibly know how the land and building resources in Moscow would have been allocated by a free people, freely choosing.

Nor can we positively know that the once-privately-owned steam generating plants in Tennessee would have continued forever to be the cheapest and most efficient way to produce electricity. The evidence is clear, however, that steam was generally cheaper than hydro when our American planners forced the change from one to the other. The incontestable proof of it is that private investors who were searching for the lowest production costs—and thus the highest profits—almost always chose steam generation in Tennessee.

**Change by Decree**

The only possible way to find rational answers to economic questions such as these is to put the resources up for sale and see how the buyers use them. The reason that “apartment and office” type land in Moscow is still used for vegetable production is because the government officials just happen to want it used for that purpose. The fact that, economically speaking, such arbitrary al-
location of resources is probably irrational should surprise no one. It can't very well be otherwise. But even the communist planners are finally reaching the conclusion that the construction of most of those mammoth hydroelectric projects all across Russia was a serious misallocation of scarce resources that could have been better used for other purposes.

Nikita Khrushchev and his Minister of Power for Plant Construction, I. T. Novikov, recently decreed that future emphasis in socialist planning will be on steam generators rather than hydroelectric construction. Perhaps they were influenced somewhat by Professor Z. F. Chukhanov (Corresponding Member of the USSR Academy of Sciences) and various other Russian economists who are increasingly inching toward the market economy processes. In a publication approved by the Russian government, Mr. Chukhanov recently claimed that the communist hydroelectric program has been a waste of billions of rubles' worth of resources because of the planners' failure to charge against those projects the total "social costs" involved. Marxian dogma forced him to use the euphemism "social costs" for the economic realities that, in a market economy, are determined by interest, profits, and other allocation guideposts that have been repudiated in communist theory.

Does Professor Chukhanov really know that those hydroelectric projects have been a waste of resources? No, he is only guessing. All he really said is that if he were running that arbitrary play store economy, he would do

---

1 *Teploenergetika*, No. 12, pp. 7-12, 1961.
it differently. And he then advanced still another arbitrary "mathematical solution" to the economic problem of how to allocate scarce resources to their most efficient uses in a nonmarket economy.

The only thing that can be said in favor of his particular addition to the "simultaneous equations" and similar mathematical approaches is that his is at least understandable. In effect, he claims that the industry that is allocated the most capital for expansion should be charged the highest "social cost"—that is, alternate opportunity cost, or interest in the broadest sense. For example, he points out that hydroelectric capacity has been increasing at an annual rate of 13 per cent in Russia. He then arbitrarily recommends that 13 per cent of the total new investment in hydroelectric construction should be recorded as an additional charge against that industry as a proper cost of capital, or "social cost." That's a pretty steep rate of interest! Is 13 per cent a rational guess as to the real cost of capital in Russia? No one knows, including Professor Chukhanov.

Anyway, even if his scheme is adopted by the Russian central planning board, that unusually high rate of return cannot attract new capital into electricity production; investment decisions in Russia are made arbitrarily by the planners, and for reasons that are seldom concerned with return on capital. Thus, their capital or resource allocations cannot possibly be any more rational than are the decisions by our own United States planners to build more dams to water more deserts to grow more food to be bought by more government agents to be stored in more
subsidized and surplus ships. Prices and costs and economic reality are no more related in those schemes than they were in that basement play store that was so happily presided over by my five-year-old son.

Refer to the Market

In several of his speeches over the past four years, Mr. Khrushchev has casually identified the only possible way by which his planners can rationally allocate resources in a socialist economy—that is, by observing what happens in the nonsocialist economies and then following along behind. For example, he recently pointed out that private investors in the United States have been investing less capital in steel production and more capital in the production of plastics. So, announced Mr. Khrushchev, the Russian planners will do likewise.²

But suppose there were no market economy for him to observe? How could he then possibly know which should have priority? To that question, an economist friend of mine once replied: "All this nonsense about the socialist planners being unable to make rational economic calculations is just that—nonsense. Why, all they need do to determine real prices, and thus to have a rational guide for allocating resources, is to add up their costs and then price the products accordingly."

Astoundingly enough, that economist seems unaware that cost is always a price, and that it is impossible to

add up prices that don’t exist in order to determine what an asking price should be.

Another person once said to me: “The Russian planners can always assign prices to their consumer products and then work backwards in order to establish relative costs, and thus to properly allocate their basic resources.” But since those arbitrarily assigned consumer prices could not possibly be related to land and capital costs in the first place, it is astounding to imagine that they can be related in the second place.

A graduate student of mine once wrote: “But the socialist managers could act like competition existed. In that way, free-market-type prices could be determined, and thus resources could be allocated in much the same way as in a market economy.” As a young idealist, perhaps that student shouldn’t be expected to understand that persons never “act like” in real life; they always choose among the realities that face them. It is hardly surprising that socialist managers choose to do what they are told to do.

In short, the mental processes of the intelligentsia in the United States have been so conditioned by realistic free market procedures that most of us are incapable of even thinking about the idea of an economic system without an automatic pricing mechanism to allocate scarce resources and to determine what will and will not be produced.

As another of many examples of unrealistic socialist play store economics, the Russian planners have generally neglected to record a difference in land value (rent)
between a factory in the middle of Moscow and a similar factory in distant Siberia. Under government ownership and socialist production, there can be no such thing as a realistic rental price to serve as a guide for the best use of land. But the only way you and I can know that such socialist practices are economically irrational is because we can compare the results against those of the market economy of choice. Otherwise, we too might well imagine that the area around Broadway and Wall Street should be allocated to the growing of wheat. Why not? After all, it is closer to the New York market than is Kansas. And as the socialist planners are quick to point out, everyone already knows that food is more important than office buildings. So there is no particular need to consult the consumers about it.

**Signs of Recognition**

Since, under a socialist system, I couldn’t do any better than the communist planners, I can only marvel that the Russian level of living is perhaps as much as one-third of our own. The only way I can account for any economic progress there at all is to assume that the Russian planners generally base their “play store” cost accounting and production practices on the realistic costs and prices set in the comparatively free markets that still exist in most nations.

In fact, a direct and unusual admission of this procedure has recently been published by two leading pro-
fessors of the Central Planning School in Poland. They first explain that the customary allocation of resources in socialist nations is done by what they call “direct economic calculation”—that is, by the “technical coordination” of specific machines, raw materials, and labor to produce whatever it is the Central Planning Board wants produced. While prices are usually arbitrarily assigned to these resources after they have been allocated, they play no part whatever in determining what will be produced. Then the two planning professors said: “The best methods of producing a given output cannot be chosen by this socialist direct economic calculation but are taken from outside the system... i.e., methods of production used in the past, or so-called ‘advanced’ methods of production, usually taken from the practice of more advanced countries and used as data for plan-building by the [socialist] country under consideration.”

Well, there you have it, directly from the communist planners themselves—they base their calculations on the data supplied by free market nations. (Since they refer to “so-called advanced methods” in a derogatory sense, obviously the reference is not to Russia.) True enough, by “trial and error” procedures, the planners can learn from their own mistakes that one way of producing something is technically more efficient than another way. But since consumers have no choice in the matter, the planners can never really know if the particular project

---

*itself* represents the best or most efficient use of the resources in the first place. Only a market economy can supply that type of information.

If the socialists ever take over the entire world, let us hope they will be intelligent enough to leave one country with a market economy of private ownership wherein consumers can direct production and allocation of resources by their buying and abstention from buying. Otherwise, the planners soon will be faced with the baffling problem in a socialist world of whether or not to allocate platinum to the production of nose rings for pigs. But, of course, if socialists were intelligent enough to understand the vital need for some rational, uncoerced, and automatic way to allocate resources according to consumer preferences, they wouldn’t be planners in the first place.

**Why Not Make It Free?**

And so it is with our own Tennessee Valley Authority. That project has unquestionably been a fearful waste of scarce resources, and probably still is. But some considerable semblance of reality exists in its bookkeeping and production procedures because the managers can still be guided in their decisions by the prices for the products and services they buy in the market economy around them. They know what privately owned electric companies pay for labor and equipment, as well as what they charge for electricity. Thus, the TVA managers have a realistic guide for setting their own rates. The fact that
they choose to set their rates considerably lower than the rates of private companies is hardly surprising; after all, that was the purpose for building the project in the first place. They could just as well have set them at five times the prevailing rate, or at one-half the prevailing rate, or made it free. It wouldn't make any real difference because there is no necessary relationship between their costs and prices anyway.

True enough, their prices are doubtless more realistic than my son's price of thirty cents for his mother's engagement ring. But we can't know how much more realistic since consumers and investors have no real choice concerning TVA policies in practice. At least my son couldn't force me to pay $500 for his favorite toy. But I have no choice at all about paying whatever the government says I must pay as my share of the cost of the Tennessee Valley Authority that we all own in common.

But, it might be said, the natives in Tennessee are quite happy with their low rates and lovely lakes. I have no reason to doubt that claim. And when my son's playmates heard about his store, they were happy indeed to give him their business—especially when he most generously supplied many of them with the "money" with which to buy the stuff. When I put a sudden stop to that popular practice, various childish voices accused me of being mean. Fortunately, however, their parents understood my actions when I closed down that bargain basement. But when I tried to explain to the parents themselves that perhaps the same economic and moral principles apply to various similar government projects, most of
them immediately joined their children in calling me mean.

In fact, one parent decided to set me straight with this observation: “You claim that the socialist planners are necessarily less efficient than private owners in a market economy. Then how do you explain the fact that the Russian planners put the first man into space?”

*Shoot the Moon!*

There are several possible answers, including the obvious one that this man-in-space program is also a socialized project here in the United States. So perhaps it could be said that the Russians are still better socialists than we Americans, although we are catching up fast.

I have already explained as best I can how the Russians take full advantage of all the production and allocating processes of the market economies that still exist in most of the world. In addition, in many respects the Russians now appear to be increasingly inching toward the competitive market processes within their own economy. For example, the proposal by Professor Y. G. Liberman of Kharkov Engineering and Economics Institute that “profits” should be the primary yardstick for judging factory efficiency is now being openly discussed among Russian officials. I don’t quite see how they can install and manage a realistic profit system in a socialist economy. But if they can do it even partially, that market guidepost will naturally insure more and better production in Russia.
Even so, our comparatively free market economy is, on the whole, still vastly more efficient than the Russian planned economy. Based on their obvious and easily observable inferiority in housing, food, clothing, transportation, and such, perhaps our economy is as much as 50 per cent more efficient, although the figure might be 30 or 70 per cent. Thus, if the Russians wish to excel us in any given area, they simply allocate two or three times as much labor and capital as we do to the selected project. In the area of rockets and the training of scientists, it seems reasonably certain that they have followed that procedure. Thus, they are seemingly ahead of us in the space race—at the alternate opportunity or social cost of a level of living for the Russian people that is only about one-third of our own.

The Vital Issue

Finally, in no sense is my discussion of this issue to be taken as an “attack” against the persons in charge of these various socialized projects—either in Russia or Tennessee. To the best of my knowledge, the management of the Tennessee Valley Authority is comparatively good. Actually, I don’t know who the managers of any of these projects are, in Tennessee or elsewhere. Nor do I care. I am here discussing an idea. Further, I assume that in case of war with Russia, the managers of the Tennessee Valley Authority will be as willing to fight and die for our country as you and I are. Unfortunately, however, the vital issue of the controlled economy versus the market econ-
omy will probably be decided long before that battle is ever joined—and then it will be too late; for in the long run, it is ideas (not battles) that decide the fate of mankind.

If the Tennessee Valley Authority represents the best system for the production of electricity, we have no real quarrel with the Russian socialists, and a war would be rather pointless. But if private ownership of the means of production is preferable, then we do have a real issue—not so much with the Russians as with the millions of sincere and patriotic Americans who are happily choosing the controlled economy of democratic socialism instead of the market economy of private ownership.
SOCIAL JUSTICE

by Francis E. Mahaffy

The advocates of what is called social justice conceive of it as relating primarily to the economic status of the individual. It is unjust, in their view, for some to have great wealth while others have only the bare essentials. It is unjust for the price, rent, or interest rate to be "too high." Profits are often accepted as necessary though it is unjust for them to be "excessive." Private property is not usually condemned in toto by these writers, though many of them class it as a necessary evil.

An excessive amount of private property, however, is generally condemned as unjust and a warrant for the increasing interventions of the welfare state.

Many people advocate social justice from religious motives. Some religious people have made the illogical jump from the need to manifest a loving concern for those in physical need to the advocacy of political means to accomplish this end. Professor Brown writes:

If any man is hungry, this is both a religious and a political concern, and out of a religious concern for one created in

The Reverend Mr. Mahaffy has served since 1945 as a missionary of the Orthodox Presbyterian Church in Eritrea, East Africa.
God's image, political means must be devised for ensuring that everyone gets enough bread—which is a suitable enough definition of the art of politics.¹

Such thinking is on a level with alchemy. Bread—meaning all the economic production by which men's creaturely needs are supplied—can be legislated into scarcity. But legislation cannot produce bread, any more than incantations can produce gold.

When the matter is examined, it is obvious that this concept of social justice is destructive of real justice. By prefixing the adjective "social" to the concept of justice the result is a destruction of proper justice and a perversion of true social concern. Social concern or fraternity is the responsibility of the individual and of voluntary associations of individuals. It often springs from religious or humanitarian motives. But it loses its religious significance and changes its nature the instant it becomes a political matter. It is a human and religious duty to care for one's parents, to support the sick, and to alleviate suffering and famine. This duty is always in the realm of private and personal relationships and can never be properly effected by impersonal political means. The state cannot love our parents; it cannot clothe the naked and visit the fatherless and widows in their affliction as commanded by Christ. All it is able to do is to use the arm of force to redistribute income.

This personal concern and sympathy that leads to ma-

terial and spiritual help to the afflicted and needy is not a matter of justice; it is in the realm of the spirit, not of the law. The beggar on the streets of an Eastern city does not have a “just” claim upon our alms. The leper in an African hut does not have a “right” to the services of the medical missionary or to the medicines sent by charitable Christians. The help given lies in the realm of charity, and charity is no longer charity if it ceases to be voluntary. It is unfortunate that some Africans and Asians are unable to properly clothe and feed their children or to earn wages of more than five cents an hour, but it is not necessarily a matter of injustice.

Love and sympathy for those in need is an obligation laid upon the Christian, but to invoke coercive political action to accomplish this distorts Christianity. Political implementation of religious duty removes material assistance from the realm of love to that of force and makes a mockery of Christian charity. The term “social” as it is used by some people to describe the fraternity that should exist among men is a term that loses its meaning when it is conceived of as the demand of justice rather than as the fruit of love.

**Justice vs. Charity**

The term “justice” should not be confused with “charity.” Justice, unlike charity, is the province of the state. Justice is blind. It guards the property and protects the life of all alike. It does not discriminate between people. The economic status, religion, color, or personality of the
individual is of no concern to justice. Justice is the execution of the law which treats all men equally. In its exercise the state has the monopoly of the use of force. The one who resorts to violence of one kind or another in his dealings with his fellow men: the murderer, the thief, or the contract breaker, is the recipient of the justice wielded by the power of the state. The state has the power of the sword to execute justice.

Some feel that this idea of justice is a cold, heartless concept. They want the state to produce social and economic justice as well. They want justice to include a more equal distribution of the goods of this world. They want charity and sympathy to be effected by the power of the law. In the process of broadening the meaning of justice to include these political activities, real justice is destroyed. The use of force to take from some to give to others is the very opposite of justice. Economic equality or economic redistribution cannot be effected by force apart from an unequal, and thus unjust, treatment of individual citizens. When this becomes the policy of the state, justice no longer prevails. The adjective "social" destroys the noun "justice."

Nor may the concept of justice be broadened to include a just price or wage. Economic remuneration is not given on the basis of the intrinsic worth of a person but rather on the basis of a man's evaluation of the specific services rendered by another. This subjective evaluation may differ widely in individuals. One writer describes a contributor to The Freeman as the world's outstanding economist, while another thinks the con-
tributors to this journal expound the cause of a decadent liberalism. It is not a matter of injustice that consumers evaluate a vulgar Hollywood production more highly than a work of fine art, or the comic sheets than the works of Shakespeare. This lies within the realm of subjective value judgments and tastes which are not the province of the state or of justice to regulate. When the state determines the economic remuneration of its citizens through control of prices, wages, and other means, this remuneration usually favors those who support the regime. This is not justice but legal plunder.

Contrary to popular opinion, it is only by restricting the state to the administration of justice and the securing of individual liberty that proper scope can be given to social concerns. When the state takes over the sphere of charity and seeks to replace personal love and sympathy with impersonal, mechanical redistribution by force, the individual and voluntary associations of individuals are no longer able properly to fulfill their religious obligation in this sphere. When the financial and medical care of our aging parents becomes a matter of supporting them by taxes from everybody with a large fee removed for administration costs in the process, it becomes increasingly difficult for children to show filial love and care for their parents in obedience to the divine injunction. When excessive taxes are used to support the advance of socialism in Africa and South America through our government-to-government foreign aid, the individual is deprived of a considerable amount of his means for the voluntary support of charity. Private col-
leges and schools, hospitals, and other works of philanthropy and charity suffer as a result.

When the state assumes the task of promoting social justice, it leads to conflict on the part of various groups and individuals to get their hands on this "economic justice." Subsidies are disbursed in terms of political power; seldom is there concern with the character of the individual recipient. Voluntary charity, on the other hand, is highly discriminating. While charity may be given to those whose plight is the result of their own dissipation, folly, or sin, yet it is usually given with care and from a personal knowledge of the circumstances of the individual recipient. Private charity tends to encourage thrift and virtue while distribution by the power of the state, as is becoming ever more evident, encourages vice and indolence. Why should a man seek a job when he can receive sufficient relief from the government while unemployed? Why should mothers of illegitimate children change their habits when they are paid in proportion to the number of offspring they bear and all stigma is removed? The distribution by force leads to the idea on the part of the recipient that what he gets is his due. W. G. Sumner has well said:

The yearning after equality is the offspring of envy and covetousness, and there is no possible plan for satisfying that yearning which can do aught else than rob A to give to B; consequently, all such plans nourish some of the meanest vices of human nature, waste capital, and overthrow civilization.²

Hope for the Oppressed

Only when the state is restricted to the administration of justice, and economic creativity thus freed from arbitrary restraints, will conditions exist for making possible a lasting improvement in the welfare of the more miserable peoples of the world. It is often this very lack of justice in the poorer countries that keeps the people in their low economic state. An English economic advisor to an African state was shocked at the prevalent low wages and succeeded in securing a minimum wage law for the land. The result was that the thousands of workers who had earned forty to fifty cents a day were put out of work. Only the more efficient and essential workers remained and the whole economy suffered. It had been interventions in the market by the government, a lack of justice, that had kept the wages down in the first place by preventing capital accumulation and investment. Further intervention, in the form of the minimum wage law, only aggravated the situation, removing the one chance many had for some economic improvement. Were justice present in these lands, there would be no shortage of investment capital, for there would then be no fear of unjust confiscation or nationalization. Justice is the one condition that will lead to economic improvement. Where there is little justice, there is little charity. Only where there is justice and freedom will there be the opportunity for extensive charity.

When seen in its proper light, it is genuine social concern, sympathy for the less fortunate, and love for his
fellow man that prompts the advocate of limited government to seek to restrict the state to the province of justice. It is because he realizes that the only true and adequate charity, fraternity, or social help springs from individual loving concern for another that he wants this sphere free from political control. He opposes the concept of social justice because he wants true justice and because he wishes to see economic and social improvement in the world. He is convinced that economic improvement cannot be effected by coercive redistribution but will follow justice and freedom. He recognizes that charity and fraternity cannot be legislated; to attempt to do so is to destroy them. It is because of his concern for justice as well as his concern for social improvement that he objects to the distortion involved in the concept of social justice. He agrees with the words of Frederic Bastiat:

Governments never take any action which does not rest upon the sanction of force. Now, it is permissible to compel a person to be just, but not to force him to be charitable. The law, when it seeks to get action by force where morality brings it about by persuasion, far from elevating itself into the domain of Charity, falls into the field of Spoliation. . . .

The proper domain of law and of government is justice.3

THE BUSINESSMAN'S MORALS

by Fred DeArmond

Business and industry constitute the one area in which our country has led the world for the past half century. Visitors to our shores would naturally expect businessmen to be in high repute here. Instead, they read and hear a constant barrage of criticism directed at men of business—more vocal than in any other nation of the free world. Truly, the prophet is without honor in the country he has made great.

Underlying most strictures on the morals of business are two basic assumptions. First, that men of business devote their lives to the pursuit of money, while professional people are dedicated to the ideal of service, with money-making not the major consideration. Second, that capitalism, under which we operate, is an economic system run by and for capitalists.

These assumptions are deeply grounded in our literature. Novelists such as Charles Dickens, who drew his most villainous characters from the business vocation,

Mr. DeArmond, salesman, writer, and business consultant on personnel training, is a contributor to numerous periodicals and the author of books such as The Executive at Work and How To Sell and Unsell Ideas.
have had innumerable imitators in the United States. Think of all the cloistered readers who obtained lasting impressions of the businessman from the flinty-hearted Mr. Murdstone in *David Copperfield* or from Sinclair Lewis' flabby "Babbitt" caricature.

The most articulate and influential of the assaults on the ethics of businessmen have come from these three sources:

1. The academic fraternity
2. The clergy
3. The left-wing politicians.

Let's attempt to analyze the articles of indictment from these sources.

1. *The Professors vs. Business*

It appears that a majority of college professors are innately hostile to the business community. Most critical are the economists and sociologists. But a great many history majors hold to the Marxian concept of industry as a goliath wringing its unearned increment from the bodies of workers. They seem quite unable to perceive why a mere crude businessman, perhaps without an academic degree to his name, should make more money than they do. This is a standard "liberal" view among the college faculties, and any marked dissent from it within the cap-and-gown circle labels the holder as a rebel.

One economics professor charges businessmen with "pursuing their naked self-interest." Again he berates "the tendency of many businessmen to cling to an out-
moded system of ethics based on a perverted version of the philosophy of individualism.” On the contrary, the philosophy of individualism represents an advance from the philosophy of absolutism. Just now we are witnessing a backwash in the evolution of civilization when a highly vocal group seeks to convince us that more authoritarianism, less individual liberty, spells Progress.

After having compared the techniques of selling to the arts practiced by a prostitute, Professor Max Radin asks, “Will it be possible to make habitual the suppression of greed, that is to say, the tendency to aggrandize oneself by accumulating more property than other persons have? It is clear that society does not begin at all until some of the grosser forms of such lust for property are in fact suppressed.”

This self-aggrandizement, this “lust for property” that Professor Radin excoriates, is an expression of the natural urge toward inequality with its accompanying demand for rewards in proportion to talents and individual contribution to general well-being.

College youth, especially from middle-class business families, generally resist this form of indoctrination by their teachers. But it is here that a great many derive a pronounced prejudice against business.

2. The Clergy vs. Business

Particularly among the Protestant ministry, but abetted by some Catholic authorities, there is a marked tendency in our time to regard Christianity and the gos-
pel of Jesus Christ as a program of social betterment and leveling reform, rather than a hope for individual salvation. This doctrine reached its climax in the so-called Social Gospel. One of its militant spokesmen is the Rev. E. Stanley Jones, prolific author and lecturer.

Jones holds that competition among business enterprises and individuals is an odious, outmoded system that is out of step with the modern world. He endorses the Marxian creed, "To each according to his needs, from each according to his ability," and adds, "I am persuaded that the Russian experiment is going to help—and I was about to say force—Christianity to rediscover the meaning of the Kingdom of God upon earth." He believes the Christian should work with anyone who is trying to bring about the new and higher order, "under whatever name he may work."

How innocent of the practical affairs of business many of our religious leaders are is illustrated in a passage from Christopher Hollis, a well-known Catholic writer, as quoted in America. An advertiser's activity is legitimate, Hollis says, only to the extent that he "is concerned merely to inform the public what goods are available and informs it in a reasonably attractive manner." He would thus condemn as outside the pale the variety of appeals to feeling in advertising. If the same rule were applied to religion, how far would the churches get in holding or adding to their following? If all preaching and ritual were confined to rational and essential appeals to reason, how many of our fine church "plants" would have to suspend activities? In fact, the churches are doing a large
volume of advertising of their own, and they do inject highly emotional sales talk into their copy.

Referring to the scriptural adjurations to charity and benevolence, Heard and Opitz wrote in *The Kingdom Without God*: “There is nothing in any of these admonitions which can possibly be construed as sanctioning the use of political coercion to deprive some men of what is rightfully theirs for the dubious benefit of someone else.”

On this score of the Christian ethics as a yardstick, at least one economics professor comes to the defense of business. Dr. Thomas L. Petit, Director of the Breech School of Business Administration at Drury College, Springfield, Missouri, said in a public address:

First, it is true that businessmen do not live up to the ideal of Christian ethics, but this is not because they are businessmen; it is because they are men. . . . Where is such a standard attained in American life?

Secondly, important as Christianity is, it is not the only source of ethics in America. Therefore, to say that businessmen do not live up to Christian ethics is not the same thing as saying that businessmen do not live up to American standards.

Thirdly, many actions which seem incompatible with Christian ethics may not really be so if their significance in the situation in which they occur is truly understood.

The Christian world has come of age to the point where certain biblical injunctions are being interpreted more realistically, including the one about the individual undertaking to be his brother’s keeper. More practical, and hence a better guide to everyday living, is the famous and oft-disputed passage in Adam Smith’s *Wealth of Nations*: “By pursuing his own interest he (the individual) fre-
quently promotes that of society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good."

3. The Politicians vs. Business

It is a peculiar paradox that socialistic politicos, who are forever declaiming about "vested interest" have the strongest vested interest in arousing popular prejudice against business of any of the three critical groups that we are here discussing. "Why do you rob banks?" the bandit Sutton was asked at his New York trial. "Because that's where the money is," was his quite logical answer. And so we may say that in skinning Big Business before economically illiterate audiences is where the votes are to be had.

It should be made clear at this point that I am not labeling all politicians as demagogues. I know plenty who are both honest and intelligent. In fact, politicians as a class may well be as moral as lawyers, or teachers, or realtors, or farmers—and they unquestionably would assay better than labor leaders.

It is the reform politician whom business has to fear. There is gold for him in applying the method described by William Graham Sumner—how A and B put their heads together and decide what C shall do for D. The businessman is in the position of the unfortunate C. He is plagued by a plethora of planners who want to bring about the millennium with him picking up the check.
H. L. Mencken wrote a sentence that vigorously characterized the source of most of the political yammer about business. "Nine-tenths of the burbling against capitalism which now goes on in the United States," said the Baltimore satirist, "is done by mountebanks who dream of getting on top by changing the rules."

The Double Standard of Ethics

The critics of business seem to set a higher code of ethical behavior for businessmen than is expected of other mortals. The man of commerce is penalized by a double standard.

I have quoted Dr. Petit in defense of business against the ecclesiastical stricture that businessmen fall short by the measure of Christian ethics, when in fact no other group in American life lives up to that ideal. However, in the same speech Dr. Petit failed to follow his own guideline when he said: "Businessmen, unrestrained by government, may be free, but it does not follow that they want this freedom because of concern for the welfare of anybody but themselves."

This seems to say that businessmen advocate freedom of enterprise for selfish reasons, and by implication, that other groups do not, at least in equal degree. Would that be true of labor leaders, of farmers, of teachers, to name but three examples? To answer that these vocations are more unselfish in their aims would be a dogma of very doubtful validity.

Another authority who supports the double standard
is Louis Finkelstein, Professor of Theology in the Jewish Theological Seminary of New York City. "Why do I single out the American businessman for indictment, when he is probably no more materialistic than any of the rest of us? I do so because of the responsibility he bears, because his role in American society is so great."

Dr. Finkelstein frankly admits that he poses a double standard—one for businessmen and a lower one for everybody else—and he attempts to justify this position. A similar stand was taken by Adolf A. Berle, who said, "The corporation, almost against its will, has been compelled to assume in appreciable part the role of conscience-carrier of twentieth century American society." Thus, on the one hand, business is loaded with opprobrium, and on the other hand, is told that "You are our model; you must be better than we."

Of course, this is an impossible role for any group to play. Businessmen are a cross section of the whole society, neither more nor less moral than the whole. The function of business is to feed and clothe and house and serve the people. It could do a better job if it were freer to meet that responsibility, with less lecturing and back-seat driving by the innumerable army of monitors of business. Let the whole people share in carrying the conscience of society.

There is an inclination to believe that when an action is contemplated, two alternatives will present themselves—one clearly labeled "Right," and the other "Wrong." Actually, there may be a choice of several courses of action, each of which has elements of moral
sanction and other aspects of doubtful propriety. In short, we do not have just black and white indicia to guide our moral instinct, but also a large area of varying shades of gray. It is in this setting that a businessman must decide. He is called upon continually to exercise managerial judgment, not only in the economic zone, but in the ethical as well.

An example will clarify the point. Kindrick owned a successful camera and photographic materials store, the only one in his town until Wornall set up a competing business. Wornall was a CPA and his photo shop was a sideline, run by a young hired manager. It never did much good. After about two years, Kindrick offered to buy out his competitor. “I’ll take over your inventory at cost or wholesale market value, whichever is lower, and give you $2,000 for any good will value there may be,” he said.

“Oh, no, I couldn’t do that,” was Wornall’s reply. “I’d rather go on with it, even if I only break even, than to take such a ridiculous figure.” A year later, Wornall died suddenly. His widow, knowing nothing about business, came to Kindrick and asked him to buy the store on the basis of the offer originally made. Kindrick knew that the shop had run down somewhat since he tried to buy it. He knew, too, that Mrs. Wornall would have to sell it for whatever she could get, which would likely be the value of the inventory alone, and perhaps with depreciation deducted. Nevertheless, he agreed to purchase the stock and pay her $1,000, which after making other inquiries, she accepted. Here was a case where a businessman refrained
from driving a hard bargain, and paid a higher price than he would have had to do. I believe the example is not exceptional.

The Businessman's Obligation to Himself

No one need apologize for an enlightened selfishness. When Jesus admonished Christians to “love thy neighbor as thyself,” he was far from forbidding them to preserve a healthy regard for their own interests. One should love himself, too. Or, as the good Polonius phrased it,

To thine own self be true,
And it must follow as the night the day,
Thou canst not then be false to any man.

A man of action, intent on performance which is both successful and ethical, must strive to see that his actions are consistent with the principles he professes. To fail in that respect is the worst form of inconstancy. It's tough to part with one's friends on a controversial issue, but truth is superior to friendship. “What is right?” is always a relevant question. “Who is right?” may lead us astray. Abraham Lincoln's policy is a good guide: to go along with a man as long as he is right, and part from him when he is wrong.
As a staunch believer in liberty, I've been puzzled by the mental processes that take place in a socialist's mind. By what quirk does one justify taking what belongs to someone else?

At least part of the answer was supplied recently in an apple orchard along Finniss Creek in South Australia. My family and I were visiting a farmer in that area. Toward evening, he invited us to inspect his neighbor's orchard.

As we approached the boundary fence, our host explained that he had obtained permission to inspect the orchard, but we were forbidden to touch the apples. Inside the fence, we four adults and seven children found ourselves surrounded by acres and acres of ripe, juicy apples ready to be picked and eaten. Temptation beckoned us as it did Adam and Eve in the Garden of Eden.

Before long, one of the children asked, "May I have this apple on the ground?" The farmer's firm reply was, "No!" For he understood one of the first laws of liberty: Only the owner of the property can give a gift. The apples were not our host's to give.

Mr. Yankus moved to Australia from Michigan in protest against such things as government subsidy and control of farming.
Everything that happens to us has some lesson to teach. And reflection upon that incident in the apple orchard has afforded new insight to me. My desire to know how a socialist thinks seemed to be fulfilled as I visualized myself alone, unwatched, and hungry for a day in that orchard on Finniss Creek. How easy to think of socialistic excuses for taking just one apple:

This limb is so laden that it will break if I do not pick an apple from it.
My taking an apple would be an act of charity on the owner’s part.
This apple would spoil if I did not pick it now.
This apple is on the ground.
The owner would never miss one apple in 100,000; he’d never see this one.
I’ll offer to pay for an apple if I get caught picking it.
I’m hungry and have a right to eat.
He’s richer than I am.
With so many apples, he’d only have to pay more taxes.
This apple is unsalable.
This one has a worm in it.
The crows eat some apples; why shouldn’t I?
The owner doesn’t own the apples because Nature grew them.
I pay taxes to subsidize farmers, so I’m only taking part of what belongs to me.
There is a surplus of apples, and I’d be helping reduce the surplus.
Distribution is more important than production.
I'll vote and pass a law to make it legal to take an apple.

The majority rules, and I'm obviously the majority here.

To get anywhere in this world you have to take what you want.

The Lord helps those who help themselves.

I've seen other men take apples.

I'll just take an apple for the poor folks I know.

The almost endless excuses used for taking just one apple are simply variations of those that people use to justify their socialistic acts. And the sad part of it is that most of us fail to recognize our own personal excuses. It's easy enough to see the socialism in others, and condemn them. Much more difficult is to recognize and rout the socialism from ourselves. Yet, how else can any one of us contribute toward making this a better world?

If you want to appreciate what makes a socialist tick, take a stroll through an apple orchard ready for harvest. And reflect on those excuses of “want” or “need” that you might have been tempted to use to take the property of others.
All men desire to be free. It would be a mistake to suppose that the leftist loves freedom less than the conservative. Some men's struggle for freedom, however, causes suffering and death while yet others come among their brothers as a healing balm. Why such opposite effects from the identical basic urge?

Freedom, in human terms, has to do with two attributes: the capacity for choice and a newer attribute but recently arrived in the human gene, the moral faculty. It is the latter which is determinative of the character of our activity. On this sense hangs the survival of the species.

If morals are conceived of as conduct born of reason and training, they may be oriented at call both to the demands of a technologically organized society or to a given political structure. Custom and tradition may be made to order; morality will then be displayed as a relative thing, adjustable to varying specific demands according to the ascendant political influences of the day. Appropriate morality for the common citizen becomes but a matter of education and training of the
young, with amendments of their ethical equipment to be supplied as necessary during later life by means of communication and entertainment media. Somehow though, this approach always brings wholesale death, imprisonment, and misery, for it involves an act of credulity difficult of achievement for the thoughtful individual against whom, in the end, force must be directed. He cannot go contrary to his own senses; he cannot repose confidence in the expertness and motivations of men in violation of his observation and experience. Religionists have seldom asked of him so great an act of faith.

If, on the other hand, morality is a life-growth, if it has had an orderly biological development, then the foregoing would be reversed: we would conform to its nature or sicken, just as our lives must accord with our anatomical structure. The formulation of ethics to support intellectually derived aims would be absurd.

**Emergent Morality**

There are clues which point to such a background; i.e., that the moral faculty rises naturally out of the processes of life. As a beginning, it is clear that the amoeba, a single celled creature, would be little perturbed by the state of right or wrong in its puddle. With many individual humans, moral acuity has attained high degree. Physical complexity, then, is a condition precedent to the perception of moral phenomena. If this were all, one could attribute the moral sense to the brain and nervous system. It would also put us back where we began—the er-
roneous concept that man’s proper conduct can be purely a product of reason. Also, we are told that man has not changed noticeably in brain or other physical characteristics in thousands of years, yet his ways and mores have developed greatly.

A human being, however, is an organic whole. The brain is not insulated from the rest of his being. What happens in the liver affects the little toe; the function of the kidney has to do with heart and lungs. All exists in an organic medium, a physicochemical balance of blood, fluids, plasma, and lymph flowing through regional systems, organs and glands interchanging substances, regulating, accepting, rejecting. The organs have knowledge apart from the brain. If one kidney is removed, the other knows it and enlarges. In certain kinds of heart damage, repairs and growth offset the injury. Cicatrization is a cooperative effort of blood, corpuscle, and tissue.

Within the parts there is a sensing of things to come. Certain cells in the embryo aggregate to form a spleen. The brain projects a portion of itself, takes on a covering of skin which becomes transparent, then changes into lens, cornea, and proceeds to constitute a complete optical system for use after birth. Our examples can be multiplied endlessly.

Such a range of complexity conditioned the advent of moral awareness, such complexity and something more; for not all men exhibit response to moral stimuli. As we have shown, purpose and knowledge exist in the organs and the fluids, though not in terms understood by us.
They abide far below the turbulent surface of consciousness. At these depths are systems of tension and energies, both physical and psychic. Modification of this inner balance by God or by Nature or by man, himself, through his will, can change what man is and what he may become. Differentiation of a portion of the species could well go unnoticed because no change of form or feature is necessary. Evolution would be subtle—slight variations of brain, nerve, or organic balance, hidden glandular influences, and so forth. Moral man and his predecessor can exist side by side, presenting to the world seemingly identical anatomy and outward appearance.

Are there clues to suggest that such developments have, in fact, occurred?

We think there are. Not laboratory proof, of course. One cannot compare the nervous structure of a citizen of Jericho ten thousand years ago with that of a New Yorker of 1963. Nonetheless, there are suggestive facts which may be displayed. To do so, we select but one thread from an immense skein. That one thread, we cut short.

Twelve Million Years Ago

Since the moral sense began with man, it is appropriate that we tie one end of our thread to amoral subman. Some anthropologists are willing to fix our origins in the Miocene period, twelve million years ago. Let us secure the knot then to Proconsul, an orthograde primate found in Miocene deposits in Lake Victoria, East Africa. Certainly not human, still he possessed brain, teeth, and
body suggestive of human characteristics to come. Later non-man discoveries, *Australopithecus africanus*, *Plesianthropus*, and *Paranthropus* exhibited some of the morphology of man. They walked with his stance. The use of fire and clubs appear to be associated with these creatures. These finds are identified with the later Pleistocene period.

Next comes a truly debatable specimen, *Pithecanthropus erectus*, found on the island of Java in 1891. Man-like ape or ape-like man, we know not. Dr. Eugene Dubois, the discoverer, denominated *it* a superior ape. Identical features led Sir Arthur Keith, a British authority, to the conviction that *Pithecanthropus* was human.

Without exactitude as to sequence, it seems conclusive that the threshold of humanity was crossed by *Sinanthropus pekinensis* and *Homo Neanderthalensis*. This would have been in the late Pliocene or early Pleistocene period, say, one million years ago. With Sinanthropoid skeletons have been found quartz tools, fire hearths, and the remains of Pleistocene animals. He killed game, dragged it to his cave, and cooked it. Neanderthals were very numerous, finds having turned up at various locations in Europe, Russia, and Middle Asia. Skeletons are frequently accompanied by flint tools. In some instances, they buried their dead. The cranial capacity was above the 1,350 cubic centimeters normal to modern man, but their skulls were low-crested and marked by supraorbital ridges. They had receding chins and forward hafted necks. These features give them palaeoanthropic or primitive classification.
Anthropologists give little explanation as to why primitive humans ceased to be or how or why neanthropic or modern man came upon the scene. He appeared suddenly. Cro-Magnon and neanthropic forms may have lived contemporaneously with palaeoanthropic versions. This fact provides clues to the moral state of both. Many Sinanthropoid skulls have the base broken out. Neanderthal bones show knife knicks and scrape marks where the flesh had been removed. Many of the bones had been cracked and the marrow extracted. Artificial enlargements of the foramen magnum indicate removal of the brain. It is quite possible that some other form of human, perhaps modern man, was systematically preying on these primitive individuals to the point of their extinction. Perhaps cannibalism was widespread. At any rate, only modern man remains and as he enters upon the stage, he is a killer; he is still burdened with bestial motivation, undiluted by moral stimulus.

How long ago was this?

A London dentist, Dr. Alvan T. Marston, digging in the gravels of Swanscombe, Kent, England, in 1935 unearthed a modern human skull. Fluorine tests showed it to be about 500,000 years old.

The First Faint Sign

Here let us postulate something from our fancy—yet not altogether fanciful for probability forms our base. At some point in the past—no record can tell us where or when—one man, having grown from one unique egg cell,
possessed for the first time in the experience of life on earth, a new faculty. It was like the rudimentary eye that cannot distinguish objects because its cells have attained only light sensitivity, not focus. Just so, the new faculty received intimations of the objects with which it was to deal, intimations so formless, so lacking in definition, that its possessor could not realize that he experienced anything at all. Yet so disturbing was it that it gave uncertainty to his cudgel, upraised above his guiltless brother.

Whether the club fell is immaterial now. What is important is that the wielder of the club begat offspring. Some of these, during other sequences of pillage and despoilment, felt the same disquiet. It had entered the blood of the species to scatter mutants through the centuries. At last it began to leave scratchings and wedge marks on stone and clay. With the unfolding of time, some of its inheritors could descry glimmerings of its form and meaning.

Archeologists exhibit to us an oblong of light brown clay, dried by a sun that shone upon the land of Ur four thousand years ago. Scarce four inches wide, less than eight inches long, its face is about that of a common brick. It is crowded with half-obliterated characters that comprise one of the oldest records of a legal code, that of one Ur-Nammu, deputized king of Ur by Nanna, its moon-god.

They show us also a stele of dark greenstone that stands as tall as the ceiling of a modern home in suburbia. It was found near Susa on the Persian Gulf in
1901. Its inscriptions make up a preamble, a set of laws, and an epilogue. It is the imposed code of a conqueror, Hammurabi of Babylon, who declared that he received it of the god, Shamash, 3,700-3,800 years ago. Enlightened beyond its time, it remained a product of conquest and self-glorification. Full weight was given to vengeance. There was no hesitancy in fixing commercial relationships, prices, and wages.

These writings are physical evidence of growth of the moral faculty. The idea of the benefaction of mankind was present. So was the idea that business dealings should be honest and that mere weakness did not justify pillage. True, all authority was founded on amoral conquest. True, the ego of the ruler was the consideration above all others. True, superstition, slavery, infanticide, and other forms of murder were sanctioned. Withal, these codes were the work of moral vision that could seek order and justice within a complex of human rights and obligations. They were light years above the bestiality of Neanderthal and early neanthropic man.

From the Land of Canaan

We fix our attention now upon the land of Canaan, otherwise Phoenicia. In the littoral at the eastern end of the Mediterranean, at Ras Shamra, two hundred miles or so north of Jerusalem, explorations in 1928-1929 revealed the ancient city, Ugarit. Writings discovered here point to a paradox in the growth of human morals. These texts date from the latter half of the second mil-
lennium, B.C. Various languages were employed including Sumerian, Babylonian, Hittite, Egyptian, and Phoenician or Canaanite. This variety of tongues coupled with a broad range of art objects from Babylon, Mycenae, Egypt, and other far-flung cultures points to cosmopolitan sophistication in matters of commerce, art, and morals. Thus, the Canaanites were not a backward people.

Archaic Hebrew and Phoenician or Canaanite were one language. Their religious stem was the same. Canaanite writings lead directly to portions of the Bible. Daniel appears first in Canaanite literature. So do Adam and Eve. "El" or "Elohim" as a designation of God was common to both languages. Both partook of the same cultural tradition, were subject to the same conquests, stood in the same line of moral development. Before Moses, the codes of Lipit-Ishtar, Ur-Nammu, and Hammurabi had placed limitations on murder, stealing, lying, and other infractions. Sections of the Hammurabic code were carried over into the Old Testament, parts of Exodus, Deuteronomy, and Leviticus being seeming transplants of language and substance.

Abram, or Abraham, of Genesis was much among the Canaanites and scarcely superior to them. He could permit his wife to suffer the desire of another man as a measure of his own self-preservation. The slaughter of entire peoples did not offend his senses. These thoughts and acts agreed well with the mores of the times in the land of Canaan.

Who then could distinguish Hebrew and Canaanite? How were the Chosen Ones different?
Yet as we turn the opening pages of the Old Testament, Israel and Canaan are enemies. There is revulsion against ancient familiar idols. Rituals encrusted with centuries of tradition are now called perverted. Israel separates herself from her heritage.

But not all Hebrews. Their bulk remained as it was. They became homesick for idolatry. When Moses left them for but forty days, they made themselves a golden calf, worshipped and sacrificed to it, and "rose up to play." With Moses, Joshua, and Aaron dead, the people reverted to the worship of Baal and Ashtaroth. They wearied of theocracy and asked Samuel to depose God; their preference was to have a human king as did other nations.

Was it political factors then that worked the cleavage?

No, these were transient things of alignment and realignment, a continuing flow of advantage and disadvantage.

No, Israel became different in kind from her neighbors. The cultural stem remained, but there was a sudden increase, biologically speaking, in the vigor and acuity of the moral vision of a small group of men—the patriarchs and the prophets. The leathery old tribesmen became the new awareness and the conscience of the people. Their peculiarity affected the Semitic stem profoundly.

*God Above Man*

The thing that they saw most clearly was that man was less than he had thought himself to be. The laws of
Mesopotamia, Babylon, and Sumeria were kingly impositions based upon conquest. Recitations anent the deities of their varied pantheon served the glorification of the ruler, added the force of superstition to that of edict. Other kings could utilize other gods or manufacture new ones. The Hebrew patriarch saw the falsity of this. God was not servant to human policy. He was not concocted out of expediency. The injunction was, "Thou shalt not take the name of the Lord thy God in vain," and "Thou shalt have no other gods before me."

Moreover, they could see that the thread of life connected man with God. This being true, one's ancestors were custodians of the vision and bearers of the seed. The generations were a sequence of flesh and spirit, each the fruit of those long since transformed to dust. The generation which honored not gifts received or which despoiled posterity of its birthright would be aborted. The species must cling to the thread of creativity in order to endure (Honor thy father and mother; that thy days may be long upon the land which the Lord thy God giveth thee).

They despised the predatory heart. The fixing of attention upon inevitable inequalities of person and possession was defined as covetousness and proscribed. A people could be secure only as its members were secure. What extraordinary fortune or skill could gain in righteousness, affection, office, or goods was, in the long run, to the betterment of the whole. Greed and envy could only jeopardize the entire body of society. The commandment was clear: "Thou shalt not covet."

That the prophets considered their gifts as unique
was inherent in their conviction that they had been chosen by a single, everlasting God. It is also clear that they held a narrower, more literal view of their invigorated sense as well. They adduced their knowledge as something they had seen or heard, since they knew no novel means of perception. Listen to Proverbs XXIX, 18, "Where there is no vision, the people perish." Or Habakkuk II, 2, "Write the vision and make it plain upon tables, that he may run that readeth it." Or Jeremiah VI, 16, "Stand ye in the ways and see. . . ." They were talking about actual sense perceptions.

They were not reasoners as the Greeks were. They did not attempt to define their knowledge nor fathom its distant implications. Others were to accept their vision without question—it was the will of God. It was enough that they could fix the errant one with glittering eye and drive him with lashing tongue.

Neither did their heightened special sense work much change in men themselves. The Jew remained as superstitious as his neighbors. He was as brutally possessive of wife and child. Cruelty was common. Moses could instruct the Levites, "Go in and out from gate to gate throughout the camp, and slay every man his brother, and every man his companion, and every man his neighbor." More routine punishments for violations of the Law included stoning, execution by fire, and garroting. The tribes were still narrow, bigoted, savage. Hebrew thought was feculent with error. Hardness of heart was ingrained and unchallenged. One must remember, however, that the biological requirement at this point in his-
tory was simply that the moral attribute be viable, tough enough to live in a savage environment.

It was none too soon. Already the beginnings of mathematics and physics had taken place with the Egyptians, Greeks, and earlier peoples. The surveyor’s stakes marking the road to E = mc² were in place. Its destination was inevitable—the extinction of man. Except for one factor. The teleology of life had functioned thousands of years earlier with the injection of moral unrest into that unknown primitive progenitor. Now it was evolved into the Law and the Prophets.

The Law and the Prophets were not enough. They were inadequate to the necessities of the world that was developing. They were inadequate because their application was external, their acceptance involuntary. The Israelites were a bullied and frightened people. Understanding of the significance of the Law, there was none. It was constrictive of personality and choice because the patriarchs had not understood that they, themselves, were an outcropping of a deep inner life development. In Christ’s phraseology, it remained for the Law to be “fulfilled.”

Beyond Reason

What was necessary?

Was it not that the newest human sense be given equal, no, superior, status in relation to the older senses? This seems probable from Christ’s teaching method. In his words we find almost nothing of syllogism, no abstract construction of theory, no laying down of a
logical case. Rather, he seemed to aim at startling or surprising a dormant sense so that in a burst of unaccustomed activity it should break the surface of the subconscious to be seen and dealt with. He triggered unused psychic complexes in friend and foe—intuitions, insights, theretofore suppressed emotions. Parable, imagery, allusion, the shock of incredible assertion—in greater or lesser degree, these would provoke the inward sentience of his audience. These were no move to convince the intellect, but only the application of stimuli to which a special sense could respond. His struggle was frustrating. Listen to him in John VIII, 43: "Why do ye not understand my speech? even because ye cannot hear my word." He sought those who could respond: "He that hath ears to hear, let him hear." Later, Paul was to expand upon this fact: "... the natural man receiveth not the things of the Spirit of God: for they are foolishness unto him: neither can he know them, because they are spiritually discerned." The phenomena had to be perceived before it could enter into the mental processes.

First, as Christ implied, one must see the real source of the law. Scribes and Pharisees occupied the position of lawmakers. Theirs was external law applied to the externals of man: his acts, his property, his outward relationships. Such lawmakers, "bind heavy burdens, grievous to be borne." True law is in the nature of things and in the nature of the human being (The Kingdom of God is within you). Christ knew that murder, for example, was the end product of an inner ferment; it was objectified anger or greed. So also, with adultery, theft, and the
rest of the list. These were evil fruits whose roots drew sustenance from the older elements in man. True law would operate here, in the individual’s own faculties.

This individualism should be cultivated at whatever cost. Many would suffer but some would succeed (Wide is the gate and broad is the way, that leadeth to destruction but strait is the gate, and narrow is the way, which leadeth unto life, and few there be that find it). This was the hard fact: the destiny of the species depended on the toughness and wisdom of those possessing the capability of perceiving God and his creative principles of life. These were the things of God; Caesar had no proper function in them save to permit them to operate and to defend them.

Having developed this capability, men should sustain it in their consciousness, have faith in it, and be guided by it (Thou shalt love the Lord thy God with all thy heart, and with all thy soul, and with all thy mind). By doing this, men could achieve freedom (Ye shall know the truth and the truth shall make you free). But no man could be free who coerced his neighbor (Thou shalt love thy neighbor as thyself). Only through equality of respect for the conscience, responsibility, and volition of others could men become whole. Indeed, only through this sort of equality could the species be safe.

What was the reason of it all? Why the millions of years of struggle of life on earth? Its achievement of ever greater complexity of tissue, organ, and sense? To what end does man, by means of his new awareness, consciously strain to be something other than what he has been?
Once more we turn our secular gaze upon the Bible. The answers stated there can be encompassed briefly: joy, happiness, well-being. In Chapter V of the Book of Matthew, Jesus, in the first eleven verses, uses the word, "blessed," meaning a bestowal of happiness, nine times. In the twelfth, he tells us to "rejoice and be exceedingly glad." His expositor, Paul, in Ephesians, describes singing in the spirit and melody in the heart. There are many such examples, spoken in the shadow of mortal adversity. With the right sort of awareness one could see the principles of life, individual and social, which could free him from the crush of his terrible heritage. Such freedom, such resonance with divine pulse, would mean joy.

**Moral Emphasis in the Declaration of Independence**

That the possessors of the enlivened moral faculty grew in numbers, history evidences abundantly. The unique sense began to assert itself in "the things that are Caesar's." We overleap seventeen centuries to find them expressing what they have seen in a political document. We hear them saying, "We hold these truths to be self-evident," that is, phenomena to be accepted because exhibited to the senses. They were deemed to be true because they were the verified content of moral perception. They believed men to be creatures of God, under equal obligation, one to the other, each to the whole, to preserve and defend individual human effort to survive and achieve; to hold the individual harmless in the effectuation of any chosen purpose not violative of the personal-
ity or property of another, safety and happiness of the citizen being the explicitly stated objectives of proper government.

Some years later they draft an agreement by which they propose to live together. In it they said that men should be free to follow their personal routines in peace (insure domestic tranquillity). They should be safe (provide for the common defense). They were to be free from the vexations and dangers attendant upon personal settlement of disputes, unjust taxation, monetary chicanery, and caprice of government (establish justice, promote the general welfare). The generations were recognized as being bound together in sacred compact (secure the Blessings of Liberty to ourselves and our posterity).

What echoes of the patriarchs and the prophets! What magnificent assent to the "fulfillment" of the Law! How spectacular and undreamed was the harvest!

Still, there are those among us, historians and sociologists, who tell us that morals are no more than custom and environment; who cite other peoples in other places who believed in other rights and wrongs and other gods; who believe that the common man may be thumped and kneaded into any sort of thing that politics and technology may require. They work much grief—they withhold the animate part of the truth. Where the moral sense has not been nourished or has been diverted from its main direction, among great or little peoples, that nation or race has been stultified. Its exit from history has been a series of needless frustrations and pointless disasters clustered about a core of ethical error.
A Vital Attribute

The rewarding path is along the way discerned by the moral vision. It is a vital attribute even though many of our kind have not, as yet, acquired confidence in the stimuli it provides. Many of us continue to believe falsehoods which the use of this sense would destroy, even as some centuries ago some men had preposterous credulity concerning physical facts which disciplined use of their regular senses would have precluded. As a current example, many of us, evidently a voting majority, believe that individual wrongdoing can be transmuted into collective virtue; that individual sin can be purified by democratic ritual. We join together to vote ourselves exemption from the Decalogue, the New Testament, the Constitution, and the operations of Nature.

And because our disdain of moral principle is collective, because it is implemented by technology, never was human hazard greater. We have parted with the safeguards of variety, multiplicity, diversity of purpose, and limited means of ages gone. Our more satanic Caesars were but pranksters when set against the scale of our Hitlers and Stalins; these, in turn, dwindle before the looming potential. Only the active use of the peculiar sense can be of any effect against the drift of the times. Not to rely upon it is as foolish as to forego sight or hearing. It is at fearful risk that we continue to view its promptings as romantic idealism, scarce suited to the uses of this world.

Moral awareness began in the jungle in men who were
mostly beast. It was viable from the beginning, capable of surviving the wilderness; equal to growth amid bludgeon and ignorance. It had moved against all vicissitudes before history began. It stood up to stonings, crucifixions, hemlock, and the arena because it was tough. It is not weakened by sentiment. It is practical. Its goal is the wholeness of man because when man is complete, he is free.

From birth to birth, century to century, the communion spreads. Its members willingly wear the manacles of the spirit. Because they do, they cannot resort to force to thrust their knowledge upon others. They cannot rig voting blocs; they cannot bilk their brother politically, economically, or intellectually. They give but to those who seek. They demonstrate only to those willing to observe.

They look upon the mutilation of the earth, the poisonings of its soils, its winds, its waters, and its minds with sorrow. They can see great nations and great peoples sickened with the malady of centralized coercion, the symptoms affecting every member of the social body: the family, the arts, public and private morals, education, religion.

Strangely enough, they expect all of these things to live. They believe that the moral attribute was inserted into the species long ago for two purposes: to serve as a safety mechanism, and to sense the way in which it should go. Despite the moiling of historical waters, it has been effective on both counts. Observed from primitive beginning to formal expression in documents utilized in
the founding of the greatest nation in history, the in-crease of the moral faculty as a factor in human destiny appears considerable. In view of its source, it is not likely that it will fall short of its objective—man as a whole creature.

Moral man, speaking of us all, may well join with the English Book of Common Prayer in the supplication, “Grant that the old Adam in these persons may be so buried, that the new man may be raised up in them.” History points in this direction. It is the direction in which the libertarian would go.
THE ETERNAL SEARCH FOR TRUTH

by Henry Margenau

One of the oldest legends of our culture dates back to the era before the Libyan dynasties of Egypt, many centuries before the Christian era. It relates to the town of Sais, in the delta of the Nile, where a great temple had been dedicated to Osiris, a god of the underworld. The ruins of that temple are still visible today.

It is said that this temple contained a mysterious picture, covered with a veil and inscribed by the tantalizing words: "The Truth." Mortal man was forbidden to lift the veil, and the priests of Osiris enforced this statute with severest rigor.

A youth, dedicated to the discovery of truth, perhaps a person we would now call a scientist, once entered the temple and saw the covered image. He asked his guide whether he knew what was hidden under the veil, but he received a horrified denial and an official account of the ancient law. Thoughtfully, the youth left the temple that day but an irresistible thirst for knowledge of truth.

Dr. Margenau is Eugene Higgins Professor of Physics and Natural Philosophy at Yale University. This is an excerpt from his article, "The New Style of Science" in the Yale Alumni Magazine, February, 1963.
forced him to return at night with intent at sacrilege. In the ghostly light of the moon he entered the hall of Osiris and lifted the veil from the image. What he saw, nobody knows, but the legend insists that he was found near death, lying at the foot of the picture, by the attendants of the temple the next morning. Revived, he would not speak of his experience except to regret it. His life, thereafter, was spiritless, his actions were undistinguished, and he sank into an early grave.

There the legend stands at the very beginning of our history, noncommittal like the Sphinx, foreboding human agony over truth, symbolizing one of the great and noble passions of men. The legend has not lacked interpretations, but I'd like to offer my own version of what the youth read when he lifted the veil. The message as I imagine it, runs like this:

Only a fool looks for truth in a finite formula; only a knave would want to acquire it without toil and heartache. Final truth is tantamount to stagnant knowledge; there is no substitute for self-correcting, progressing, self-improving understanding. Dismiss your quest for truth in final formulation and embrace the greatest human virtue called Eternal Search for Truth.

There are no short cuts to Truth, this being the first lesson we have to learn.
IS ECONOMIC FREEDOM POSSIBLE?

by Benjamin A. Rogge

The real debate on domestic policy in the United States at mid-century concerns the proper role of government—and those who wish for less government in economic affairs are obviously losing. The judges, in this case the voters of the United States, have been giving verdict after verdict to those who argue for more government intervention.

Those of us who are losing the debate often ascribe our losses to the work of men in academic life and elsewhere who are preaching socialism and trying to subvert the traditional American system of free enterprise. This easy and tempting explanation implies that our un-American opponents should be silent, and thus permit true American principles to prevail.

This explanation is both untrue and dangerous. It is dangerous because it could lead us to impose restraints on freedom of speech and of press that would indeed be un-American. It is dangerous because it leads us to relax our

This article is recorded in the “Seminar Library” series of LP records available from the Foundation for Economic Education, Irvington-on-Hudson, New York. $3.50. Write for complete list.
efforts to prepare and present our own case as powerfully and persuasively as possible. It is untrue because not one in five hundred of those who favor more government intervention is a committed socialist or even basically opposed to free private enterprise. On the contrary, most of them are committed to the free market arrangement and believe that their proposals are designed to strengthen rather than to weaken it. Specifically, they argue that the market arrangement can survive only if certain of its weaknesses and failures are offset by appropriate government action.

For example, it is alleged that the free market economy tends to be unstable, alternating between boom and bust, and that this instability will destroy the economy unless corrected by appropriate government action. Though this is a serious charge, I believe both the analysis and the call for government action are mistaken.

What I prefer to discuss here is an equally serious charge made against the free market by its friends.

Their charge is that economic freedom, though desirable, is not strictly possible—that in an unhampered market the individual would not be truly free but would be imposed upon by monopolies of various kinds and degrees. This charge appears in the preamble to one piece of interventionist legislation after another. Thus, the worker is said to need special protection because of the monopoly power of the employer. The farmer must be protected against monopolies on both sides of his market. Certain kinds of business firms must be protected against certain other kinds. Certain price decisions must
be influenced by government because of the monopoly power of the firms involved. And on and on it goes. Clearly, if private monopoly is indeed this ubiquitous, a presumption is established in favor of a substantial role for government.

In my opinion, however, and this is to be the central thesis of my argument, the unhampered market tends to be a competitive market. In fact, strong action by government is all that can prevent its being a competitive market.

Phrased another way, my thesis is that positions of monopoly power tend to be short-lived and relatively ineffective, except as they receive the positive assistance and protection of government. Or phrased still another way, government in the United States has done far more to promote monopoly than to promote and permit competition.

Good for Others, Not for Me!

In developing the argument, I admit that there are certain very human attitudes which tend to work against competition. Although each of us may approve of competition as a general principle, we are less than anxious to face competition in our own personal activities. Competition is good in principle, we say, but not in our particular industry or occupation, or not when it comes from overseas, or not when it comes from people improperly trained in this occupation.

A natural outcome of this attitude is the attempt to
reduce competition by cooperative action among would-be competitors. This tendency was clearly recognized by Adam Smith, the father of free market economics. In *The Wealth of Nations* published in 1776, he wrote as follows: "People of the same trade rarely meet together even for merriment and diversion except that it end in some contrivance to raise prices."

A second reason for questioning the possibility of a truly free economy is the influence of advancing technology on the size of the firm. The continuing technological revolution has produced a situation in one industry after another where, to be efficient, a firm must represent a large accumulation of capital, translated into buildings, machinery, and distribution organizations of great size and complexity. This growth in the size of the efficient firm is another challenge to the maintenance of the competitive economy.

A third reason often advanced for skepticism about competition is the difficulty of keeping oneself informed on the alternatives facing him in the multiple markets in which he operates, and the associated difficulty of retaining the mobility to shift his course of action in response to changes in those market alternatives.

*A Temptation To Connive*

The modern economic world is indeed a complex and confusing world, and these charges deserve serious attention. Let us take the charge that collusion rather than competition tends to be the distinguishing characteristic
of the unregulated market economy. It is true that men are always tempted to practice collusion. However, it is equally true that the same forces which lead to the formation of cartel agreements tend to destroy those agreements.

The principal force involved here is simply the desire to make money. For example, suppose that a number of farmers agree to hold livestock off the market in a local area. The effect of this, of course, is to cause livestock prices to rise in that area. But with each increase in price, the individual farmer is under greater temptation to break the rules of the cartel and sell his hogs or beef cattle. At the same time, each increase in price attracts more livestock to that local market from farms outside the agreement area. The members of the cartel must then battle both their own members and outsiders to maintain the effectiveness of their operation.

In the same way, if a number of business firms agree to divide the total market into exclusive territories, the resulting price increase tempts each firm to try to increase its sales so as to increase its profits. However, each firm's own territory provides only limited opportunities for increased sales, and the temptation is enormous to expand sales by poaching on the neighboring, forbidden markets.

Cartels in America

The history of cartels in America is a history of brief initial successes followed by increased cheating on the agreement, then serious internal conflict, and eventual
breakdown and dissolution of the cartel. This was the history of cartels long before the government made such agreements illegal per se, when the only restraining influence was the time-honored common law practice of court refusal to enforce cartel contracts. I could provide one case history after another to support my thesis. At the same time, I know of no cartel agreement in the history of this country that has been both effective and long-lived except those that have had the explicit support of government.

The farm program in this country in the last 35 years has been nothing more nor less than a government sponsored and operated cartel arrangement among otherwise competing producers. The nonfarm citizens have had to pay both the higher food and fiber prices and the cost of operating the cartel producing those higher prices.

In the same way, the trade union, a cartel arrangement among otherwise competing sellers of the services of labor, has been given the explicit support of government. In addition, trade unions have been permitted methods of enforcing their cartel rules that have made a mockery of the legal prohibition against assault.

In the same way, certain business and professional groups have been given legal protection in their cartel arrangements through licensing and franchise protection and through so-called fair trade laws.

The seriousness of these actions by government lies not only in the economic consequences but also in the violation of an important cornerstone of the free society—equality before the law. The union member, the farmer,
and certain businessmen have been encouraged and assisted in doing precisely that for which other businessmen are sent to jail. The blindfolded goddess of justice has been encouraged to peek, and she now says with the jurists of the ancient regime, "First, tell me who you are, and then I will tell you what your rights are."

To summarize the point: although there is a natural tendency toward collusion among those who otherwise would be competing, there is an equally natural and ultimately stronger tendency for such collusive agreements to break down. The greatest contribution the government can make in this regard is to stop assisting and encouraging cartel groups.

Adam Smith followed the words I quoted above on "people of the same trade," and so forth, by saying, "There is no law that would be consistent with either liberty or justice that could prevent such meetings, but surely the government should do nothing to encourage such meetings, or to make such meetings necessary."

We have in the traditions of our common law refusal to enforce cartel agreements all that is really needed to prevent such agreements from destroying the basic competitiveness of the American economy.

**Growth in Size of Firm**

I turn now to the second argument: the threat to competition that is said to be posed by the growth in the size of the firm. Here again, there is no disputing the fact that advancing technology has led to larger and larger firms
in many industries. However, in some industries advancing technology has made it possible for small, even household units to compete successfully with the giant firms. The development of efficient and relatively inexpensive tools, for example, has made it possible for many a husband to run a basement factory for producing furniture, at least for use in his own home.

But rather than rest the case on this possibility, I would further point out that the growth in the size of the firm often has been matched, or more than matched, by the growth in the size of the market. It is the size of the firm relative to the market that is important, and not the absolute size of the firm. Advancing technology also has been at work in transportation and communication, and this has had the effect of widening all markets.

For example, as a result of the automobile, no giant supermarket today has as much control over its market as did one small store in the small Midwestern town where I was raised. The United States Steel Corporation has less control of its market than did many a small back-yard iron foundry in the last century. Transportation costs shielded the back yard operation from competition located no more than a few miles away. U.S. Steel, on the other hand, faces competition from firms in every steel producing country in the world.

In the same way, the worker living in a small town with only one major employer usually has the real alternative today of driving no more than 25 miles to dozens of other employment opportunities. Thus, in many cases, improved transport and communication facilities
have widened markets more rapidly than firms have
grown in size, and competition has increased rather than
diminished.

A second way in which markets have been widened by
advancing technology is through the development of sub­
stitute products and materials. Thus, the major steel com­
panies, in almost every use for steel, face tremendous com­
petition from substitute materials—aluminum, wood, con­
crete, plastics—even glass. In fact, it is quite unrealistic to
speak of this arrangement as the steel industry. There real­
ly exists an entire complex of firms and industries, and no
one firm—no one industry even—approaches monopoly
power when so used. The typical textbook, man-on-the-
street way of defining industry—and hence, of evaluating
monopoly power—is both unrealistic and dangerous. It
leads to a gross exaggeration of the market power actually
possessed by the firms involved.

Success Through Service

But again, let us not rest the case on these possibilities
of widening markets. In spite of these powerful influ­
ences, there still can exist situations in which a given
firm, or small group of firms, dominate a given market—
no matter how wide that market has become. Do these
not constitute hard core cases of monopoly, calling for
government action to break them up or offset their con­
sequences by creating counter monopolies of labor or
agriculture or other business firms? My answer is no!

To begin with, it is extremely unlikely that a firm can
acquire market power except by laudable efficiency in serving the wishes of consumers. Is this firm to be rewarded for its efficiency by government antitrust action? And, if so, what of the consumer and the service he has been receiving?

Furthermore, if this firm uses its market power to raise prices above the competitive level, other firms will be tempted to enter the industry. These other firms can include large, diversified companies with adequate capital to invade any market. In this country in recent years we have seen many cases of large firms in a given industry suddenly finding themselves facing the competition of other large firms, already established in other fields, but coming into this market to reap the rewards of diversification and higher profit margins. The result is that even the powerful firm in a dominant position in its own market must behave as if it faced immediate important competition, because a failure to do so would soon attract that competition.

Beyond this, the very process of technological progress which may have created this dominant firm tends, over time, to weaken its position. Other firms with newer, better ideas will come into the field, and the original firm will find its share of the market shrinking. Thus, in spite of the fact that the Supreme Court decided long ago against breaking up the United States Steel Company, that company's percentage share of steel sold by American producers has declined steadily from over 75 per cent to around 35 per cent.

It is the little foxes, indeed, who nibble away at the
market, who improvise and experiment, whose administra­tive simplicity permits daring moves, who reduce the stature of the giant to one quite consistent with almost any meaningful definition of competition. This process of short-run market power being replaced by someone else's short-run reign, in turn supplanted by a third, and so on, was eloquently described by the late great Austrian and Harvard University economist, Joseph Schumpeter. He argued, not only that the dominance attained through technological advance is short-lived, but also that it is this possibility of at least short-run market power and security that induces firms to undertake the technological explorations which are revolutionizing the modern world.

In summary, then, although the process is not perfect nor instantaneous, there are powerful forces always at work in the modern world to create a dynamic and effective competitive process, protecting each element in the economy from each other.

"Individuals Lack Knowledge and Mobility"

Turn now to the third charge, to the claim that individuals in the modern complex economy do not possess the necessary knowledge and mobility to force competitive practices on those with whom they deal.

I would first say that the modern economy, with its advanced techniques of communication and transportation, provides the individual with more information and better and cheaper means of transport than ever before
in the history of the world. But beyond that, it is not necessary that all individuals in a given market be completely informed and completely mobile for adequate competitive pressures to exist.

For example, I know almost nothing about the workings of a television set. What protects me then, when I buy a television set or have one repaired? It is the fact that there are a substantial number of men who do have the required technical knowledge. The television dealer who expects to prosper and survive must meet the demands of all with whom he deals, or quickly lose out to other more reputable and reliable dealers. On the other hand, in certain areas I am the better informed buyer, and in these areas I protect the less well-informed.

In the same way, I have a personal commitment to the college where I work and the community where I live which seriously reduces my mobility. Here, I am protected in part by the good will of those who employ me, but I am protected as well by the fact that the college must offer a general program of working conditions and salaries that will retain the uncommitted and that will attract the appropriate staff replacements and additions.

This same process works to effect the many adjustments that must continually be made in a dynamic economy. Usually, in a dying industry or area, not all workers must leave at once. The process customarily takes years. The adjustments are made by the sizable mobile element in every work force, thus protecting the less mobile from loss of employment or exploitation. The adjustment process can be left to each individual and does not re-
quire that everyone have complete knowledge and complete mobility.

Another variant of this argument is the charge that the consumer is deliberately misled and confused by advertising, and hence falls easy prey to noncompetitive sellers. I have heard this argument presented by many people from all income levels and all walks of life. But I have yet to find one of them who would admit that he himself was the helpless victim of Madison Avenue. It is always "they"—a vague and never identified "they"—who are thus bamboozled. The fact is that advertising itself is competitive, an expression of the basic competitiveness of the American economy, a process through which all of us receive the necessary information for the making of decisions.

In summarizing my answers to the charges that have been made against the possibility of a truly competitive free market, let me repeat, I do not insist that the processes at work produce instant pure competition, in every market in the country, at every moment of time. I say only that the forces are sufficiently strong, and work in good enough time, to give us a workably competitive economy, an economy that does not need government action to offset the noncompetitive elements.

More Harm than Good

When I have admitted that the system is not perfect, does this not leave a case at least for government antitrust legislation to handle the imperfections that remain?
In theory, a case might be made for this; but in practice, I see no evidence that antitrust legislation and action ever can be devised to correct the few imperfections without the greater possibility of destroying dynamic competitive firms.

How is one to distinguish between the firm that has acquired temporary market power through greater efficiency and the one that has acquired power without being efficient? To break up the firm that is efficient is to work against true competition rather than to promote it. Nor can we seek to maintain competition by maintaining competitors. This has been a common thrust of our antitrust action. Yet, in fact, it thwarts competition rather than promotes it. Under true competition, the resources come under the control of those firms which have proved themselves the most efficient in serving the interests of consumers. The weeding-out process is severe and effective. To stop that process, to try to maintain a given number of competitors, is to promote inefficiency, not competition.

Another direction taken by our antitrust laws has been that of prohibiting unfair competition. Unfair competition has been defined as selling below cost in order to drive out rivals and thus gain a dominant position in the market. In practice, though, it is virtually impossible to distinguish between low prices that are a natural part of competitive maneuvering and those that are designed to establish market dominance. In practice, then, this legislation has done much more to reduce the competitiveness of the economy than to enhance it. In addition, it has
contributed to a general climate for business decision-making characterized by uncertainty and confusion. Thus, one major electrical manufacturing firm recently was under indictment for charging prices that were thought to be too high and at the same time for charging prices that were thought to be too low.

Antitrust legislation generally has been subjected to such varied interpretations that the most experienced legal staff in the country cannot, with any certainty, advise a company on what practices will be illegal under the legislation. Surely, this reflects the basic philosophical and practical weakness of the antitrust approach itself.

In conclusion, then, I would offer as the only meaningful definition of monopoly the following one used by Adam Smith: "Monopoly is a government grant of exclusive trading privileges." If this definition be accepted, it follows that what the government must do, and all that it must do, to promote competition is to stop fostering and protecting monopoly, whether it be in business, or in the professions, or in agriculture, or in labor. In the words of the great Belgian historian, Henri Pirenne, in his study of the emergence of competitive capitalism from the blight of the government-protected guild economy: "Capitalism is not in itself opposed to the tendencies of human nature, but its restriction is. Economic liberty is spontaneous."
A recent editorial in The New York Times commented on the fact that a taxi driver in New York City, who owns and operates his own cab, must have a medallion, now worth $26,500.

This medallion, a metal plate attached to the cab, is, in effect, a license to operate a cab on the city streets. The city fathers have seen fit to limit the number of cabs to a specified figure. As a result, the only way to become a cabbie is to acquire one of these medallions.

The market attaches a value to this privilege, so medallions are bought and sold or handed down from father to son or acquired by some other method. Once a medallion is obtained, then the owner can go about getting his auto and other tools of his trade.

The Times referred to the taxi driver as "The Capitalist Cabbie" and of course he is just that. It appears that it would require about $30,000 to set a man up in the business.

If this seems a rather big investment in a job, think for a moment of the average factory worker over the
country. Someone must have invested $18,000 to $20,000 to set up his job. In some industries it is much more and may run to nearly $100,000 for each employee. This investment provides the plant or place to work, tools to work with, and whatever else is necessary to make the best use of the worker's time and effort.

A farmer may invest $50,000 to $100,000 in a farm to provide himself with a job. A physician may invest thousands of dollars in a specialized education and in the tools of his trade before he can hang out his shingle. You can think of many occupations which must be accompanied by a sizable investment.

There is this difference: In the case of the factory worker or the farmer, the investment in the tools of his trade represents actual, physical things. The cost of a taxi driver's medallion, however, represents only a legal privilege—the cost of excluding others from the job by force.
LAISSEZ FAIRE

by Garet Garrett

The shivering ghost that now inhabits the words laissez faire was once an unconquerable fighting spirit. It did not belong to capitalism. It belonged to liberty; and to this day its association with capitalism is valid only insofar as capitalism represents liberty.

When the great struggle for individual liberty began in Europe, the one interest that controlled the life of the mind was religion. What men wanted most of all was freedom to worship God in their own way, freedom to believe or disbelieve; and for that they went to death at the stake intoning their hymns of heresy. The religious wars were terrible. They lasted until the lust of fanaticism was sated. Then reason rebelled and there was peace, founded on the principle of laissez faire in religion. That is not what anyone called it at that time, because the words had not yet been invented; but that is what it was. Thereafter, so far as religion was concerned, the individual was to be let alone.

Mr. Garrett (1878-1954), author of The Rise of Empire, The American Story, and numerous other books, for many years edited American Affairs for the National Industrial Conference Board. This excerpt is reprinted by permission from the Winter 1949 number of American Affairs.
Great transactions of the human spirit have momentum, displacement, and direction, but no sharp edges; there is no sudden passage from one time to another. Long after the principle of *laissez faire* had been accepted in Europe, religious tyranny continued. Men were free to join any church they liked, but if they chose, for example, to be Calvinists, they found themselves enthralled by a discipline that claimed jurisdiction not only over their souls but over their everyday life and all their economic behavior.

The next phase of the great European struggle for liberty, therefore, was aimed at freedom of enterprise. To say that religious radicalism was followed by economic radicalism is merely to make a statement of chronological fact. How were the two things related? Were they but two aspects of one thing? In the preface to *Religion and the Rise of Capitalism*, R. H. Tawney says:

. . . . the existence of a connection between economic radicalism and religious radicalism was to those who saw both at first-hand something not far from a platitude. Until some reason is produced for rejecting their testimony, it had better be assumed that they knew what they were talking about. How precisely that connection should be conceived is, of course, a different question. It had, obviously, two sides. Religion influenced, to a degree which today is difficult to appreciate, men's outlook on society. Economic and social changes acted powerfully on religion.

The universal habit of mind was biblical. People whose fathers and grandfathers had been tortured, burned at the stake, and buried alive for the offense of reading
Scripture for themselves might be expected, when they did read it, to construe it literally and in a grim manner. They did. Bunyan's *Pilgrim's Progress* was the authentic account of what happened to the righteous spirit in its passage through this world to the next. The poor were friends of God. They knew for sure they would not meet the rich man in the Kingdom of Heaven. Avarice was a deadly sin. Pursuit of gain was the way to damnation. Money changers, speculators, and traders had always about them that certain odor that came from supping with Satan. To buy cheap and sell dear was extortion. Land was the only honorable form of wealth. Business was the ignoble part of the social anatomy.

*The Age of Discovery*

But the world had something to say for itself, and the world, too, had something to believe. Somehow, for the first time in the history of human thought, the idea of progress had appeared. It was the Age of Discovery. Knowledge was increasing; and this was not revealed knowledge of things hereafter, but knowledge of things here and now. After all, since everybody had to pass through this world whether he liked it or not, why shouldn't man improve his environment if he could by the practical application of knowledge? Although no one understood them clearly, although there was no such word as economics, great economic changes were taking place, and the realities were uncontrollable.

The religious mind stood in a bad dilemma. It could
sense the oncoming world, almost as if it had a premonition of the modern era, and yet it had no way of meeting it and was in fact forbidden by the Bible to meet it at all. Thus it became involved in extreme contradictions. For example, to lend money at interest was unchristian. For money to earn money was usury, and usury was sin. Yet as the necessities of trade increased, the economic function of the moneylender was one that somehow had to be performed, with the result that the Jews were brought in to do for Christians what Christians were morally unable to do for themselves. That is one of the reasons why the Jews became the great moneylenders of Europe.

The question was: Could Bunyan's hero, Christian, become an economic man and at the same time save his soul? The Dutch were the first to say positively yes, and this was significant, because the Dutch had paid more for religious liberty than any other people. They had carried their struggle for it to a plane of appalling heroism. Sooner than yield, they were willing to accept total doom. Their resistance so infuriated the Holy Office of the Inquisition that on February 16, 1568, all the inhabitants of the Netherlands were sentenced to death as heretics and Bible readers, except only a few persons especially named in the edict. In Motley's classic, The Rise of the Dutch Republic, one may read that—

Men in the highest positions were daily and hourly dragged to the stake. Alva, in a single line to Philip, coolly estimates the number of executions which were to take place immediately after the expiration of the Holy week at 800 heads.
Tolerance and Trade

If the spirit of laissez faire had been less than immortal, it could never have passed through that valley of death. What emerged was the Dutch Republic, founded on the ashes of its martyrs, dedicated to liberty of conscience, holding aloft a light for the world.

Then an amazing thing happened. The prosperity of Holland became the wonder and envy of Europe. In the trade of the world it advanced to first place, and took what Tawney calls the role of economic schoolmaster to seventeenth century Europe.

The power of individualism now for the first time was released to perform its examples. The result was that tolerance and trade flourished together.

The English came to it slowly and roundabout. Calvinism as they had got it from Geneva was a severe and rigid doctrine. It perceived very clearly that the three aspects of man were spiritual, political, and economic; but since in two of these aspects he was wicked, or much tempted to be, the church was obliged not only to mind his soul but to impose severe discipline upon his political and economic activities. Its regulation of business was medieval and precise; it made ethical and social laws to govern such matters as the use of capital, usury, the just price, profits, the profit motive itself, wages, labor relations, contracts, and trade agreements.

It remained for the Puritans of England to make the great rational construction of this doctrine. They could not understand why God should not admire success in
work. Was not the universe his work? Why not suppose that the plan of its just order required his children to work and to succeed? If in money-making there were spiritual hazards, then all the more reason for keeping it straight with God. The way to do that was to put God in the shop. Where else could one be so sure of his presence and blessing? In the Puritan doctrine the word “calling” was one of special meaning. “God doth call every man and woman to serve in some peculiar employment, both for their own and the common good.” There was a spiritual calling and a temporal calling. The Christian’s duty was to take part in the practical affairs of the world, and to succeed in the world could be only a sign that God witnessed his work and was pleased with it. If riches were added to him, that, too, would be to the glory of God. In any case, he would never be idle rich, like Dives. Whether riches were good or bad was a question to be settled between the rich man and God; but idleness, thriftlessness, and profligacy were positive evils.

So it was that in the Puritan creed religious liberty and economic freedom were reconciled. The church would let business alone and trust God in the shop to keep it from evil.

**Political Freedom and the Industrial Revolution**

The next struggle was to get business free from the restrictions imposed upon it by government, not in the name of morals, but in the name of policy.

When that stormy cape had been rounded, the victory
of *laissez faire* was complete, and the way was open for that great outburst of European energy which brought on the Industrial Revolution, led by England.

The medieval epoch was finished. Individualism was exalted to a way of life. The foundations of modern capitalism were laid. The powers of government were limited. Free enterprise began. In pursuit of his economic ends, on his way to transform the world, European man was released from the restraints and sanctions imposed upon him both by the ecclesiastical tyranny and a vast bureaucratic system of administrative law. Looking at it later when most of the consequences were already clear, Montesquieu, the French philosophical historian, said “the English had progressed furthest of all people in three important things—piety, commerce, and freedom.”

That would have been about 1750. For more than 200 years the spirit of *laissez faire* had been acting irresistibly, and yet that name for it was not known. The words had been used by the Physiocrats in 1736 in France, but hardly anywhere else; nor were they familiar to anybody in England when sixty years later, in 1810, a Commission in the House of Commons said:

No interference of the legislature with the freedom of trade and with the perfect liberty of each individual to dispose of his time or of his labor in the way or on the terms which he may judge most conducive to his own interest, can take place without violating general principles of the first importance to the prosperity and happiness of the community.

In those words government, the British government at least, renounced the right to touch business at all. No
more forthright statement of the doctrine of *laissez faire* has perhaps ever been written. Mark, however, that the words do not appear in that statement. They were of French origin, written at first *laissez nous faire*, meaning "let us alone," and then *laissez faire*, meaning, "let it be." They expressed a philosophic idea. The idea was that the movements of society were spontaneous, not artificial, and that if you let them alone the results in the end, or, as the economist now says, in the long run, would be better for society as a whole—the idea, that is, of a natural order in which there is implicit harmony between public and private interest.

The point is that the spirit of *laissez faire* had already brought into the world religious liberty and freedom of enterprise, and that the foundations of what now may be called *laissez faire* capitalism had already been laid before the words were familiar or had any epithetical meaning.

"**Wealth of Nations**"

Most people would probably say that the bible of *laissez faire* capitalism was written by Adam Smith. His *Wealth of Nations* appeared in 1776. Since some French economists had been using the term for forty years, Adam Smith must have heard it, and yet in the index to *Wealth of Nations* (Cannan Edition) you will find no reference to it. Then people say, "Yes, but it is implicit," and ask you to remember the famous passage about the invisible hand. In the index to the *Wealth of Nations* there is a reference to that passage and it reads as follows:
If each individual, therefore, endeavors as much as he can both to employ his capital in the support of domestic industry and so to direct that industry that its products may be of the greatest of value; each individual necessarily labors to render the annual revenue of society as great as he can. He generally, indeed, neither intends to promote the public interest or knows how much he is promoting it... he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was not part of his intention. Nor is it always the worse for society that it was not part of it. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it. I have never known much good was done by those who affected to trade for the public good.

You may take that to express the doctrine of economic laissez faire, but the true meaning goes far beyond economics and belongs to the philosophy of individualism, founded upon the faith that man's spontaneous works will be more than his reason can explain. Adam Smith did not invent that philosophy, nor in his exposition of it did he surpass others who wrote before him, notably Adam Ferguson, who said:

Nations stumble upon establishments which are indeed the results of human action but not the result of human design.

Poetically, the same thought was expressed in Mandeville's Fable of the Bees. More than a century before Adam Smith's time, John Moore was saying in England:

It is an undeniable maxim that everyone by the light of nature and reason will do that which makes for his greatest advantage... The advancement of private persons will be the advantage of the public.

Twenty years after the Wealth of Nations appeared,
Edmund Burke, another great exponent of individualism, was referring to:

... the benign and wise disposer of all things who obliges men, whether they will or not, in pursuing their own selfish interests, to connect the general good with their own individual success.

He need not have got that from Adam Smith, for *laissez faire* by that time was already ascendant in the economic world, its principles were known and its works were observable.

**Objections to Laissez Faire**

Nearly 150 years ago Sismondi and his friends, evolving the theory of state socialism, were attacking *laissez faire* on four points, namely:

1. That the fancied harmony between private and public interest did not in fact exist, wherefore liberty of the individual to pursue his own economic advantage would leave *human needs* in the lurch;
2. That it would lead to *serious inequalities* in the distribution of wealth.
3. That it elevated *materialism* and *success*, and,
4. That it involved society in such *social catastrophes* as *mass unemployment*.

And all of this was before steamships, railroads, electricity, gasoline, motor cars, automatic machines, or mass production—even before there was such a thing in the world as a piece of farm machinery.

At that time all economic and political thought in Europe was basically pessimistic. Nobody could imagine that in the next few generations, under *laissez faire* capi-
talism, consumable wealth would be so prodigiously multiplied that the luxuries of the rich in one generation would become the necessary satisfactions of the poor in the next, and that from time to time surplus—a strange word for an incredible thing—would be the superficial cause of economic depression and unemployment. There had never been surplus before. There had never been too much of anything. Poverty was thought to be permanent and irredudible.

Inroads Against Poverty

The idea that poverty could be abolished did not arise in Europe. That was an American idea. And it could arise here, not because this country was rich in natural resources, but because here the conditions of laissez faire capitalism were more nearly realized than anywhere else in the world. Under stress of unlimited and uncontrolled competition we made the discovery that broke Europe's "iron law of wages"—the law, namely, that since wages were paid out of the profits of capital, the wage fund was limited by the capital fund, and the capital fund was something that could be increased only in a slow and painful manner by limiting consumption.

We discovered that wages were not paid out of profits. They were paid out of production. Therefore, wages and profits could rise together, if only you increased production. Moreover, production itself created capital, as in the Ford example—the example of a company that began with $28,000 in cash and at the end of forty-five years
employed in its work $1 billion of capital, all its own and all created out of production. And this was done by making the motor car so cheap that almost nobody was too poor to be able to possess and enjoy it.

American Capitalism

Those who speak of capitalism as if it were in itself a kind of universal order, with hierarchy, creed, and orthodoxy, are either unable to make distinctions or find that distinctions inconvenience their argument. Capitalism takes its character from the soil and climate in which it grows. American capitalism is so unlike European capitalism that the two could hardly be transplanted. Why has American capitalism been so much more productive than capitalism anywhere else? The seed was European. The sapling was not. Why did this one tree grow to a size and a fruitfulness so prodigious that all the people of the world come begging for its windfall?

There was here neither skill nor knowledge not possessed also by the people in Europe. Yet after five generations, with less than one-tenth of the earth's land area and less than one-fifteenth of its total population, we have now in our hands one-half of the industrial power of the whole world. Europe's star did not fall. That is not what happened. The American star dimmed it out. What made that difference between our creative power and that of Europe?

The difference was that here the magic of liberty was acting as it never had acted anywhere before.
Until the American Declaration of Independence, said Lord Acton, the history of freedom would have been "a history of the thing that was not."

American capitalism not only has been the most successful in the world; it is the one great citadel of economic freedom surviving and now carries the burden of defending Christian civilization against its Eastern enemy. From this it follows that when you compare capitalism with communism, the comparison is in fact between American capitalism, with its Puritan tradition, and Russian communism, which is uncompromisingly materialistic and atheistic.

The two ancient enemies of *laissez faire* were the state and the church. *Laissez faire* represented the principle of radicalism in both religion and economics. Radicalism was the sword of liberty. Neither the state nor the church has ever loved liberty. Now, what was conservative is radical, and *laissez faire*, which was radical, is reactionary. The wheel has gone all the way around.
"ISN'T IT WONDERFUL," said the teacher, "when you go out into the woods and fields, to see what strange and beautiful things are coming up out of the ground! Trees and flowers, grass and bushes, and all kinds of plants, no two alike, with all sorts of different shapes and colors—have you looked closely at some of these?"

Certainly they had. They were normal youngsters, nine-, ten-, and eleven-year olds, naturally interested in anything they could push, pull, touch, lift, examine, taste, hear, or smell.

"Tell me what you have seen," said the teacher. In no time they had recalled berry-bushes, Indian pipes, Jack-in-the-pulpits, many kinds of trees—with commentary on which were best for climbing—and a variety of field flowers and stinging nettles.

"Well," said the teacher, "I wonder if any of you know about something I saw the other day. If you know the name of it, don't say it, but raise your hand if you think you know. Walking across a field I saw a slender stem

Dr. Moor is an editorial consultant for *The World Book Encyclopedia*. 
coming up about nine or ten inches from a small plant, and on top of the stem a little ball of white, fluffy stars. If you pick the stem and blow, whoof, they scatter into a whole galaxy of stars." There were shining eyes and eager hands raised—

"DON'T SAY IT!" said the teacher. "But I wonder if any of you know what was there before the ball of stars appeared? If so, what did it look like?

"There was a little yellow flower, with lots of tiny petals all crowded together," said one.

"It looked something like a little sunflower, only there was no brown center," said another. "It was all full of the little petals, like an aster or a chrysanthemum."

"Right!" said the teacher. "And what was it like before that yellow flower opened?"

"It looked like a little umbrella, upside down and almost closed, with a yellow lining showing," said a girl, holding out one hand, palm up, thumb and finger tips together making a bud-like form.

"Right!" said the teacher. "And what was it like before that? Somebody else."

"A tight little cone-shaped green bud," said a boy, making a tighter bud with his fingers, lower down, remembering the stem was then not so high.

By this time some were fairly bursting to name it. "No," said the teacher. "Don't name it yet. But what was it like before that?"

"Just a little bunch of leaves coming out from the center, a sort of green rosette," said a girl.

"And before that?"
"Just a tiny little bit of green coming up out of the dirt!"

"Right!" said the teacher, "Now what do you call all of this?"

"DANDELION!" they exploded in chorus.

"YES!" said the teacher. "Do you like dandelions?" he continued. Of course, they liked dandelions. Who doesn't enjoy the green buds with yellow linings, the cheery gold blossoms scattered among the grass, and the marvelous airy globes of elfin stars—until he has acquired a prejudice, and learned to resent them as an intruder in lawns?

"Did you ever pick dandelions?" Yes, they had all picked dandelions.

"No you haven't!" said the teacher. *You cannot pick a dandelion! It is impossible to pick a dandelion!* What was it you picked, Bill?"

"It was like what you said at first," said Bill. "The whole ball of fluff that you can blow."

"What! No yellow flower? No little bud, like the upside-down umbrella, nearly closed, with the yellow lining showing? No tight green cone? No cluster of green leaves all coming out from the center?—What was yours like, Anne?"

"I've picked whole bunches of dandelions as yellow flowers," said Anne. "You know, we used to take one and hold it under somebody's chin and say, 'Do you love butter?' Then we'd look to see if the yellow color was reflected from under their chin."

"But when you got a yellow flower, you couldn't blow any white stars from it, could you? And did any of you
bother to pick dandelions when you only saw tight green buds, or the plant leaves? But you all said that a dandelion is really all of this. Whatever you picked, you only got a fragment of something.

"You cannot really pick a dandelion—for a dandelion is not a thing that exists all at once. It is a performance. And it only happens when the sun and earth, the sky and water are all working together. The pattern may be in the seed, as the pattern of music is in the score, but it doesn't come to life till the players play it, or the singers sing it. The score becomes music only as the players and singers pour themselves into the performance, just as the sun and earth and air and water pour themselves into a dandelion. And every plant, and every living thing is really a world performance—even you."

They were suddenly quiet for a moment.

This was the first lesson in botany.

* * * *

"Every living thing is a world performance." This is the heart of it—a realization that illuminates not only botany but every human life and action. All the markets of the world are flowing with goods and services miraculously produced by the continuous interplay of sun and earth, air and water, and the inexhaustible imagination and energy of man. Wherever you touch an object made or conveyed by man, you are touched by all the men and women and children in the world who have reached their hands to make this possible for you. For one who is conscious, daily use is daily communion.
THE MARKET IS A COMPUTER

by Leonard E. Read

WHEREVER there are people, there will be a market of some sort. The market can no more be eliminated than can its primary components—production and exchange.

Further, the market, be it rigged or free, is an enormously complex computer. It receives the data fed into it and gives off signals in the form of prices. Keep in mind, however, that a computer cannot exercise judgment; its answers merely reflect the data it receives; feed it wrong data and its pricing signals will be misleading or, as they say in the computer profession, “GIGO!”:

Garbage In, Garbage Out.¹

Consider, first, the free market computer, as if it existed. Billions of data flow into it continuously. The data are composed of every wish, desire, fancy, whim, like, and dislike of every person on earth. Included in the data are all efficiencies, inefficiencies, inventions, discoveries, as well as the reports of all rising and falling supplies and all rising and falling demands. All degrees and variations of competitive forces and all bidding and asking prices of all goods and services are grist for the mill. Even people’s anticipation of how a

¹ The pros pronounce it guy-go.
flood or a drought or a freeze might modify supply are automatically admitted, as are expectations of managerial competence or failure or the effects of a President's ideas or health or whatever.

The free market computer gives accurate answers in prices, signaling to all would-be entrepreneurs to get in or get out or to step up or to diminish particular economic activities. This is the way that supply and demand are caused, automatically, to tend toward equilibrium. The free market computer is truly free: its accurately instructive answers are founded on free exchange data; its services are free, with no more cost than the sun's energy; it frees each and all of us from the impossible task of assembling the billions upon billions of data behind our daily decisions.

The free market computer has never been permitted to function on a world-wide basis. It has had only partial, regional, short-run trials. Certainly, one of the most comprehensive tests occurred in the U.S.A. during the century beginning about 1830. Perhaps the small Crown Colony of Hong Kong affords the best test at this moment in history. We do know from a study of the evidence, as well as from a priori reasoning, that the less the free market computer is interfered with or "rigged" the better do people prosper, the more nearly universal is economic well-being. The term GIGO is never applicable to the free market computer; the complex data are truthful, unrigged expressions of the universal economic situation in its continuous ebb and flow, and the price signals, ever changing, are accurate responses thereto.
Consider, second, something quite different, the U.S.A. market computer as it presently exists. Many of the data are not derived from free exchange and free choice; they are politically rigged. Numerous prices for goods and services are arbitrarily set by government or by labor unions: minimum wages, maximum rent, ceilings on earnings, interest, hours of labor, and so on. What and how much one may plant on his own land is more and more determined not by free choice but by political decrees backed by police force. The fruits of one's own labor are increasingly siphoned off for urban renewal, paying farmers not to farm, putting men on the moon, subsidies, below-cost pricing of items such as TVA electricity rates, and countless other pet projects.

But the signals of the present U.S.A. market computer, like the free market computer, reflect the data. No more judgment is exercised by one than by the other. Many of the data of the U.S.A. market computer are erroneous; the price signals, as stop and go signs, are and must be to some extent misleading; there is a generous portion of GIGO!

When entrepreneurs act on misleading signals, they drain or glut the market; that is, they create shortages or surpluses—phenomena of the rigged, not the free market. Here's how rigged data bring about a shortage: Mink coats, for example, are not now in short supply. They are on display in stores throughout the nation. But let the government decree that the ceiling price on mink coats
shall not exceed $25.00 and immediately there will be a shortage of perhaps 50,000,000 mink coats. Why? Because no one wants to sell them for such a price, and because there are that many women who have $25.00 and desire a mink coat! Remember OPA days?

Now, observe how rigging can and does bring about surpluses: Let the government decree “support prices,” that is, guaranteed prices over and beyond what a free market computer would signal, and entrepreneurs will produce more than the market will take. This explains why we now cram into ships, warehouses, granaries, and whatever kind of storage government can lay its hands on, some 1,330,000,000 bushels of wheat, more than 205,000,000 pounds of butter, 289,000 pounds of tung oil, 355,000,000 pounds of dried milk, 1,500,000 bales of cotton, 1,700,000 gallons of turpentine, 34,140,400,000 pounds of grain sorghum, 1,412,193,000 bushels of corn—the list grows wearisome!²

The Russian Market Computer Has Been Rigged

Consider, third, something very much different, the Russian market computer as it now exists. It is out of kilter and noninstructive simply because practically all data are rigged, riggers being in control over there. Free choice is at a minimum. What can be produced and what consumed is politically dictated by the riggers. Prices, too, are rigged; for in a command economy it is not possible

for prices to be set in any other manner. Thus the Russian market computer is fed "garbage in" on so grand a scale that price signals are quite useless as production guides!

The Russians, so far as we can learn, have admitted the free market computer to operate in one tiny segment of their economy. A small fraction of the tillable land is (in effect) privately owned, and freedom of choice is granted as to what's produced and how it is priced. The results, while fantastic, come as no surprise to anyone with an awareness of how freedom principles work when put in practice: Private plots make up only 3 to 5 per cent of Russia's farm land, yet they yield a product astonishingly out of proportion to that small share. In 1959, some 47 per cent of the nation's meat came from them, 49 per cent of the milk, 82 per cent of the eggs, 65 per cent of the potatoes, and 53 per cent of the vegetables. 8

Within this limited area of choice for the Russians, economic calculation is made easy. They do not know (nor need they know) a thing about the complex data that is fed into their little, isolated market computer. By merely observing a few of its signals—prices—as do those of us privileged to live in freer societies, they know, to some extent, what and what not to produce; that is, they are automatically informed as to the best allocation of their own scarce resources. Aside from this islet of agricultural freedom, economic calculation in Russia is out

---

of the question. As a consequence, nothing better than political calculation—bungling guesstimates—is possible.

The Russian political riggers, in making their guesstimates, do take peeks at the other market computers in the world, most of these others being more or less instructive, depending on the extent to which they are founded on free exchange. For instance, if to remove our own wheat glut, brought on by our own political rigging, we offer our surplus at a price below which the Russian Commissars guess it will cost them to raise wheat by slave labor, the Commissars will effect some sort of a trade with us. By so doing they can then force their own wheat-growing slave labor into other endeavors, perhaps into producing military hardware. But the signals from these other market computers are not received automatically into the Russian market computer for it is jammed; if

---


5 Aleksy Wakar and Janusz Zielinski, leading professors of the Central Planning School of Poland, astonishingly for socialists, say, “The best methods of producing a given output cannot be chosen [by socialist methods of calculation] but are taken from outside the [socialist] system . . . i.e., methods of production used in the past, or so-called ‘advanced’ methods of production, *usually taken from the practice of more advanced countries and used as data for plan-building by the [socialist] country under consideration.*” (Italics mine.) See *The Journal of the American Economic Association*, March, 1963.

I doubt that anyone can have the slightest concept of correct economic theory without grasping the significance of economic calculation. For a clear, simple, and excellent explanation see “Play Store Economics” by Dean Russell, p. 218 of this volume.
you like, it is surrounded by an Iron Curtain. The Commissars, alone, can hear the signals, but what can they do with them? Any market computer, to function perfectly, must automatically receive all complex data, and this is impossible unless there be freedom in exchange. This prime requirement is not met in the Russian situation since the free flow of goods and services across their borders is no more than a trickle.

**Freedom in Exchange the Key**

To repeat, the free market computer renders its services for free, and it frees us from the impossible task of collecting billions of flowing data but—and this is the all-important point—*freedom in exchange* is an absolute, unmodifiable condition. Freedom in exchange is the key, the secret; a secret, I must add, which is all too well kept!

The secret unfolds itself easily enough if we will conceive of human action for what it really is: human energy in motion—a flowing performance. Potential human energy is enormous, and all creative human energy is incalculably varied; there are as many variations as there are persons; no two of these creative energies are alike. However, potential, creative, human energy, to be useful, must become kinetic, flowing, performing energy. But it cannot flow except as it is freely exchangeable.\(^6\) Imagine

---

\(^6\) Free exchange can never be wholly squelched, regardless of how powerful the dictatorship. People, to live, will smuggle and form black markets. For instance, it is generally supposed that the useful goods and services in Russia, such as they are, originate with socialism—the Kremlin’s rigging. Nothing of the sort! The Russian people
anyone trying to exist exclusively by his own energy. Were each of us dependent entirely on his own type of creative energy, all of us would perish.

Free exchange remains so little understood because it has no positive explanation; it is that state of affairs which exists in the absence of obstacles, but no one can ever say what that state of affairs will be. However, only prices founded on free exchange data are usefully instructive, for they alone convey actual value: the value of any good or service being what others will give for it in willing exchange. Data founded on unwilling or unfree exchange (rigged) is "garbage in" and, thus, valueless.

A Russian or Polish Commissar, for instance, can be informed of U.S.A. prices—signals from the U.S.A. market computer—in a fraction of a second. Yet, if these prices are founded on rigged data fed into the U.S.A. market computer—such as our wheat prices—the rapid communication is nothing but the speedy transmittal of "garbage out." Only if free exchange prevails do the signals have useful instruction. This important point needs nothing more to confirm it than to reflect on how completely we dismiss Russian prices. They have no instruction for us whatsoever. The distinction between theirs and ours is only that theirs is all GIGO, ours only partially so. Were
giant Russia a free port, like little Hong Kong, all the world would look to Russian prices for instruction. For instance, when we wish to know the real value of gold, we ask its price where it is freely traded, where there is freedom in exchange. Were all the world’s gold freely exchangeable, the market computer would give us a precise, accurate, and instructive answer as to its value. (This is not to say that governmental intervention has no effect on prices; it most certainly does, but the effect is in the form of misleading, not instructive, prices.)

One Market for Everyone

Before presenting some work-a-day examples of the market-as-computer concept, it is relevant to ask, how many market computers presently exist? Were there no rigging at all in our or any other country—that is, were freedom in exchange universal—there would be but a single, universal market computer. All the data flowing into it would be accurate as would the signals in the form of prices. However, economic understanding is and always has been faulty; thus, no such market computer has ever existed, nor is it likely to. The ideal has never been permitted; so, in its stead, we have literally thousands of market computers, the GIGO factors ranging from fractional to complete. If economic understanding advances, the number of market computers will lessen and their performance will improve. We can hope for nothing more than moving toward the ideal.

Now for an example by Frederic Bastiat, a remarkably
astute economic observer. Certainly, the French market computer of 1846 was considerably rigged; yet, relative to others at that time and since, it was in good working order. Wrote Bastiat:

On entering Paris, which I had come to visit, I said to myself—Here are a million of human beings who would all die in a short time if provisions of every kind ceased to flow towards this great metropolis. Imagination is baffled when it tries to appreciate the vast multiplicity of commodities which must enter tomorrow through the barriers in order to preserve the inhabitants from falling prey to the convulsions of famine, rebellion and pillage. And yet all sleep at this moment, and their peaceful slumbers are not disturbed for a single instant by the prospect of such a frightful catastrophe. On the other hand, eighty provinces have been labouring to-day, without concert, without any mutual understanding, for the provisioning of Paris. How does each succeeding day bring what is wanted, nothing more, nothing less, to so gigantic a market? What, then, is the ingenious and secret power which governs the astonishing regularity of movements so complicated, a regularity in which everybody has implicit faith, although happiness and life itself are at stake? That power is an absolute principle, the principle of freedom in transactions. . . . In what situation, I would ask, would the inhabitants of Paris be if a minister should take it into his head to substitute for this power the combinations of his own genius, however superior we might suppose them to be—if he thought to subject to his supreme direction this prodigious mechanism [market computer], to hold the springs of it in his hands, to decide by whom, or in what manner, or on what conditions, everything needed should be produced, transported, exchanged and consumed? Truly, there may be much suffering within the walls of Paris—poverty, despair, perhaps starvation, causing more tears to flow than ardent charity is able to dry up; but I affirm that it is probable, nay, that it is certain, that the arbitrary intervention of government [rigging] would multiply infinitely those sufferings, and spread
over all our fellow-citizens those evils which at present affect only a small number of them.  

Few of us, when viewing Paris or New York City or our home town, ever discern the miracle wrought by freedom in exchange as clearly as did Bastiat. Nor do we readily see that such a fantastic performance as the automatic provisioning of Paris could never be turned over to a minister and his minions without disaster. These people from the eighty French provinces were unaware of what the other millions of producers and distributors were doing; they had no firsthand knowledge of the shifting in tastes and fancies of Parisian consumers. Of the countless data these anonymous producers knew nothing. All they did was to let their own self-interest respond to the market computer's relatively few signals: prices. Their instructions were received from prices. To the extent that the prices were reflections of free exchange data, to that extent were the instructions faithful guides. To the extent that the data were rigged, to that extent were the instructions misleading. That the data were more right than wrong is self-evident: the million people in Paris were provisioned with no more thought on the part of each than you or I give to the supplying of a restaurant in Hong Kong at which we plan to dine next month.

Nor need we confine our reflections to such miracles as the provisioning of cities. What about producing a jet plane or an automobile or a ball-point pen? No single person on earth knows how to make any of these or tens

*This extract is from Social Fallacies, Register Publishing Company edition, 1944.*
of thousands of other fabricated items by which we live. The participants in the making of a cup of coffee—growers, makers of bags, ships, engines, freight cars, cartons, cans, producers of gas, oil, electricity; metallurgists, blenders, tasters, warehousemen, brokers, merchants, printers, on and on from all over the earth—are not, by and large, even aware of each other's existence. They do not work as a coffee committee or in conscious concert. With no attention to or thought of each other, these countless producers merely watch prices: stop and go signals from the market computers. Presto! We who want coffee have it on our tables with no more part in it than the brewing and voluntarily parting with a fraction of our income: willing or free exchange.

Freedom Follows the Market

The market is a computer; the rigged market is GIGO to the extent that it is rigged and, thus, to that extent imperfect; the free market is the perfect computer.  

Computers, with the speed of light, give impersonal answers or signals from the data fed to them.

Men, like mice gnawing among the labyrinth of wires in a telephone exchange, can and do rig and, thus, distort, disfigure, and destroy many of the data. The motives

---

8This is not the claim of a partisan but hard fact. It merely means that values—as determined by willing exchange—are computed freely, that is, without intervention, distortion, rigging. To assert that the free market is the perfect computer is as axiomatic as asserting that a flow is perfectly free if wholly unobstructed.
for so doing include protection against competition, a belief that value is determined by the amount of effort exerted, ignorance of the inability of any man to run the lives of others, a conviction that the communistic maxim "from each according to ability, to each according to need" can be administered by force without injustice, the insistence on feathering one's own nest at the expense of others, and countless other motivations. But, regardless of the reasons, the rigger imposes his errant ways on all the rest of us; he plays authoritarian!

The free market computer is the Golden Rule in economic practice. Value has nothing whatsoever to do with effort exerted; value is what others will willingly exchange for one's goods or services. In this manner it respects the wishes and performances of everyone impersonally. There are no favorites. It is the only means there is for the automatic and speedy allocation of scarce resources; that is, it is the method for bringing a scarce and high-priced good or service within the reach of more and more people. It is the miracle worker, demonstrated over and over again before our eyes daily.

A free market, of course, is out of the question except among a people who prize liberty and know the imperatives of liberty; for instance, no one can rationally prize liberty for himself more than for others. Liberty, we must bear in mind, is not a one-man term, but, like the free market, finds its complete realization in universal practice: every man on earth is born with as much right to his life, his livelihood, his liberty as I.

To realize liberty, to tear ourselves loose from political
The market is a computer, to unshackle creative energy, to achieve freedom in transactions, does not, as many contend, require that the individual wait until all others take these steps in unison with him. Implicit in such a counsel of delay is the taking of no steps, by anyone, this being fatal to liberty. An individual can stand for liberty all by himself; a nation can practice liberty to its own glory and strength though all other states be slave. The blessings of liberty are conferred on all who live by her credo; and basic to liberty is that the market computer be not rigged. Freedom follows the free market!9

9 For an explanation of this assertion, see "Freedom Follows the Free Market" by Dean Russell. Essays on Liberty, Vol. X, p. 198.
Citizens of the United States, like compulsive gamblers, are following the illusive lure of something for nothing into what is unquestionably the world's largest lottery.

The recently proposed "Urban Mass Transportation Act of 1963" illustrates the nature of this lottery. That there is a serious and growing transportation problem in most metropolitan areas is obvious. It is equally obvious that no one caught in a rush-hour traffic jam knows how to avoid it, else he would do so. Thus, the problem is ripe for turning over to the government, because, it is said, "private enterprise has failed." This also seems obvious to many persons. And they are ready to believe that if the costs of new and improved transit facilities exceed passenger revenues, the logical solution is: let the federal government absorb two-thirds of the deficit while the local community is taxed for the balance.

Before climbing aboard this gravy train, however, give thought to the number of persons who are not where they'd rather be, at any given moment—not to mention all the days and weeks and years of their lives. Imagine the traveling we'd do if someone else were obliged to
cover any costs in excess of the fare the rider himself would gladly pay. There are persons willing to go to the moon on that basis! And certainly there is no limit to the number who would shuttle to somewhere and back, perhaps several times a day, were the fare low enough and the service convenient and fast enough. There is, after all, a limit to the transportation government can provide! But where and how is that line to be drawn?

If we review the history of canals, highways, railroads, airlines, the merchant marine, bridges, subways, ferries, tunnels, and other facilities of transport, we find no lack of government experience in the business. Facilities not subsidized directly are often subject to rate regulation and controls that eat away capital and force investors to subsidize users. There seems to be nothing in the record of transportation in the United States to rule out further government intervention and subsidy on principle; it’s an old American custom.

But tarry a moment longer before enjoying the “free” ride. Look again at the record. Does it really show, anywhere, at any time, that government successfully solved a transportation problem where private enterprise had failed? And is it really private enterprise and a free market that have failed now and created the current problems of urban transportation? Or, is it rather a case of too much compulsory government intervention, too many subsidies, too lavishly extended, for too long?

Is private enterprise responsible for the below-cost commuter fares on the passenger trains still serving Metropole? Is private enterprise responsible for the toll-
free superhighways that lure more motorists to Metropole than can find free parking space on the streets? Are subway tokens that represent but a fraction of the full cost of a ride the responsibility of private enterprise? Are subsidized housing and recreation and similar attractions of Metropole properly chargeable as failures of private enterprise?

We know very well, when we think about it, that the above-mentioned trains, highways, subways, and housing are products of personal savings and individual human effort, although it was taxation that diverted energies into these particular channels. But we also know that the persisting misappropriation, malinvestment, and mismanagement of these resources—the subsidies that create rather than relieve congestion—are acts of governmental coercion; they are not free market manifestations of competitive private enterprise.

Now, we are being urged to believe that the problems created by too much intervention and subsidy can be resolved only by more intervention and subsidy—that government planners at last have perfected a perpetual motion machine whereby each of us, with no effort or responsibility on his own part, can survive and prosper at one another's expense!

Results of Intervention

The proposed "Mass Urban Transportation Act," to whatever extent it authorizes federal or even local tax funds to pay for all or part of the costs of transportation,
will simply and inevitably lead to more demand for transportation facilities and services than would prevail were each rider obliged to pay his own fare. The consequence must be to aggravate rather than to relieve the current congestion of traffic. The present failure is that of intervention and subsidy; and more of the same means further failure. The more hopeful alternative is to turn the problem back to the free market and let competitive private enterprise solve it. This would afford precisely the amount and kind of transportation customers are willing to pay for; and the result could well be a far greater community attraction to individual residents and to industries than all the various subsidies combined. At least, the resultant community would stand solidly on its own true merits, rather than balance precariously on artificial props ready to be toppled with every shift in the balance of political power.

Previously mentioned were many of the transportation services in the United States that have been drawn under the “national lottery” in one way or another. In a closely related and partially overlapping field of communications lies the postal service. The national government has monopolized mail delivery, which reveals the direction and the extreme toward which the lottery idea leads. American taxpayers are obliged, in effect, to haul the mail for one another, through taxes to cover the post office deficits that have approached a billion dollars annually in recent years.¹ Every taxpayer thus is forced to

buy tickets in the postal lottery; favored individuals and groups are in positions to reap the "advantages" of the subsidy. Whether anyone actually reaps an advantage in the long run from the coercive practice of taking from some to give to others is doubtful from an economic point of view. And by all recognized measures of morality, the practice is dead wrong.

Housing subsidies include public housing projects, slum clearance, urban renewal, rent control, mortgage loans at below market rates of interest, and various other devices whereby all taxpayers are forced to buy tickets in order that some may be lucky winners in the housing lottery.

With respect to food and farm products generally, the lottery collects from all taxpayers, in order to hold farm supplies off the market, in order to allow a favored minority to reap benefits. Portions of the stockpiled produce also are doled out to other favored classes in proportion to their lack of creative effort. In addition to food, the noncreative may draw unemployment compensation at everyone else's expense.

Another aspect of the lottery is entitled Social Security under which the lucky winners are drawn primarily according to age.

Various recreational and cultural facilities are now financed in whole or in part by way of the lottery.

Many business entrepreneurs owe their profits to one branch or another of the lottery, some by way of tariffs and quotas, some through tax exemption, some through special franchises or exclusive grants of monopoly power,
some through government contracts, and perhaps some through pure chance—some loophole unplugged—all at everyone’s expense.

Organized labor participates in the lottery prizes, at the expense of laborers from whom union cards are withheld, and consumers from whom goods and services are withheld, and others from whom values are withheld as strike-threatened inflation taxes savings.

The trend in education clearly illustrates the working of the lottery. The first departures in the United States from the concept of education as a parental responsibility were in the shift to local school districts—the lottery being confined to the community level. But with something for nothing in prospect, why play it small? Why not state aid and state control of the prizes? And if state aid is good, why not federal aid, and a federal lottery for education—everyone paying for the education of everyone else?

One intervention leads to another, and this is why more and more of the everyday affairs of ordinary citizens are being collectivized and tax-supported, first at the community level, then the state, and finally on a national scale. Beyond that, we have foreign aid programs; we cover the earth.

*With Most To Lose*

It may be argued in connection with any one of these socialistic programs that it is not like a lottery, because the winners are planned and designated in advance
rather than chosen by lot or chance. And there is no
doubt that many of the participants have some well-
calculated schemes to beat the game and win something
for nothing. But what they often fail to consider is that
other schemers will devise other plausible schemes for
inclusion in this major national pastime. And now that
the lottery tickets are taking a third or more of the earn-
ings of the typical American citizen, who is to say with
any real conviction that he's still a sure winner?

Gambling can be a relatively harmless recreation for
those who can afford to lose. But compulsive gambling
can be a terrible disease of those who are not independ-
ently wealthy. There is nothing creative or productive
about gambling. Someone always has to lose. And the
ones most certain to lose are those who can least afford
it. An advanced welfare state, such as prevails in the
United States today, is little more than a gigantic na-
tional lottery, a wasteful gamble. As in any national lot-
ttery, the ignorant and the poor are the ones most tempted
by this lure of something for nothing. Why not tax the
rich and divide the proceeds?

There is a very good reason why this is not a good bet:
once the creative and productive members of a society are
taxed out of business, there will be none left to help
those who couldn't help themselves.

Compulsive gambling is sad and serious enough when
confined to the self-injury one can inflict with his own
resources. But to promote the lure of something for noth-
ing into compulsory socialism—an all-out welfare state—
is to return to the intolerable tyranny of the Dark Ages.
I GUESS at the very beginning I owe you a word or two of orientation because on this occasion I have planned to give myself the luxury of indulging in personal views—or theorizing, if you like—about our unique American economic system. It comes about this way: I happen to have been born in the last century and like many of my generation I grew up taking a lot of things for granted. I assumed, without bothering about the reason why, that individual liberty and private enterprise were our objective and procedure; that our government was our servant to be loyally supported rather than our master to direct and support us; that laws were protections not oppressions; that industry, thrift, self-reliance, and honesty were virtues; and that in this land we were both privileged and required to stand on our own feet without leaning on or being leaned on by others.

Some thirty years ago, under the stresses of the great depression, the origin and evolution of which no one at
that time understood, the subject matter of public questions changed greatly. The questions were no longer about the best ways to achieve our destiny within this taken-for-granted framework of laws, attitudes, and institutions. The main question, instead, was whether the framework itself was all wrong and ought to be changed. It was whether, for example, charity should be governmentally rather than privately dispensed; should there be massive redistribution of income; should government control prices and wages; should it engage in production; could and should we spend our way out of the depression; and so forth. In short, individualism was challenged by collectivism.

A lot of people were thus put in a position where they had to do some researching as to whether what we had formerly taken for granted was something precious to be preserved, or whether it was proper and probable that individualism in America should be superseded in our time by some sort of socialism or collectivism. To get ahead of myself a bit, it seems less proper than it does probable that this transition is under way. We have already come far: In 1960, government—at all levels combined—took command through taxation over the distribution of about one-third of all goods and services produced, as against one-sixth thirty years earlier. And we are now so mired in inflationary debt and social commitments that one must wonder how we can continue on this course without inviting debt repudiation.

So what I have to say here is the recounting of some of the thoughts and observations accumulated in the
years of that exploratory re-examination, and they are mostly of the kind one seldom finds mentioned in the economic textbooks.

**Three Controlling Frameworks**

I suppose that economics describes the behavior of people in earning their livings. So to establish some presumably common groundwork of understanding I start by proposing that human behavior is ruled, for the most part, by three overlapping circles or frameworks of influence. First, there is human nature itself—the things that are inside of people in terms of innate capacities, needs, and desires. Second, there is the outside physical world—the natural resources environment within which people find themselves. People act differently in different places. Third, there are the relationships which people establish between each other out of their customs and moral attitudes, codified into law, and enforced by the compulsions of government.

About human nature it should be immediately noted that man does not live by bread alone—and I will come back to that—but first there are some relevant things innate in so-called economic man.

Thus, each of us is born with a capacity for sensations which range from excruciating pain through feeling of discomfort, on up to satisfaction, pleasure and, indeed, ecstasy. More than that, man is capable of having anticipations of pleasure and pain which we regard as the emotions of hope and fear. These emotions extend even to
contemplation of one's post-mortem status, and in so doing react in some measure to rule mortal behavior. Pleasure and pain, hope and fear, are what rule peoples' actions and inhibitions. They are the great and universal human motivations. No economic system can exist that does not honor that fact. Man's pain-pleasure, hope-fear scale of sensation and emotion is essential to his survival as a living organism and through it natural law is enforced on him. If, for example, he had no pleasure in satisfying his hunger, he would long since have become extinct; if fire gave him no pain, he would long since have become ashes; if he had no fear at the top of a cliff, he would soon have been dead at its bottom; if he had no hope of gain or fear of destitution, he would not toil and save and so he would either have been dead or, at best, remained a mere animal, scampering through forests hunting for edible nuts.

Man also has disinclination to toil. Put more brutally, he is born with a considerable capacity for laziness. But this also is a survival requisite, for if fatigue poisons failed to create disinclination to overexertion, then man could well have torn himself to pieces in unchecked activity. All of us know some who have literally killed themselves through overexertion.

I suppose that it is out of these innate characteristics that economists long ago formalized the law of supply and demand. Man's hungers and wants which give pleasure in their satisfaction constitute the demand curve within him, and his disinclination to toil constitutes the cost or supply curve. Where the two cross then man, inso-
far as his innate characteristics are concerned, has achieved the maximum material happiness in the given environment.

"Iron Law of Economics"

You can illustrate this to your children at the dinner table some time. Let us say that little Sonny has had one piece of pie which he eagerly consumed. He may want another piece but not as much as he wanted the first piece. And there, by the way, is the economists' famous law of diminishing utility sitting right inside us. Mother asks Sonny if he wants another piece—to which he says, "Yes." She then tells him to go out in the kitchen and get it for himself, whereupon he says he does not want it after all, and if he is a sophisticated little fellow, he may comment that it is not worth the effort. Whereupon you can all have a laugh because he has achieved the point at which his internal demand and supply curves have crossed. The additional satisfaction to be had from the additional pie was balanced out by the dissatisfaction in the additional exertion required to secure it. He has achieved the balance point of maximum net satisfaction in the given circumstances.

Innate want plus laziness in constant conflict within us produce a survival balance, explain the endless pursuit of "something for nothing," foster invention, and underlie the economists' law of supply and demand. This is so basic that some have formally described it as the "Iron Law of Economics" in these words: "Man ever tends to satisfy his wants with the minimum possible ex-
ertion.” If we would understand individualism, communism, and authoritarianism, and how one feeds into the other, we had better never forget that law. Our system exists in partial defiance of it, as I will show later.

There is one other thought I have about these internal supply and demand curves: No one knows in terms of measurable exertion or measurable satisfaction just what constitutes the maximum material happiness. But there is a means of achieving it, whatever it is, even if we cannot measure it or plan it. It is to refer the problem right back to the innate mechanism itself, just as in the case of Sonny and the pie. He was neither compelled nor forbidden to eat the additional piece; he was neither compelled nor prevented from getting it. Left free, he achieved the maximum net satisfaction in terms of his own wants and dislikes. So also could it be for any number of people if we make the utopian assumption that none of them would resort to fraud, theft, or coercion in their dealings with each other. Here then is what might be styled the biological basis for the leave-us-alone—the laissez-faire—philosophy of achieving maximum net satisfaction for a society. Could any social system dedicated to the “pursuit of happiness” achieve its objective in disregard of reliance on voluntary, non-coerced decision and action?

**Collapsing Time**

Next, I want to draw your attention to three things about human perceptions, and human actions in response
to them, because to me they help to explain how people wishing to preserve liberty could nevertheless be beguiled into accepting totalitarianism. The first one I think of as “collapsing time in one’s thinking”; the second I think of as “getting used to things”; the third I think of as the “threshold of action”; and about all of them I think they are very human and understandable.

About collapsing time in one’s thinking, I suspect that all of you, if you but consult your own experience, will recognize that the further off in time an event you perceive or anticipate may be, the less effect it has on your current attitudes, actions, and judgments. My personal illustration is a big bump I got on my head from a low pipe in my basement. For quite a while afterwards I remembered to stoop when passing under it. But as time passed, the influence of the perception—that bump on the head—dimmed; and so, sure enough, there came the day when, wham, I did it again!

As for minimizing the future consequences of today’s deeds we have in illustration the famous saying, “After me the deluge.” Modern-day alibis for minimizing future consequences in formulating current decisions for breaching a principle are sometimes phrased as, “I’ll cross that bridge when I get to it,” or “Let’s be practical,” or “Peace in our time,” or “The end justifies the means.” Prick up your ears and be vigilant when you hear them, even in high places.

I think this is important because, although the time diminution of a perception’s effect on action is a protective survival characteristic as far as the individual is con-
cerned, it is far less protective of any economic system not rooted in brute totalitarianism. Here is the reason: It is, of course, necessary that you as an individual should do the things today which will provide you with your breakfast tomorrow, as distinguished from your breakfast next year. After all, you have to get past tomorrow before you can get to next year!

But a stream of population is a timeless thing in this sense: If you take a section of it, you will find so many young people, so many middle-aged, so many old folks, and so on, and among them laughter and tears, gladness and sorrow. Take the same cross section years ago, or years hence, and you find the same things. There is turnover of the individuals, but the race itself flows on, reproducing each day the same characteristics. An act or deed done today may seem beneficial today, but have more than offsettingly evil consequences later on. It is human nature for the individual to minimize the later evil. But an evil done to a race of people or its institutions, is just as much an evil if it happens tomorrow or yesterday as if it happens today. It is not good to disregard the future consequences of today's deeds, despite the cynic's question of "What has the future generation ever done for us?"

Those who wish to think wisely about the establishment and maintenance of good economic systems or political institutions must learn to fight their own perfectly human tendency to minimize both the lessons of the past and tomorrow's consequences of today's deeds. I call it "collapsing time in one's thinking." That people mostly
do not collapse time in their thinking has been observed in bitter words by Hegel. Santayana said it also, but in more kindly fashion. He said, "Those who do not remember the past are condemned to repeat it."

This helps to explain to me why history records the disappearance of one civilization after another, why it displays one tyrant after another, one war after another, and one inflation after another, such as the one we have been in for the past quarter of a century or more.

**Getting Used to Things**

The second thing about perception I wish to note is our tendency to get used to things and not notice them any more even if they are still there. Walk among roses and they smell nice; stay with them and you notice them no more. I suppose this also is a survival characteristic innate in the human being. Imagine, for example, the raving maniacs we would all be if we were continuously conscious of our clothes wherever they touched us! The characteristic is in us; we cannot change it. But it also opens the door to the camel's-nose-in-the-tent technique of overthrowing social orders. It means that a little infringement of principle in defiance of the lessons of history can be introduced, and there will at first be some indignation and resistance from those who can collapse time in their thinking. Then everybody gets used to it, and even if minority protests continue unabated, their effectiveness fades away like the smell of the rose. Then the next step can be taken.
An example that has achieved classic proportions is the progressive income tax. In 1913 when the amendment authorizing it was adopted, I imagine that not many people realized that Marx and Engels in the *Communist Manifesto* had urged, even demanded, steep progressive income taxation as a most effective and, once started, self-energizing means of creating eventual chaos and overthrow of the system of private property and individual liberty. The amendment’s abrogation of a protective Constitutional principle and its potentiality for evil were indeed pointed out by a few but were disregarded, I think primarily, because the widespread expectation was that the rates would never be high. Indeed the first tax ranged in rates from 1 to 7 per cent. Then people got used to it and, as Marx had predicted, it was increased again and again until today the minimum rate is 20 per cent and the maximum is over 90 per cent. The camel is indeed well into the tent and the damaging consequences to the innate human motivations on which our system depends are immeasurable.

The point is that if any such ultimate result had been envisioned in 1913, the enabling amendment would undoubtedly have been rejected; and yet today, because of the principle of getting used to things, there is little indignation around, despite the fact such extreme and selective tax-taking can be objectively justified only by embracing a harsh he’s-got-it-let’s-take-it philosophy akin to that of the burglar.

It is not a good idea to let the camel get his nose into our tent.
The third thing about perceptions I wanted to note is what I think of as the threshold of action. I can illustrate it quite briefly: I suppose that all of us have spent a night shivering in bed because it turned just cold enough to make us uncomfortable, but not quite cold enough to make us bestir ourselves to get another blanket. From such a cold night to a high tariff or to a labor, a product, or a political monopoly is not a far cry. Suppose someone—or a pressure group—found a way to steal a penny a day from each one of us. You might recognize it as stealing, but the tremendously human thing would be to do nothing about it. It would not get over your threshold of action. The stimulus would be too little. However, the aggregate of the tiny takes from each of us would constitute a most powerful incentive for the thief. He has big incentive; our resistance is too dispersed to be effective.

I guess I do not have to spell out in detail how whole economic or political systems can be altered or subverted simply by playing on the three characteristics of human perception I have noted: The idea is to rely on general inability to collapse time in one's thinking and play up some immediate seemingly good purpose as an excuse to get the camel's nose in the tent. But introduce it only to a degree that is below or at least not far above the threshold of most people's perception and action. Then let people get used to the presence of the nose and simultaneously give time for the effectiveness of initial protest.
to grow dim. Then introduce the camel's neck and repeat the process over and over until his whole ungainly form is in.

I would guess that there is no way to oppose this process except as people establish and adhere to timeless principles and so bring the force of moral indignation to bear on deeds that are in themselves at the moment of little material significance to them. There is a precedent, for, if recollection serves correctly, there was once a Boston Tea Party at which the camel's nose was recognized, resented, and repelled.

The Law of Variation

Thus far I have been speaking of certain survival characteristics of human beings that bear on economic and political behavior as though we were all the same. But though these characteristics are common to all of us, we are not alike. In talents, ambitions, capacities, as well as in physical appearance, we all differ. Darwin had something to say about it. I call it the Law of Variation. It and the Iron Law illuminate the nature of economic and political systems more than any other approaches I know.

We all know of the biologists' bell-shaped curves describing the probable distribution of a single characteristic in a population. There are a very few very tall people and a very few very short ones. The biggest number of us are just average, while the numbers of those of intervening heights diminish as the given heights approach the
extremes. Of more pertinence to this inquiry is the way the normal distribution can become terrifically skewed when we are counting the instances in which rare characteristics are combined in one individual. Suppose we want a great orator who is also exceptionally healthy. There are relatively fewer people who have this combination than there are those who have one of the two things which make up the combination. Add next a great lust to dominate one's fellow man, and the number having all three characteristics is still smaller. Add an opportunity of social unrest, thus limiting the time incidence of our selection, and the wanted combination is aggregated in still fewer people. Add ruthlessness, irresponsibility, irreverence—and so we could go on to get a Nero or a Hitler.

My point is that even if the distribution of single characteristics is bell-shaped, the combinations of exceptional aptitudes in individuals which lead to exceptional performance may be rare—like the rarity with which a dozen pennies tossed together will come out all "Heads." For us this means that at any time, in any place, in any population there will always be some idiots and some geniuses, some sinners and some saints, some rich and some poor, some who earn very large incomes and some who earn very little, with a characteristic distribution of intervening incomes as, indeed, Pareto has shown. But most of all, for the purposes of this inquiry, it means there will always be a minority possessed of great desire to establish coercive control over and to exploit their fellow men, and possessed also of the special aptitudes to do
so, if unchecked, by playing on the human motivations and perceptions in fashions such as I have sketched.

So much then, for the time being, about the human nature framework of behavior. The other two frameworks of influence were: natural resources and social relationships. There is little that we can or need to say about natural resources. Man did not create them and all he can do in exchange for their presence is to thank God. It should be remarked that some of the spots on earth have greater natural resources than other spots, and that people live in both of them and almost endlessly make war over them. Other things being equal, the people with the richer resources will achieve a balance between the satisfaction of wants and the required exertion, which represents a greater level of consumption than that of people living in places that are less rich in resources. For the present purpose it is sufficient to note that, like human nature, natural resources are not to be changed. They can be observed, but must be accepted as they are.

The Social Framework

This brings us to the third overlapping circle of influence—the social framework—which I think of as the accepted customs, morals, institutions, and especially the political structure and laws of a society. Of the three frameworks this one alone is established by man and hence subject to his alteration and control. Only through the social framework a nation establishes is there opportunity for it to implement whatever aspirations it holds.
Government in this connection is best regarded as society's necessary and monopoly instrument of compulsion or constraint. Unless one has some understanding of the nature and administration of compulsion, insight into the functioning of this third framework will be denied him. For compulsion is the central theme of political organization and hence of its influence on economic organization and activity. Nor can anyone have a workable idea about the meaning of individual freedom until he understands compulsion and the means of negating it in human relationships. So, how does compulsion work?

Human action, we have seen, results from people's pain-pleasure, hope-fear scale and from disinclination to exert oneself. Is there any possible way of "getting through" to the individual and compelling (not persuading, or inducing, or paying) him to do or not to do anything whatever, except as you can threaten to or actually introduce man-made pain or deprivation into that scale, or an additional exertion requirement into his environment? Can you force your neighbor to do anything if he knows that you cannot injure him in his person, good name, or property in any way? You can't, but government can because it is organized compulsion—power to deprive (fine), to imprison and kill, supported by an armed police force permitting no rival armed organization among the governed, ever "nipping in the bud," or "purging," such rivalry as treason before it can get started.

Organized constraint—or government—is necessary in any society because the Law of Variation tells us there always will be some sinners, some thieves, liars, and
killers, who if not thereby restrained will themselves organize compulsion, in Al Capone style, into what one might think of as a gangster government. Quite aside from that, and supposing the purpose to be benevolent, the Iron Law and the Law of Variation tell us that organization of compulsion—that is, government—will quite naturally occur in any society. To me, the distinctions between social organizations and their resulting economic systems are best or, at least, most interestingly examined in terms of who holds the monopoly of constraint and for what purposes it is utilized or delegated. I think of such organizations as of three types: the authoritarian state, the socialist or communist state, and the individualist or voluntary society.

The Authoritarian State

In the authoritarian state a ruler and supporting class possess the monopoly of compulsion and use it to exploit the labors of the governed for their own gratification and benefit. The authoritarian state seems to be typical throughout history, the one to which deviations therefrom often revert as, for example, in the rise of prewar dictatorships in Europe and more recently in Cuba. There must be some deeply imbedded reason for this, and I think we find it in the Law of Variation and the Iron Law.

Thus, as I noted a moment or two ago, the Law of Variation tells us that there will always be some possessed of great desire to compel others to do their bidding and
simultaneously possessed of the collection of rare aptitudes and moral attitudes enabling them to organize or gain control of the master instrument of constraint—that is, government; and so it will be done. The Iron Law then tells us that this tends inevitably to be an exploitive state, for possession of the power provides opportunity to tax or steal from the governed with immunity from retaliation, and this is likely to occur if for no other reason than that for the higher echelons of the ruling party to command the loyalty and obedience of the lower ones, the latter must receive more than their exertions would otherwise procure them. And from where else can the needed something-for-nothing bribe be obtained other than by taking it from the governed? You can see large-scale illustration of this in Russia and elsewhere; in miniature you can see the same principle at work in American graft, "pork barrel" legislation, patronage, "make-work" jobs, "handouts."

The authoritarian society is the natural and stable form of society because it is in solid conformity with the survival characteristics of the human being. It is dominant in history. Once established it tends to perpetuate itself because those wielding power seldom give it up short of bloodshed. If an authoritative state is overthrown through organization and exercise of still greater physical power, then the wielders thereof won't let their power go after they have won. They just become the new set of rulers. Hence, much of human history is the story of a squirrel-cage succession of one authoritative regime after another from which the people almost never break
out, as you may see in many countries of the world. George Washington was the exception. He refused to become our king; he gave up his wartime powers and insisted upon establishment of a representative republic of limited power. He uniquely opened the door to the squirrel cage. We can, of course, crawl back into the cage, well-baited with promised security; and the door will then snap shut.

Communism

I turn next to socialism or communism that flies the banner, "From each according to his abilities, to each according to his needs." I consider it not because it ever has or could actually exist for long in the story of mankind, but because it exists so often and persistently in men's minds. I know why it appeals: It operates powerfully upon the imaginative projection of the pain-pleasure scale. It seems to promise to each one freedom from want, freedom from fear, and freedom from onerous exertion. What could be nicer?

But the communal society cannot endure because it defies both the Iron Law and the Law of Variation. It denies that there will be any people, per the Law of Variation, who will organize compulsion for their own benefit. But even beyond that it assumes that the survival human incentives behind the Iron Law are non-existent or nonoperative. Thus, if the superior output of the more productive is taken from them by force or threat thereof (how else?), the reason for their superior
exertion is automatically extinguished; communism assumes they would still be more productive. If the less productive get something for nothing, then their reasons for exerting themselves are also undermined. Theoretical communism would thus sever the survival connection between appetites and activity, transforming human objectives from the pursuit of individual productivity into the competitive practice of indolence. Chaos, such as Marx sought, is the result out of which arises dictatorship substituting fear of the whip for hope of reward as reason for its slaves’ exertions. This we have seen in the transitory adoption of theoretical communism under the Russian revolution, to be superseded in a matter of hours by the organized coercion of a murderous dictatorship that has continued ever since in that land. The communist promises are only bait for the authoritarian trap.

The Individualist Society

This brings me to the individualist or voluntary society—in short, to the American economic system. In the authoritarian state the power to compel is used by its wielders to despoil those subject to it. In theoretical communism it is used to rob Peter to pay Paul—a sort of Robin Hood romanticism running riot. In the voluntary society the power is used by government exclusively to punish those who resort to fraud, theft, and coercion in their dealings with each other. Most especially the voluntary society in pure form can exist only if those administering its compulsive power refrain from using it in any
way for the despoliation of some for the advantage of themselves or their partisans.

Since the voluntary society thus requires that the administrators of compulsion do not use it in the ways dictated by the Iron Law, this society is, like the communist society (although not so greatly), inherently unnatural and unstable. This is the society's Achilles' Heel; for the Iron Law, as we have noted, rests on most powerful survival urges. Yet on holding it in abeyance at this one point the society's survival depends.

I think the only thing that has restrained—or can restrain—the otherwise natural behavior of those administering the power of government is the presence of a widely and deeply held moral attitude that reaches back at least to the Commandment, "Thou shalt not steal," and to the doctrine founded on Scripture that all being equal before their Creator must hence be equal before the law. In fact, the voluntary society would apply the morality governing individual behavior to the behavior of groups operating, or operating through, government. Thus, only a highly moral and vigilant people can have and keep, or deserve, the voluntary society and the individual freedom that can exist only in a classless society that bans individual and intergroup compulsion and despoliation.

The voluntary society established with the writing of the Constitution has paid off handsomely in material terms—for those who like that reason for subscribing to moral attitudes. The economic system thereby established was one which said to every individual or family unit
living under it: You can have everything you produce and no one—not even those who govern—can take it from you without your consent or compensation. On the other hand, it said: If you do not produce, you have no recourse to the production of others—there will be no direct or indirect taking without paying. Thus, for the first time in history the great basic human motivations of hope and fear, pain and pleasure, were harnessed to give the maximum stimulus to each person’s nonexploitive capacities that was possible without undermining a similar stimulus to others. It thus released, gave opportunity to, and stimulated all the talents of all the people. It automatically guided exertion to provide maximum achievable satisfaction since whatever nonharmful things were produced, by whom, where, when, in what amount, and at what price or wage were left to the voluntary decision of those concerned. Disciplining competition was also automatic because no one could prevent another from engaging in pursuits similar to his own.

It is, therefore, perhaps no wonder that there then blossomed an ever-increasing flood of production of the good things of life, sometimes described as a miracle. It came from the social implementation of “Thou shalt not steal”—even through your government, and of “Do not coerce others as you would not be coerced”—even through your government. That is the deep-down unique thing about the American economic system, the precious key to its understanding. If the morality on which it rests is abandoned, the system will revert to brute totalitarianism.
I have no doubts about the basic morality of the American people as a whole and, moreover, the love of freedom is their cherished heritage and tradition. My concern, instead, is that they will not be alert; that they may be victimized by manipulators of the principles of perception I have noted and so led to condone government actions for seemingly good purposes, but which are nevertheless incompatible with the voluntary society and can lead, in turn, to further impairment of it.

From that viewpoint it is helpful to remember that for the voluntary society to endure, the power to tax must not be utilized to despoil some for the benefit of others; that citizens must be equal before the law and not classified by occupation or otherwise to be accorded largess, privilege, or unequal treatment; and that economic decisions must be free of coercion from any source, especially from government as in price and production decrees.

**Taxation**

With regard to taxation the Founding Fathers knew that, whereas in the authoritarian society the ruling minority uses taxes to despoil the majority, the problem when the ruling class is by definition the majority becomes one of restraining it from despoiling minorities. To meet that problem the Fathers wrote three provisions into the Constitution: First, only the House, where representation was proportional to population, could initiate tax legislation. Thus, taxing power, voting power, and
population were in some measure equated. Second, all taxes had to be uniform geographically. Thus, those in regions representing a numerical majority could not combine to impose taxes on those in other areas which they themselves escaped. Third, all direct taxes—such as income taxes—had to be apportioned according to population. Thus, in effect, he who voted a direct tax, himself had to pay it. A majority could not vote a tax on an opulent minority greater than it simultaneously voted on itself. It is true that dissenting minorities had to pay, but their despoliation was precluded by limiting their burden to that which the majority voluntarily voted on itself. And as *quid pro quo* they could enjoy, equally with the majority, the results of taxation as in highways, judicial systems, or post offices. Through these extraordinary provisions the morality of the Commandment was implemented; the socialization of stealing was prevented; the temptation to abuse the tax power in accordance with the Iron Law was thwarted—until 1913. In that year the Sixteenth Amendment abrogated the third protective provision with the fantastic ultimate consequences I previously noted. (Editor’s Note: The author’s views on “Liberty and Taxes” were set forth in more detail in *Essays on Liberty*, Vol. X, p. 94.)

**Equality Before the Law**

With regard to the maintenance of equality before the law the Constitution also had certain provisions. Thus, it forbade the granting of any title of nobility and, by
the Thirteenth Amendment, it prohibited slavery and involuntary servitude (except as punishment for crime). It thus obliterated the, at that time, historic classifications of people into privileged and unprivileged classes. I think the general intent of the Founding Fathers was clear; the government was not to be the source of largess for anybody. Except for the payment of military pensions the Constitution does not specifically authorize unrequited payments to any group. I suspect the Fathers relied heavily on the protective tax provisions they had devised to prevent the government from being used to redistribute income. Thus, if the major burden of taxation had to be carried by the majority that voted it, then it is likely that only disbursements benefiting the majority would be authorized—that is, only those which promoted the general welfare, as is indeed authorized by the Constitution. Put another way, the rob-Peter-pay-Paul process doesn’t work very well if the operator of it finds that he himself is the selected Peter.

The Welfare State

Despite this intent, and perhaps even more because the bar to discriminatory taxation was removed, we all know that the Welfare and Commerce clauses of the Constitution have been stretched to cover the transformation of our voluntary society, in good measure, into a so-called welfare state. People have been deliberately classified by occupation, by age, by geography, and by income status in order to be accorded unequal treatment under the
law. Farmers, old folks, unemployed people, and even foreigners—to name some classifications—have been recipients of untold and unearned billions of dollars collected in taxes heavily loaded against the more productive and augmented by what amounts to "printing press" money. Government compulsion has been directly introduced into many wage, price, and production decisions. Powers of compulsion have additionally been delegated to industry-wide labor monopolies, granted immunity from laws that others must obey and able to impose widespread economic hardship to enforce their demands. The welfare state is a modern name for an approximation of the ideal communism I previously described and which, as I noted, will not work. It causes, does not cure, economic stagnation and hence widens the opportunity for ever-increasing government intervention in economic decisions.

The Future

Does this mean that the American economic system cannot endure; that deeply-rooted human nature—the Iron Law and the Law of Variation—is going to win in the end; that this extraordinary voluntary society is only an accident created by a group of inspired thinkers and imposed on an un-understanding populace who have ever since been retrograding back to the authoritarian society via the communist anteroom?

The doubters and the pessimists have the easy job. They can cite human nature and the many leaks that
have already occurred in the moral dike behind which our society lives; they can cite the doubts of the Founding Fathers themselves, the fears expressed by such students as Lord Macaulay and William Graham Sumner. They can quote Karl Marx's confidence that our society could be wrecked, Khrushchev's roarings that he will bury us. And they can find no one who has with confidence and conviction made the case that our society is inherently a durable one.

But I cannot accept that view. At the beginning of these remarks I asked you to remember that I would come back to the truth that man does not live by bread alone. Man is more than economic man. He is moral man. This you know by merely observing it. Each knows someone whose wisdom, insight, structure of moral attitudes, and serene adherence to them command your reverence. People do have ideals and live by them despite seeming disadvantage to themselves in terms of the materialistic pain-pleasure and exertion scales of measurements. Christianity was founded by one such person.

The voluntary society will survive, I believe, because its threatened submergence has caused people to re-examine and rediscover its foundations in time-tested morals—and they find them good and worth living for and by. There is a great ground swell of reawakening understanding and appreciation abroad in our land. People are beginning to detect and resent the collectivistic trends hiding behind "do-good" proposals. They can, by realizing that people do not normally "collapse time" in their thinking, thereby through self-discounting learn actually
to do it. Out of their own contemplations they can erect a structure of principles and convictions which will overcome within themselves what I have tagged as the threshold of perception and action, and so get just as mad and effective about a little stealing as about a lot of stealing, just because it is stealing and transgresses the Commandment, “Thou shalt not steal.” That way leaks in the moral dike, behind which liberty lives, can get closed before they become floods. The camel’s nose in our tent will be recognized, resented, and repelled before his whole ungainly form can follow it in. They will become vigilant, through realizing that without vigilance liberty can be lost.

In short, and in conclusion, the prospects for the unique American economic system finally rest with you and me and our children and their children, and the moral attitudes to which we uncompromisingly subscribe and by which we live.
AGGRESSION IS ALWAYS WRONG
by Craig Howell

When a peaceful person condemns all aggressive wars by one country against another, he is understood and applauded by the overwhelming majority of the American people. Yet when the same peaceful person condemns all aggressive actions by the state against its own citizens, he is misunderstood and repudiated by almost all of his fellow citizens.

The "welfare statist" invariably condemns the leaders of any nation who declare war against a small and peaceful neighbor. The same "welfare statist" always voices approval when his own leaders use force at home to despoil some for the alleged benefit of others.

In reality, the conventional rationalizations of the socialists would, if consistently applied, also justify most wars of aggression by one country against another. The libertarian, however, is against the use of aggressive force at home for exactly the same reason he is against it abroad—that is, his fundamental tenet is that no person has a moral right to initiate coercive action against another person. The libertarian is convinced that no person

Mr. Howell is a student at Georgetown University.
has any moral or legitimate right to advocate or use force except to defend himself against domestic and foreign aggressors who try to deprive him of his life, liberty, and property.

The conventional "liberal," however, has no basic philosophy on the use of force. For example, examine the various plans he espouses—social security, unemployment compensation, minimum wages, compulsory unionism, subsidies to farmers, price controls, and a hundred similar schemes. Without exception, all are based on the principle of using force against peaceful persons to make them conform to the wishes of others. The primary justification advanced by the welfare statist is that these schemes are popular; therefore, they must also be morally good. But is such conclusion warranted? Does the popularity of an action affect its morality?

Now suppose that we applied this criterion to the morality of an aggressive war. Let us say that the people in nation X overwhelmingly desire an attack on country Y—not a rare occurrence in world history. If our "liberals" would be consistent with themselves, they would have to say that the attack, being popular, would also be right. But, naturally, they would say no such thing; they would vigorously denounce such a war, thus admitting that morality is not to be determined by public opinion polls.

A variation of the foregoing theme is the welfare statist assertion that if a given proposal has been duly legalized, then its ethical merits are no longer open to question. So, let us assume that the Parliament and President of nation X have legally authorized war on country Y. Does
this meet their moral standards; or will the "liberals" again have to revise their proposition and admit that legality cannot determine morality?

Reference to the just and unjust causes of war can be particularly valuable when we try to expose the fallacy in what is perhaps the "liberals'" most persuasive contention: that the programs of the welfare state aim to help those who are really in need of great help. They usually do not deny that the "social gains" they are seeking are attainable only if the money of some is forcibly seized and granted to others. They do deny that any impropriety is involved in the process; on the contrary, they proudly announce, the welfare state merely enforces the undoubted axiom that one man's need has precedence over another man's luxury. "How noble and upstanding!" exclaim many. But the danger of this principle becomes quite clear if it is utilized to judge the rightness or wrongness of an aggressive war. A single, concrete example from recent history can illustrate.

In the 1930's Japan was certainly in an unenviable spot. There was not nearly enough room or land to support its booming population. It lacked many crucial raw materials. Both industry and agriculture were comparatively backward. Able technicians and skilled workmen were still scarce. If ever a country was in desperate economic need, Japan was. Yet, very few people have gone so far as to maintain that its need fully and morally justified its chosen solution to its problems—aggressive military imperialism. And if Japan's wants gave it no right to the land or property of other nations, then whose
wants would? The inevitable answer is: nobody's. This holds true not only for underprivileged countries but also for underprivileged persons. If we really want to help them, as we should, we can contribute to various local, national, and international charities. The essential point remains, however; no one has a right to something he has not earned.

At this juncture, let us consider exactly when "liberal" lovers of peace would approve of a declaration of war. We see that their standard of a just war is virtually identical to the libertarian standard of the just use of any kind of force. Only defensive wars and defensive force meet with the approbation of true workers for liberty and peace in the world. Our basic rights come from God himself. So long as we do not use our rights to violate the equal rights of our neighbors, we may exercise our free will as we see fit.

"Liberals" suffer a myopia, an inability to see that aggressive force is used to build the welfare state. True, there is considerably less outright violence in tax collections for interventionism than in full-scale war. Big Government relies much more on the threat of force, rather than on its actual employment, to promote the payment of taxes. But anyone could easily witness the transformation of potential energy into kinetic energy—the threat into the reality—by trying to spend for himself the portion of his taxes which would go for, say, farm subsidies. Not surprisingly, few citizens have made this interesting experiment.

Returning to our basic comparison, we can now say
this: the notion that coercive action is a legitimate means to attain some desired goal underlies both the welfare state and the war of aggression. The fact that force is merely threatened to attain that goal does not make it any better. A country that makes unfair demands for money or land from another country is not to be commended if it obtains what it wants by threats instead of by brute strength. Intimidation may be more veiled than outright aggression; ethically, however, there is no substantial difference between the two. Most Americans do not hesitate to condemn both methods, at least, as instruments of foreign policy.

Then why do we not all condemn them as instruments of domestic policy, too? There is no reason why our attitude toward aggression abroad should differ from our attitude toward coercion in our own homeland. The same principles make us realize that compromise with either practice is a moral impossibility, because of their intrinsic evil. If all upstanding citizens regard themselves as perfectly justified when they stoutly refuse to excuse any and all wars of aggression, then no one may logically assail as "wild-eyed extremists" those lovers of liberty who do not approve of any act of coercion to support the welfare state. If all righteous people accept the worth of the Ten Commandments, then no one may logically denounce as "radical rightists" those who do not tolerate wholesale violation of the one that reads, "Thou shalt not steal." There is no escaping the fact that aggression is always wrong, at home as well as abroad.
THE BOARD OF DIRECTORS of our Chamber of Commerce had met to discuss the city government's proposal to participate in the federal urban renewal program. A fellow-director turned to me—not in the tone of inquiry, but more to nail down his argument: "Would you stand by and see our business section become a ghost town?"

The question probably was misdirected because I happen to be fond of ghost towns—figuratively speaking. Many features of the twenties and thirties, then alive and vibrant, are today merely ghosts of the past; and my fondness for them arises precisely because they are ghosts.

Let me explain. A livery stable, thriving at the time I was born, went out of business six years later. The automobile had displaced the horse. The reason why I am fond of that ghost is that its owner did not apply to Washington for livery stable renewal.

The livery stable is but one of the ghosts of the past. Ghost canals wind through Ohio and other parts of the country, no longer serving as a means of transportation. There are ghost lamp factories, ghost icebox factories, ghost streetcar tracks embedded in many city streets, ghost movie houses, and ghost back-lot rest-rooms all outdated
by electric lights, modern transportation, home refrigeration units, television, and inside plumbing.

In business, there are ghosts of early office equipment—awkward typewriters, hand-cranked calculating machines, and laborious duplicating facilities that would make one barely legible copy every four or five minutes—in contrast with modern electronic data processing equipment, high-speed duplicating processes, electric typewriters, and calculators.

How sympathetic would we be to the efforts of yesterday's office equipment manufacturer to keep his outdated products on the market through a government renewal program? Would we deliberately preclude better quality and lower costs in the products we buy, by subsidizing obsolete business methods and facilities? Not likely, especially when we have a choice in a free market. Yet, in today's changing urban areas when the owners of downtown properties attempt to salvage them through artificial and ineffective government urban renewal programs, it is as though livery stable owners of the early twenties were seeking federal aid to keep in operation the horse and buggy.

As it happened, not many livery stable owners were utterly consumed under the cruel blow of economic defeat. Many converted their buildings and operations into uses consistent with the changing consumer demand for services and products.

A sign of our time is the oratorical and almost sacred crusade to save physical properties in the formerly bustling downtown sections of our cities. Another sign,
cousin of the first, is the fervent chamber-of-commerce endeavor "to bring industry to our city."

I wish it understood that I enthusiastically support the owners of property who profit through the free choice of willing customers. I cheer them and admire their ability to serve mankind with their valuable products and services. Particularly, my praise goes to those downtown owners who recognize that their prosperity in the past came from economically filling the wants of their customers and who now roll with the changing times and continue to serve customers well and profitably. To these merchants who have retained and kept up-to-date their competitive skill—rather than running to Washington for aid—goes my genuine admiration.

I also want it known that I have pride in my own community, the people I know, the companies whose home offices are here, the local athletic teams, the hometown girl who made good in the Metropolitan Opera, the nation's President who came from this city, the excellence of the fine arts, the theater, and other civic achievements. I want my city to have prosperous business, cultural, and recreational activities; let there be no mistake about that.

But, a city prospers through strict adherence to old-fashioned basic principles. If we let those principles become ghosts, then ours is indeed a ghost town.

*How Cities Grow*

In order to obtain a clearer perspective, let us reflect on how cities got to be cities in the first place. Usually,
there were economic benefits to be derived in the general locality: potential port facilities, crossing of two railroad lines, nearness to special raw materials, and various other factors. Some communities have numerous economic assets, while others develop more precariously with a single attraction. Various mining towns of the West are "ghostly" examples of communities whose single purpose no longer exists.

A Southwestern oil town lost 90 per cent of its 25,000 population when reserves of oil in the vicinity declined. Recently, the remaining 10 per cent, the uneconomic leftovers in that oil town, sought recovery of their lost property values through the federal government and were awarded funds taken from others all over the country.1

Cities are not ordained to be—they are born of the economic decisions of many persons who have decided to live there rather than somewhere else. These persons, one can be certain, were not selecting the locality on some willy-nilly, illogical basis. A job was available, business prospects were good, or a service was needed. Why else would people decide to live in a smoky, smelly industrial city? Cities have grown because there were sound economic reasons for people to live there.

On the other hand, the process can and does reverse itself. In some instances the raw materials simply give out. Examples are abundant, however, where the movement toward other locations has been pushed along by the unwise actions of local citizens. Occasionally, an individual

may act unwisely to the detriment of his community, but this is not the sort of thing that would be imitated by very many people. When whole communities act unwisely, the cause invariably may be traced to those organizations that have the power to coerce their fellow citizens.

**Governmental Forces Lead to Deterioration**

After thoroughly examining the possibilities, including labor union activities and the nature of union power, one may conclude that in reality there is only one organization—the government itself—with the coercive powers in question here. People acting through the power of their local government (the same thing applies to states experiencing the exodus of industry) take actions that detract from their economic assets. Ever-increasing tax rates and new forms of taxation are common examples of unwise action. The excuse always includes the alleged growing needs of the community, but never explained is why the functions of police and fire protection, road maintenance, and public education forever require a higher percentage of the total wealth and earned income.

And the more the community government interferes with the private affairs of its citizens, the less effectively it fills the proper police function of protecting the life, freedom, and property of its citizens. A community may acquire a reputation as an undesirable labor market, for example, due to unruly labor organizations that successfully defy the rights of individuals—owners of industrial
plants, other citizens, and even their own members—while the police of the community do nothing to stop such unlawful practices.

Thus, unwise community action makes the community economically unattractive to businesses already located there as well as to those contemplating the area for plant expansion or decentralization.

People Change

Communities themselves evolve; the habits and desires of the people change. It is evident that many people now find the suburbs and the countryside more to their liking than the city surroundings they preferred two or three decades ago. These are independent economic decisions; and merchants must react competitively if they are to continue to serve their customers well. There is no magic line (municipal corporation limit) within which exists a sacred right to a perpetually prosperous life for property owners, merchants, or even city officials themselves.

Cities were a result of people coming together. Today there is a new concept of decentralized living. Furthermore, those who now live outside the “magic” corporation lines are not living without police and fire protection as is sometimes implied. These services are often obtained exactly to the extent that each property owner or resident wants and contracts for them. Shopping centers further illustrate self-containment, as they usually construct their own streets and sidewalks and provide police protection—not at public expense, but at the ex-
pense of those who use them. Indeed, the evolution of shopping centers is in the direction of complete community services, including the recreational and cultural, all provided by individuals through free exchange.

Once a community embarks on a wrong course, it encourages the exodus of established business and population and discourages the coming of new people and new industry. Increased restrictions and taxes, coupled with failure to protect life and property in the community, spell trouble ahead.

Paradoxically, the trouble feeds upon itself through the frantic adoption of fallacious remedies. Rising taxes start the decline of values and the exodus of industry and people. Then planners condemn additional properties, strangling any business life left in the community. Their sincere objective is to displace these “sub-standard” areas with “planned” modern apartments, thriving businesses, beautiful parks. And they expect the program to pay for itself through increased valuations and property taxes. They forget to explain why businesses and investors should be attracted by high taxes.

The next step is to seek federal aid, which usually requires a proportion of local matching funds. For such funds, many cities are turning to municipal income taxes, adding one more reason why people and businesses move away.

\textit{Artificial Lures}

In recent years, we have seen increasing competition between localities to lure business. One device is to prom-
ise property tax exemption for ten to twenty-five years. Sometimes the communities will construct and lease factory buildings at bargain rates. But businessmen tempted by such attractions might well speculate as to who will foot the bill for other newcomers after one's own company has had the initial "free ride." An economy based on subsidy leaves much to be desired.

The distraught efforts of community leaders to save their towns from unfavorable economic decisions sometimes produce unusual results. One small city, having lost its largest manufacturer, sought to bolster its local economy by way of a federal housing project. Construction workers and supply companies may benefit temporarily, but what real reason can there be for adding to the surplus of housing in a community that people are leaving to find jobs?

Another city's leaders believe they have found a way out. Their state prohibits dog racing; so they have asked for an exception that would give them a monopoly. This could prove very profitable as a tourist attraction—until another community cries for its equal rights!

These are but samples of the ludicrous measures by which civic leaders strive to stem the receding economic tide in their home towns; and all they accomplish is to speed the decline. Government action affords no solution to the problem, unless the action be to repeal restrictions and taxes. When the promise and threat of government urban renewal hangs over a community, correct economic decisions about investments and entrepreneurial risks are postponed, both downtown and in the suburbs.
Communities develop around the common economic interest of many people, and communities will change as those interests change. Attempts to start at the wrong end of the process are doomed to unhappy results. No government planner can anticipate accurately the economic choices of tomorrow, next week, next month, or next year—not even for one individual, and certainly not for an entire community. The result is bound to be a ghost town economically, no matter how sturdy its physical construction from the ill-gotten federal funds.

If new industry is to be attracted to an area, there must be sound economic reasons: availability of peaceful and intelligent workmen; access to raw materials and to markets; police protection of peaceful citizens and private property, but otherwise a minimum of government intervention and taxation. If a community will offer these attractions, display a refreshing attitude not to meddle in business affairs, add a dash of patience, and let these facts be known, new business will come. The marketplace works that way.

Give me a ghost town any day in preference to ghost principles. To attempt to perpetuate artificially the economic decisions of the past is to abandon sound principles and deny all hope for further economic progress. And the sad result will be a ghost nation.
ON BREEDING PROSPERITY

by F. A. Harper

The population explosion in our country and around the world is commonly met with mixed emotions. On the one hand, there is the discomfort of being so pressed together that we stand on each other's feet, elbow our way through crowded subways, become submerged in traffic jams, or find distant recreation forests about as peaceful as Times Square at 5:15 p.m. On the other hand, there is the appeal of more customers for all who believe that a rising population assures prosperity.

The fact that the population has been rising rapidly during recent decades, and that more is in prospect for some time, seems beyond question. A common prediction is that the present world population of nearly three billion will reach nearly five billion by 1984.

Some authors in a Science article a few years ago reported that by extrapolating from past trends of recorded data, the world population will approach infinity on November 13, A.D. 2026. But the outlook cannot be as gloomy as that. Before that time the trend would flatten out from a new Malthusian corrective because persons

Dr. Harper is Secretary of the Institute for Humane Studies at Stanford, California.
would become crushed to death. And even before that, as a university president once reminded us, the population increase will probably terminate before reaching the point of standing room only, due to other obvious reasons.

Leaving these predictions for others to ponder, our present concern is with an economic notion which seems even more prolific than the human organism itself, namely that increasing population assures prosperity. To review the notion briefly, as any restaurant owner or storekeeper knows, his sales and profits are raised by more persons entering his store to buy. And they cannot enter his store without having first been born. Each birth today, then, means more persons in stores later; diapers will be bought at once, children's clothes later, and adult needs on through life. The more the births, the more will have to be sold to meet the growing needs, \textit{ipso facto}, according to this simple reasoning. But on further thought and analysis, is this reasoning sound?

\textbf{Wants Are Insatiable}

Let us begin to analyze it this way: Human wants, over-all, are insatiable. If a President of the United States with "rigorous economy" spends $111,000,000,000 in a year, it seems probable that he might easily spend the entire national income if he were to let himself go on a spending binge.

Any one person's capacity to eat popcorn at one sitting may have its limits, but there is no known limit to his
capacity to own more suits, cars, servants, servants for the servants. . . . So if there is any limit to human wants, it surely lies beyond the horizon of our imagination. This means that the limit on sales in stores, and the like, is set by something other than too few persons. By the same reasoning, more persons do not assure more sales and more welfare. What is it that sets the limit?

The limit to the satisfaction of wants is set by the quantity of things produced. Should some of production be wasted, fewer wants will be satisfied, but no miracle is available by which to satisfy wants with things not produced. Some persons may get more of the supply and others less, but that is a question separate from the one we are discussing; and in any event it does not make consumption any greater than production.

What Limits Production

The total quantity of goods and other services produced in the nation in a year depends on three things:

1. The number of persons working
2. The number of hours worked per person
3. The output of product per hour

We are considering prosperity, and the effect of an increase in population on prosperity. Our concern is with the welfare of the individual, not the nation. China or India produce more than Switzerland or Canada as a national total, but who yearns for that sort of prosperity? Thus, we can largely ignore from our concern in this connection the first factor of the number of persons, be-
cause as increasing population brings more producers it also brings more stores for more consumers to enter. Over-all, persons as producers are also consumers, and in part storekeepers.

The number of hours worked can also be largely ignored for our present concern. The change over time has not been drastic; it is minor as compared with other factors. We used to point, with pride that might be questioned in certain respects, to the reduction of about three-sevenths in the average hours worked in the United States. Now the careful research of Sebastian de Grazia brings this into serious doubt, when account is taken of the added hours getting ready to work and getting to and from the "forty hours of work." In grandfather's day, most workers when they awoke in the morning were only a pair of overalls and a closed door away from their day's task.

This leaves us only the last point as having much to do with our question, namely, the output per hour of work. What effect does an increasing population have on that?

Output per hour of work is almost entirely a matter of the tools at hand to aid the efforts of those who produce. They are of many types and forms. Some tools aid physical work, and others aid mental work or the processes of spirit, morals, and motivation. In the latter category, especially, there are negative as well as positive tools. Among the negative tools, I would suggest are all those economic misconceptions which prevail and persist in the minds of most persons in our society. Among these misconceptions is the notion that increases in population
assure prosperity—by which one would have to conclude that even illegitimate children are a contribution to national welfare and thereby worth the mounting costs of public aid to support them.

In our society in the United States, from the standpoint of energy alone, we have devised ways to bring to the aid of the average worker the equivalent of more than thirty diligent slaves to help him. In addition, there are untold ways by which we have harnessed additional help for him which is not measured in terms of energy horsepower. But in measuring increases in economic welfare of persons in the United States over its entire history, or the differences between nations in this respect at the present time, the amount of energy harnessed to aid the average worker serves amazingly well as a measure.

**What Raises Production?**

The question then resolves into the processes by which tools are brought to the aid of the average worker. In outline, these are the steps involved:

1. Basic discoveries
2. Innovations and adoptions of discoveries
3. Savings invested in tools
4. Effective use of tools

Nothing is so vital to the whole process of progress in the development and use of tools of production as is liberty of individual persons in society. Slavery in any of its varied forms and by any name is poison to the processes required. If slavery has any advantage anywhere
over paying free-workers the prevailing wage, which is doubtful, it is for menial tasks like piling stones upon one another to build pyramids, and the like. Tools once produced can be enslaved, but enslavement of mankind is birth control at its worst for tool-creation.

Thinking now of a single newborn babe in the neighbor's family, the question at its core can be tested by this simple question: Does the fact of his birth as one more census unit add one iota to any of these four parts of the job as compared with any other person previously born and already in our society? He may turn out to be a discoverer, but is there any reason to expect him to be more so than a random selection of a person already here? Any more an innovator or adapter than someone already here? Any more a saver and investor? Any more an efficient user of tools? I see no reason to expect him to be superior to another baby born yesterday.

The final and important fact is that at birth each addition to the population automatically reduces the tools available per person in the population. At birth, in other words, the little precious is clearly an economic parasite who dilutes rather than enhances welfare. The way it does this is clear from a simple analysis.

In the United States at present the investment in production assets is over $20,000 per production worker, both in manufacturing and in agriculture. This represents the "more than thirty slaves" the average worker has at his command to aid his own efforts in production. If we assume for sake of illustration that there were a hundred workers in some isolated society who have an average of
$20,000 of tools to help them, and two lone survivors of a shipwreck—about the current annual rate of population increase in the United States—float to the island to join them, the tools per worker immediately decline to about $19,600. And with more shipwreck additions, it would decline more and more until it would eventually sink the island into starvation.

It may be noted, of course, that tools can be added to the pile in use. But whatever the original hundred persons invent, create, and add must not only replace the wear that goes on year by year, but must be shared with the immigrants. The additions to the population will add to the average tools per worker only after they have themselves saved and added to that society more than $20,000 worth of effective tools in use. Until their contribution reaches $20,000, they are in this sense economic parasites on the society they have joined.

How soon will it be until the neighbor's newborn babe can add the required $20,000 to the nation's tools-in-use? That is our question in its essential form. We could go on down the street to other neighbor's newborn babes, but that merely compounds our question in magnitude rather than to change it in essence.

The merchant selling diapers may do quite well for a while when this goes on and on in the nation, but only at the even greater loss of business by someone selling other things which the parents cannot now buy instead. Soon, by reason of discouragement if not bankruptcy, they will have to close up shop and go into business selling diapers, or something. The advantage to the diaper
salesman then disappears, and he is ready to read some dusty article like this to see why his forecast of hope from help by the storks went afoul. He is then ready to ponder the question which should have occurred to him at the outset: If population increases cause prosperity per se, why were countries like China and India in persistent poverty over untold centuries?

In a country of extremely sparse population, special circumstances can exist whereby an increase in population can cause enough increase in the efficiency of use of tools they already have to result in rising welfare for a time. But this is not the situation in our nation, or perhaps any nation in the world today.

In summary we may, therefore, herald with goodwill the coming into our society of newborn babes, but the joy should not be because they will automatically bring with them any sort of economic welfare. When they come, they will not bring with them the $20,000 of capital equipment needed to carry their share of productive means now operating in our society. Each of them will dilute the ratio of tools to persons, which is the only real base for prosperity. Each of them, or someone else, will have to save and provide more than $20,000 of tools before their presence will have the effect of increasing the average prosperity of the nation.
MAN'S DESTINY—FORCED OR FREE?

by William Henry Chamberlin

The underlying basis of a free political system and a free economy is moral. Unless man is inwardly free—able to distinguish between good and evil, right and wrong, capable of making intelligent and prudent decisions in his own interest on his own account—the whole fabric of free institutions rests on a foundation of sand. This conception of the self-reliant individual, able within reasonable limitations to shape his own destiny, with the choice between success and failure mainly in his own hands, has been under heavy attack from many modern theorists.

They would substitute for the self-reliant individual who helps himself the image of a semi-robot who must be helped and guided in every step he takes by the state and its proliferating welfare agencies. Consider, for example, how America's young people are wrapped in a thick wadding of cotton-wool protective legislation.

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. He has written a number of books, has lectured widely, and is a contributor to The Wall Street Journal and many nationally known magazines.
From the colonial and frontier days down to the more recent times, when a tide of mostly poor immigrants from Europe swelled the population, America's national success story has been an amalgam of the individual success stories of boys, born in poor families, who started at an early age to help their parents and themselves by taking any available odd jobs, combining this with school and college study, and later becoming more or less prominent business and professional men. Looking back to their boyhood, these men almost invariably recognize that this early experience in work and self-reliance was immensely beneficial to them in adult life.

But today's well-meaning lawmakers have added so many minimum wage and other restrictions that it is impossible, in many cases, for an employer to hire young people without paying them more than they are worth. Here is one of the most obvious artificially created causes of youth unemployment and of juvenile delinquency. For it remains just as true now as in the days when the proverb was more frequently quoted that Satan finds plenty of mischief for idle hands.

**Marx and Freud**

Two European thinkers, Karl Marx and Sigmund Freud, have done much to undermine the ideal of the free responsible individual by representing man as a tool in the hands of blind impersonal forces, incapable of making moral and rational choices and decisions. In Marx's view of the world, the overshadowing issue is the
struggle between the bourgeoisie and the proletariat, which is fatalistically predestined to end in the triumph of the latter and the establishment of socialism. Besides being a dogmatic atheist, Marx brushed aside moral ideas as nothing but inventions of the capitalists to justify the continued enslavement of the workers. His whole philosophy is suffused with implacable determinism and with the conviction that human decisions, judgments, and feelings are the mechanical result of class relationships.

Freud's theory of psychoanalysis leads, although by a different road, to the same conclusion: that man is not responsible for his actions and is incapable of exercising free will. According to Freud, the subconscious, over which the individual can exercise no control, tends to dominate his character. Another article in the Freudian creed is that all experiences in the stage of infancy are of supreme importance to the individual. These experiences, in combination with his inherited sex constitution, are supposed to shape his character.

To be sure, not many Americans have acquired a firm grasp of the ideas of Marx and Freud. Both authors employ a highly technical style and, with few exceptions, their works are not easy reading. But it has often been the case that ideas, even if fully understood only by a small minority, strongly affect the intellectual climate of an age. The theories of state and society put forward by Rousseau, Diderot, Condorcet, and other French thinkers of the eighteenth century were not generally familiar to the Paris mobs that supported the Reign of Terror or to the recruits who filled the ranks of the revolutionary
armies, singing the *Marseillaise*. Yet the connection between the radical thinkers and the course of the French Revolution is close and unmistakable.

**"Society Is To Blame"**

In the same way, Marx and Freud have done much to undermine and even destroy the belief that man is a free moral agent, who may properly be held answerable for his crimes and vices. Now, the fashion is to attribute every crime, however violent, revolting, and shocking, to some unspecified fault of "society" or to that tired scapegoat, a bad government.

The theories that man is a robot product of his environment and that social welfare measures are an effective cure for individual criminality deserve closer examination than they usually receive. For both fly squarely in the face of visible experience.

A good case could be made for the proposition that it is not slums that make people, but people who make slums. It is not a bad environment that creates bad individuals, but rather, it is vicious and depraved individuals who create a bad environment.

Never in American history has there been so much subsidization, coddling, and spoonfeeding of groups which sociologists and social workers like to refer to as underprivileged. The unemployment figures which are supposed to cause alarm are unconscionably padded; public relief in one form or another is so easy to obtain, and granted with so few restrictions, that few people can
be found to perform unskilled and semiskilled jobs. "Collecting security" has become one of the largest and most popular of American unlisted occupations. How else can one explain the discrepancy between official high figures and percentages of unemployment and the near impossibility of getting help in the household or for jobs that pay comparatively little?

There was a time when it would have seemed as absurd for the government to pay a man's rent as to take over his bills for groceries. Now, big new apartment houses, equipped with all modern conveniences, have been put up in all large cities—for the benefit of the "underprivileged," at the expense of the general taxpayer. But in all too many cases these houses have rapidly deteriorated in cleanliness and general upkeep and have become centers of crime and vice. Could there be a better illustration of the basic importance of individual character and the relative unimportance of the much-emphasized "environment"?

I sensed this point from a different angle when, shortly after the end of World War II, I got acquainted with a group of people of German origin whose homes had been in Yugoslavia. They had escaped before Tito completed his take-over and were living in pretty rough improvised quarters in a suburb of Stuttgart. Although the shacks in which they were living lacked many conveniences, there was no filth or squalor. And on a second visit two or three years later, I found that most of them had advanced from temporary refugee quarters to houses and apartments of their own. Put sturdy, hard-working, self-respecting peo-
ple of this type in slums, and they would make the slums habitable. Put many of the people who inhabit slums into modern apartments, and the process of deterioration is quick to set in.

Assuming Personal Responsibility: Some Examples

There are many illustrations of the changed attitude toward moral responsibility. Two distinguished figures in the nineteenth century, General Ulysses S. Grant and Sir Walter Scott, through no direct fault of their own, became involved in the heavy losses of unsuccessful business ventures of partners. Both worked unremittingly, to the point of shortening their lives, in an effort to discharge every penny of debt for which they felt a moral liability. The preferred course in modern times would be to apply to the Reconstruction Finance Corporation or some other handy government agency existing for the purpose of bailing out individuals from the consequences of their mistaken judgments.

Herbert Hoover, although he has fortunately lived far into the twentieth century, has always displayed that keen sense of moral responsibility which was more characteristic of the nineteenth; and he communicated this quality to his sons. At the time he was President, his older son was offered a position at a salary far above what his experience at that time would have warranted. The son’s reply was prompt and decisive: “My father’s name is not for sale.”

There was a time when the American creed of oppor-
tunity for all implied the risk and penalty of failure as well as the chance and reward of success. This was the philosophy behind Grover Cleveland's declaration, when it was suggested that the government appropriate money to aid farmers of a drought-stricken area, that "though the people support the government, the government should not support the people."

Now, the fashionable theory is that the government possesses some mysterious, magical, inexhaustible source of wealth, out of which it can and should compensate everyone for errors in judgment or bad luck. Of course, this theory is as illusory as the South Sea Bubble. Its fallacy was spotted long ago by the French economist, Frederic Bastiat, who accurately described the state as "the great fiction through which everybody endeavors to live at the expense of everybody."¹

Another sign of the times is the widespread use, in some academic circles, of the contemptuous expression, "value judgment," in deprecation of any distinction between tyranny and liberty, good and evil, right and wrong, as exemplified in historical figures. Classical histories are full of studies of the characters of prominent rulers and actors on the historical stage, of balanced appraisals of their virtues and faults, of the strong and weak points in their records. Any approach of this kind is now brushed aside with a disparaging reference to "value judgments."

¹ Reprints of Bastiat's "The State" are available at 10 cents each from the Foundation for Economic Education, Irvington-on-Hudson, New York.
Misplaced Sympathies

An unfortunate and growing characteristic of life in America's big cities is insecurity of persons and property against the assaults of thugs and criminals. Not infrequently the newspapers publish accounts of assaults, accompanied by serious injury, of youthful criminals against old men and women. But public opinion seems completely indifferent. There is no insistent demand for more adequate protection and sterner measures of retributive justice. The most shocking, wanton crimes are brushed off as just somehow the responsibility of an anonymous entity called "society."

Indeed, when campaigns of sympathy are aroused, these are usually in favor of the murderer, the rapist, the criminal, not of his victims. This kind of maudlin sentimentality has not been unknown in the past. Mark Twain, who was anything but lacking in the quality of human compassion, hit it off well in this paragraph about the demise of Injun Joe, the murderous outlaw of *Tom Sawyer:*

This funeral stopped the further growth of one thing—the petition to the Governor for Injun Joe's pardon. The petition had been largely signed; many tearful and eloquent meetings had been held and a committee of sappy women been appointed to go in deep mourning and wail around the Governor and implore him to be a merciful ass and trample his duty under foot. Injun Joe was believed to have killed five citizens of the village, but what of that? If he had been Satan himself, there would have been plenty of weaklings ready to scribble their name to a pardon petition and drip a tear on it from their permanently impaired and leaky waterworks.
Government Aid Breeds Crime

Two indisputable facts stand out as impressive refutation of the determinist interpretation of man's character and destiny. Juvenile and adult delinquents, the so-called underprivileged, are coddled today as never before in America's history. Federal and state welfare budgets are at an all-time high. Really acute, grinding poverty can scarcely be said to exist. If providing expensive cushions against poverty, indolence, and misfortune were the answer, America today should be a social worker's paradise.

But every year J. Edgar Hoover publishes a new set of figures showing that crime has leaped again. Crime figures and social welfare expenditures have been moving upward in parallel columns, indicating that whatever the answer to crime may be, it cannot be found in ever-expanding social expenditures. A much more logical place in which to look for this answer is in the breakdown of the conception of the morally responsible individual, equally accountable for his good deeds and his misdeeds.

Whether man's destiny is forced or free; whether he is a robot product of his environment or whether he can shape his environment; whether he is a moral, intelligent being who should be left free to plan his own life or whether he should be considered a pawn, to be planned by the state—these are among the most important questions of our time. Several years ago, it was the fashion to project for America so-called national goals or purposes; a rather futile undertaking because America, like any
free society, is many million purposes—all combining toward end results far richer and finer than any totalitarian state has produced.

But it would be a worth-while national goal to rekindle in American public opinion those attitudes and responses—social, economic, and moral—appropriately based on the assumption that man is internally free and, regardless of environment, able to shape his life, for better or for worse.
I AM GOING to discuss individual liberty . . . eventually; but I'm going to begin at the other end with liberty's opposite—tyranny. If this roundabout method needs a defense, I'll refer you to the procedure employed down on the farm to get a pig back into his pen. One's first thought is to aim the pig at the pen door, get hold of him, and pull. The pig resists. So then you get around back and push. Still no go. The expert solves the problem easily; he heads the pig in the direction he wants him to go, then pulls his tail in the opposite direction. If you want the pig to head northeast, pull his tail toward the southwest!

So I propose that we work our way around to liberty by starting with an all too common affliction of human society—namely, tyranny or unlimited government. "The history of liberty," as Woodrow Wilson said in New York in 1912, "is the history of the limitations placed upon governmental power." So, if we start with a picture of unlimited government in our minds, and then—step by step—apply the proper limitations to governmental
power, we should end up—if we have done our work right—with a pretty clear idea of what a free society looks like.

Visualize two rectangles. One represents government; the other, society. Now let us superimpose the government rectangle on the society rectangle. To all intents and purposes, we now have but one rectangle: Government has swallowed up society and the two form a single, organic whole. This I shall call the 1984 pattern, taking my cue from the famous novel of that name by the late George Orwell.

The novel is set in England. It is an England where a diabolically clever officialdom has succeeded in reducing the citizenry to a bunch of robots, controlled from the top, twenty-four hours a day. There is no private sector in the society of 1984, no sphere for personal action which belongs to individuals as a matter of right. The society is operated by the government as if the country were a vast, automated factory. Such is the intention, and such the theory.

Now in actual practice, the theory limps a little. There are loopholes in even the most tightly organized, totalitarian society. The governmental machinery breaks down occasionally; officialdom is inefficient and occasionally corrupt. And so it is in 1984. The dictator of this society is called Big Brother. Big Brother's picture is everywhere, and the eyes of the portrait are designed so that as you look into them they seem to follow you. The universal slogan is: "Big Brother Is Watching You." His agents mingle with the populace to spy on people, and in every
dwelling there is a two-way television set which keeps the home under surveillance.

The novel has a hero named Winston, who works in what is called the Ministry of Truth. Winston's apartment has the usual television set, but by an accident of construction one corner of Winston's room is out of range of Big Brother's seeing eye. Winston has a tiny sliver of privacy, but only because the Master Plan leaked at this point; the design is total political control of society, and the consequent extinction of personal freedom. Such a society is called totalitarian. The principal feature of such a society is that no limitations are set to the exercise of governmental power over people; the government is coextensive with society. As a result, this is a society without freedom—regardless of the authority invoked to sanction governmental invasions of the various sectors of life. That authority may proceed from the will of one man, or it may rest on the will of a majority. No matter. Controls are controls, and unlimited government by definition denies individual liberty, whatever the reason or the authority for the controls. Everybody in 1984 loved Big Brother; the regime was a total tyranny because it had the support of the whole people.

**Unlimited Power**

But that's fiction, you say, and in real life things are different. Well, there is many a slip between intention and action, or the human race would never have survived; but let's stick with intentions for a bit. The first
of the modern dictators was Lenin, who wrote: "The scientific concept, dictatorship, means neither more nor less than unlimited power, resting directly on force, not limited by anything, not restricted by any laws or any absolute rules. Nothing else but that." One of the men who learned from Lenin was Mussolini. "The State embraces everything," he wrote. "Nothing against the State; nothing outside the State; everything for the State." This is the 1984 design as exemplified in the blood brothers, communism and fascism—for the state to consolidate the society, and for the combination to engulf the individual person. There is an inherent tendency in the state to move in this direction—unless a significant number of men in the society succeed in mobilizing the right counterforces.

Go back again to our two rectangles. When government is superimposed on society, it means that all the various activities of people are controlled, directed, or commanded; that individual initiative is everywhere stifled, thwarted, or conditioned. Let me cite a quotation from Plato on this point, not as necessarily reflecting the mind of Plato or the actual conditions anywhere in Greece, but as revealing the destination of an ageless line of thought: "The principle is this—that no man, and no woman, be ever suffered to live without an officer set over them, and no soul of man to learn the trick of doing one single thing of its own sole motion, in play or in earnest; but in peace as in war, ever to live with the commander in sight, to follow his leading, and take its motions from him to the least detail . . . . In a word, to teach
one's soul the habit of never so much as thinking to do one single act apart from one's fellows, of making life, to the very uttermost, an unbroken consort, society, and community of all with all.”

*It Can't Happen Here?*

What was advanced by Plato merely as a speculative idea, something to play with, has been actualized in our day. Listen to the words of one of the foremost experts on the Soviet Union, Bertram Wolfe. Speaking of Russia, Wolfe says: “The state continues to direct and control all aspects of life. A single party continues to dominate and rule the state, and to act as the core of all organizations.”

Well, you say, Russia is a long way off, America has a tradition of freedom, and the communists are no longer influential here. Besides, Americans are a good-natured people, and we wouldn't do this to each other . . . would we?

There *are* people who would do this to us, with the noblest of motives. Many instances occur to you, but let me offer just two. The first is from the pen of Senator Clark of Pennsylvania. Applauding the “liberalism” of American colleges, he writes: “Spiritually and economically youth is conditioned to respond to a liberal program of orderly policing of our society by government.” The second statement is from a recent article by the eminent theologian, Reinhold Niebuhr. He is advocating liberalism of the Americans for Democratic Action type, and says, “. . . liberalism connotes a desire to use all the
instruments and authority of the political state for the attainment of (social) justice. This means the welfare state, the politics of the New Deal, and the ... Administration's current integration program . . . ."

The trend is obvious. The country, under prodding such as this, moves toward a centralized society run from the top down. The national government commands each year an increasing portion of the people's earnings, and its power grows accordingly; its functions are extended and accelerated year by year. In other words, we are witnessing and living in the midst of the natural drift of a state reverting to type. And a state reverts to type whenever counterforces are lacking. I propose in this paper to describe these counterforces in the hope of reactivating them.

History does not move in a straight line—there are ups and downs; there are periods of enlightenment, and ages that are dark. Liberty, too, comes and goes. It is lost and then found again. People experience the tyranny of a despotic ruler, endure it just so long, and then something inside them revolts. They frame a philosophy which provides the rationale for establishing sectors of individual immunity against governmental power, and they fight in various ways to achieve their goals. This is the pattern for the recurring struggle of men to be free in society, and it hinges on the success with which the functions of government are limited to curbing aggression and maintaining the peace of society. If men are to attain freedom in society, they cannot do so on any old terms, but only on the terms laid down by liberty itself.
Seven Major Concerns of Man

As we look back over human history, we note several major concerns which in every age have engaged the minds and hearts of men. These divide society into seven sectors. One of the great human enterprises is Economics. Man has to eat. He has to protect himself from the inclemencies of the weather; and he covers his body for warmth and adornment. It is by economic activity that men satisfy their bodily needs for food, clothing, and shelter. Work is involved here, and man has a natural inclination to avoid work. That is why he invents labor-saving devices. One of the first labor-saving devices, as some cynic pointed out, was robbery. Now, a person produces for his own use and enjoyment and naturally he resents the thief; so, to curb thievery the police power comes into being. This is the seedbed of government, and whether we like it or not, politics has always been one of the major preoccupations of mankind.

Then there is Education. The adults of every society seek to introduce the young to the intellectual heritage of their culture and to initiate them into the world of the grown-ups. Schooling is part of education, and so is science.

The fourth sector is Art—the world of painting, sculpture, architecture, and literature. Art is a perennial concern of man and should occupy a realm of its own in society. So should Ethics. Men evaluate their own conduct and the conduct of others in terms of good and bad, right and wrong. These are moral judgments, and they
stake out the ethical realm in human affairs. People strive to be better; they seek the good life—the kind of living appropriate to our nature.

Moral effort takes us into the domain of Religion. Almost every person has, at some time or other, sat back and wondered what it's all about. Does the universe, that scheme of things of which we are a part, have any meaning, any purpose? What is the significance, the aim and object of human life? What am I here for? Nobody above the moron level can avoid asking questions of this sort, which is what William James had in mind when he observed that "mankind is incurably religious." Undeniably, every society has exhibited some interest in this dimension of our lives, however varied the rituals and the theology which express this interest.

The seventh sector of human life is reserved for the free play of Voluntary Groups. Obviously, there is some overlapping here with the previously mentioned enterprises. A factory is a voluntary association; so is a church, in our society. And there are other voluntary groups designed to further the ends of education, ethics, and art. Nevertheless, we need this category in order to include the groups men form for sport, recreation, and just plain fun. These are the seven major areas of social life.

Assume that we start with a society whose government is unlimited, politics being deep into every human concern. Our task is to stake out the major human enterprises I have listed, to guarantee the integrity and relative autonomy of each by showing that—except for government, the realm of law—politics is foreign to it. When we
have done this, the police power—or government—is painted into a corner where it belongs, exercising its rightful function of curbing destructive and criminal behavior and providing for the defense of the society against domestic and foreign enemies. When government is thus limited, the creative and productive actions of men are unhampered. Given this situation in a society, men would be free—as they are free today in one major realm, that of religion.

There is one important principle on which most Americans are agreed—the principle of the separation of Church and State. We take this principle of separation for granted, hardly realizing how unique it is in history and how strange it still sounds to non-American ears. England, and most countries of Europe, have national churches. A number of the American colonies had tax supported churches lasting, in my own state of Massachusetts, until 1833. Religious dissenters fared ill in many of the early colonies, but by 1779 the state of Virginia passed a Bill for Establishing Religious Freedom which was penned by the hand of Thomas Jefferson. “Well aware that Almighty God hath created the mind free,” Jefferson begins, and then goes on to say “that to compel a man to furnish contributions of money for the propagation of opinions which he disbelieves, is sinful and tyrannical.” Nor was any man to suffer civil disabilities because of his religious beliefs. He was to be free in this area to believe or not, to align himself with a church or not. In any case, his rights as a citizen were not impaired. The law would touch him only when a crime had been committed, and
then—before the bar of justice—the believer and the non-believer would be on equal terms. The First Amendment to the Constitution merely guaranteed that Congress would not overturn the religious arrangements the states had worked out for themselves.

The principle of separating Church and State is frequently confused with something that sounds a little like it but is, in fact, altogether different—the separation of religion from society, the elimination of a spiritual dimension from social matters. Jefferson who, in the Declaration of Independence, wrote that men derive their rights from the Creator, and who elsewhere wrote, “The God who gave us liberty at the same time,” did not favor a nonreligious, secular society. He opposed a religious establishment and did favor government neutrality toward the churches. Why? In order that religion itself could play its proper role in the affairs of men. What is this role?

**The Old Testament View**

Compare our situation with that of the ancient world. Man, Aristotle said, is a political animal. Aristotle was not merely calling attention to the obvious fact that men live in social organizations as their natural habitat; by calling man a political animal Aristotle was saying that man is the kind of a creature who may find complete fulfillment within the Greek city-state. The Greek *polis* was Church and State in one; its politics, one might say, was salvational. Our idea of relegating the state to the modest role of an umpire, keeping the
peace by merely enforcing the agreed upon rules, would have been largely incomprehensible to men of the ancient world. The head of the ancient state was also its religious leader; Julius Caesar, you recall, was also Pontifex Maximus, the chief priest. The individual, in this kind of a setup, was really locked into society—body and soul. Then, along came a new religion which transformed the ancient world by teaching that only part of man is social, that man's essence belongs to God.

This idea is part of our heritage from the Old Testament, with its stress on God's transcendence. The common opinion in the ancient world was that a god was useful to have around to sanction social practices, to guarantee prosperity, and to insure victory in war. If a tribe lost a battle, this would be accepted as signifying the superiority of the god or gods of the victors; if a crop failed, the particular god who fouled up that situation was sacked. Some such idea of God is still widely held by our contemporaries. The Victorian novelist, Samuel Butler, satirized this notion when he said: "To love God is to have good health, good looks, good luck, and a fair balance of cash in the bank." But the ancient Israelites, although they lapsed now and again, discarded the notion of a god kept on tap to bestow prosperity and victory. They believed in a God of righteousness and truth, and they saw the workings of God even in their own poverty and defeat. They forbade all graven images, as well as any attempt to represent God in concept or word. The holy name was never pronounced or spelled. God was wholly other; he transcended human affairs, and yet—as
the Creator and Sustainer of life—he was involved in them.

This idea became part of Christian doctrine and it made a big difference to the politics of the West; it undercut the totalitarian idea which ruled the ancient world. Here is the way a British political scientist, J. B. Morrall, states the new political development which occurred after the fall of Rome: "The State as we should understand it today did not exist in the barbarian dark ages. Christianity alone was left with the task of providing the West with a social unity across its new barbarian frontiers. It did so by appealing not to a primarily political sense of obligation, but to a basis of divinely inspired and commonly shared spiritual fellowship. Medieval Europe offers for the first time in history the somewhat paradoxical spectacle of a society trying to organize itself politically on the basis of a spiritual framework (which gives to political life merely a relative value). By so doing western European thought about politics was propelled along lines which were to be sharply different from those of any other human society."

Political theory in our tradition is based on the assumption that men must be free in society because each person has a destiny beyond society which he can work out only under conditions of liberty. In other words, the inner and spiritual liberty of man implies the outer and social freedom needed for its completion. Loyal to these premises, the peoples of the West began their long and painful ascent toward the ideal of political liberty. By the time the West had attained a large measure of liberty—in the
eighteenth century—the premises had been forgotten. They are neglected today, but at least we do accept the principle that government should keep out of ecclesiastical affairs. Religion is to be free from political interference, just as we hope the other areas of life shall some day be free.

The spiritual underpinnings of our institutions have suffered erosion, and we careen toward the pre-Christian idea of the state as the universal caretaker promising to feed, clothe, house, train, and guide its minions. By its very label, the welfare state advertises its self-assumed benevolence; and by the same token it cloaks the power inherent in all political action. So successful is the disguise that it has even generated a specious religious support.

To sum up: Man is not a political animal, in Judeo-Christian thought. He necessarily lives in societies and his societies require government. But the government must be limited to keeping the peace and administering justice, in order that individuals may have sufficient latitude to fulfill the law of their being, here and hereafter.

Ethical Values

This brings us to the domain of ethics. Every high religion is concerned with righteousness and the practice of virtue. As our religious values have eroded, there has been a decline of standards in ethics and a worsening of conduct. The figures on crime tell part of the story. Between 1958 and 1962 our population increased by 7 per
cent, but crime increased by 27 per cent. Bank robberies have tripled in six years; embezzlement has doubled since 1956; there is an automobile stolen every 90 seconds. We in America steal more cars each year than there are cars manufactured in Russia! Other forms of violence are on the increase. Harder to measure are losses in integrity, the casual going back on one’s word, the lack of moral indignation. And, of course, the trend is rationalized. Ethical relativism is a widely held, but largely unexamined, theory. People of different cultures, we are told, have come to differing conclusions as to what is good and what bad; and this, we are told, means relativism in morals—no right or wrong as such. People of different cultures have likewise come to differing conclusions as to what is true and what false. If the ethical relativists were consistent, they would have to say that this proves all truth is relative. Very few do.

Some people embrace ethical relativism on humane grounds, because—they say—people who think X is better than Y will try to force X onto other people. This is bad logic and bad history. There have been annoying reformers who have sought to legislate morals, a misguided effort. But the great crusades, persecutions, and massacres of history have not been efforts to improve wayward conduct; they have been attempts to correct error, false belief. If one adopts relativism on humane grounds, he should be consistent and deny any distinction between truth and error, on the grounds that people who believe they have The Truth might persecute on its behalf, as communists persecute ideological deviates.
The philosophy of the free society needs firm ethical support, and it is not getting it. As ethical standards decline, some people seek to correct the situation by passing laws to control behavior. Government is, in fact, a system of controls; but we ought to consider carefully the kinds of acts we decide to control by law. Crimes should be punished; on that point we all agree. But people cannot be made good by law; they can only be made less free, and that is bad. Anglican Bishop William Connor Magee made a famous speech in the House of Lords in 1868 opposing a law which would have prohibited alcoholic beverages: "I'd rather the English should be free than that England should be compulsorily sober," he said. Now it is only fair to assume that this churchman favored sobriety; but if he were forced to choose between sobriety and freedom, he would choose freedom as the higher good. The dictum, "You cannot legislate morals," is sound doctrine. But paradoxically, in a period when moral sentiments are weak, we have moved into the welfare state, which is a gigantic effort to legislate morals on a national scale. When men go peacefully about their creative and productive tasks, minding their own business, government should mind its business and let them alone. It cannot make them good, and it should not try. It can, however, curb destructive and criminal actions, and doing so is its proper job.

It is one function of the educator to be the gadfly of the state, but he cannot be a gadfly if he is on the state's payroll. When the state begins its bid for total power, it must at some stage seize control of the country's educa-
tional system; it must establish a Ministry of Truth, as in 1984. Every culture devises ways of easing its young people into adulthood, by imparting to them the heritage of that culture so that the patterns and values cherished by the citizenry may endure. But when there is a breakdown in the culture, there is a contest to determine what values and what information will be imparted to the young, and by whom. This gives the state an opening wedge for starting a vast conditioning process by which the young will be adjusted to their place in society and be kept ignorant of the fact that there is any higher order of majesty than that of state. We have made some headway in this direction, but those who would take us down this road know that the time is not yet ripe to advocate controlled education—as they openly advocate a controlled economy—and so, although they want government schools and urge federal aid to education, they assure us that this will not mean federal control. Despite their assurances, subsidy must lead to control, and control means nationalized education—a contradiction in terms.

*Freedom in the Arts*

Now we come to the realm of art. The writers, composers, and painters of Russia do not create for an independent public; they work for the commissars. They do not seek primarily to embody such values as truth and beauty in literature and music; their work is designed to further the proletariat revolution. An official statement reads: "The aim of Soviet art today must be to form
the consciousness of the people.” American artists are in a tizzy these days on the question of the role of government in the arts. Some opera singers and actors have come out in favor of federal subsidy for the arts, and there is now a Federal Advisory Art Council. But many American painters, sculptors, and writers are vigorously opposed to government interference, and the Council of American Artists Societies is on record in favor of freedom in the arts. We don’t want an official art any more than we want an official religion. The real artist is necessarily a free spirit; it is only the routine writers and decorators who would go on the public payroll. So in the interests of art itself, we must keep politics and government out of this realm.

Art associations are just one type of innumerable voluntary associations in our society. Political clubs and discussion groups are other types. Then there are athletic clubs, camera clubs, fan clubs, and a whole host of groups drawn together because the members share a common interest. The totalitarian state must seek to destroy all lesser loyalties within it, just as it seeks to destroy religious loyalties above it; but in a free society, voluntary associations of all sorts flourish.

**Economic Freedom**

Finally, we come to the economic sector of our society, the realm of business, industry, and trade. This is the place where nearly everyone devoutly proclaims his dedication to free enterprise and the free market while simul-
taneously calling for more controls and regulations. This is a critical area of our life, because it is presently the prime target of those who prefer collectivism to a free society. Freedom cannot be won or retained on economic grounds alone, but it can be and is being lost on the economic battlefront.

Economic activity is fundamental to human existence. A Robinson Crusoe could get along without politicking, but if he did not work, he would die of hunger and exposure. Out of economic activity emerge the concepts of rights to property and claims to service around which many political battles are fought. Economics, on the surface, deals with prices, production, and the operations of the market as determined by our buying habits. Fundamentally, however, economics is concerned with the conservation and stewardship of the earth's scarce goods: human energy, time, material resources, and natural forces. These goods-in-short-supply are our birthright as creatures of this planet.

The strict limitation of government provides for an area of freedom in society within which men take care of their material needs by a system of bargaining, contract, and free exchange. "The market" is simply a label for the system which uses free choice in buying and selling as a means of making economic decisions; it is the tactic of liberty applied to the workaday world. Within the network of market arrangements each man is rewarded according to the value his fellows place upon his offerings of goods and services. This reward is his "wage." Human nature being what it is, every man will tend to
feel that his own wage is too low, whereas other folks’ prices are too high. Most people develop a reality sense on this point; others never do.

Every collectivist ideology—from the welfare state idea to totalitarian communism—is strung on a framework of economic error. People are prisoners of their beliefs, and so long as they cherish a wrong understanding of economics, they will be appealed to by one form of collectivism or another. But when people embrace sound economics, collectivism will cease to be the menace it is today.

*Parts of the Whole*

Freedom is all of a piece, and economic freedom—with-in the proper moral and legal framework—is fundamental to the free society. Do we believe in religious liberty? Then unless there is private ownership of houses of worship, and private means for paying salaries, printing books, and holding meetings, religion cannot be free. Do we believe in a free press? But if newsprint is a government monopoly and all printing presses are government owned, how can newspapers be free? It is possible to have a *Daily Worker* in a capitalist country, but a *Daily Capitalist* in a communist country is inconceivable. Do we endorse academic freedom? But if government owns the schools and appoints the teachers, then freedom vanishes.

The restoration of freedom is a difficult job. It’s one that will require every bit of ingenuity and determination we possess. Moreover, we ourselves are right in the middle
of the picture. We cannot work from outside society, pretending that we are like gods fashioning a culture piece by piece; we are within society, and any improvements we might make have to be an inside job. Our situation reminds one of the story about a town council in Ireland. The town needed a new jail, so the council passed a four-point resolution: (1) The town will build a new jail to replace the old one; (2) To save labor costs the work will be performed by prisoners; (3) To save material costs, the new jail will be built with bricks and boards obtained by tearing down the old jail; (4) The prisoners will live in the old jail until the new jail is completed!

Not many Americans favor a dictatorship, but many Americans do favor the adoption of practices which will eventually lead to authoritarian rule. They believe in the welfare state, at the core of which lies a delusion. The welfare state is founded on the delusion that government—the power structure in society—after using its power to divest citizens of a portion of their earnings via taxation, will dispense the riches thus accumulated at the bidding of the powerless. It cannot be; power will respond to power. The poor and weak in our society employ no lobbyists, and the welfare state spends its billions at the behest of its upper bracket favorites.

Many of those who advocate the welfare state believe that society must be run by experts—given the current state of technology and the critical times we are in. But how do we know who is an expert, and who is not? At this point many intellectuals cast modesty aside and admit that they have themselves in mind. This simplifies
matters for the rest of us, until we note that these experts disagree among themselves as to who is really an expert and who is not. But one thing these experts favor, and that is the trend which is making our national government ever richer and ever more powerful. They applaud this, because they visualize themselves at the helm using the money and power accumulated in Washington to carry out vast programs of their own devising. But if history teaches anything about politics, it is this: The intellectuals and the idealists may dream up blueprints for a heaven on earth, but political power is never wielded by intellectuals and idealists—or not for long.

The welfare state operates on an evil principle: somebody’s program at everybody’s expense. The intellectuals want a powerful government so that they can carry out their program, but this hope of theirs is doomed to continuous frustration—someone else always beats them to the punch. It will take a while before the intellectuals catch on to the futility of building for someone else’s take-over, and by that time we’ll probably have gotten ourselves squared away in the fields of economics, religion, ethics, art, and education. When this is accomplished, we’ll have painted government into a corner, and men will be free.
EVER HEAR of a man named Saint Augustine? He was the fellow who lived many centuries ago and who, after he became a Christian and saw living in a new light, wrote a book about the transformation that had taken place in his thinking. In it he revealed a great deal about human nature.

Augustine had a lot of wild oats to sow in his younger days and he pursued this task with great diligence. After all, "everyone was doing it" in his society and he couldn't see bucking the trend and missing all the fun. Once in a while, though, an uneasiness gnawed at his mind, so he would attempt to pray, "O Lord, make me pure."

But then a vision of his latest heart throb (clad in a Roman bikini) would flash before his eyes and he'd hastily add the words . . . "but not yet."

I have heard several speakers lately whose words remind me just a bit of Saint Augustine. In essence, here's what they said: "Sure we may disagree with the direction our society is going, particularly with the fact that more and more people are turning over their responsibilities

From the June 1963 issue of American Agriculturist of which Mr. Conklin is Editor.
to government. Whether it's tagged socialism, the welfare state, or any other label, is beside the point. If that's the direction the majority wants to go, why should we butt our heads against a stone wall? Shouldn't we get aboard the bandwagon and take advantage of the situation instead of slipping behind the parade?"

Make me pure and stalwart, O Lord, . . . but not yet. Not until I have gotten mine and am too old to give a damn any more. Help me preserve the freedom for which my ancestors shed their blood . . . . but not if it means accepting a weekly wage below that of the electrical workers' union!

Help me see the values of the incentives of a competitive society where each person's income is determined by ability and willingness to work . . . . but for goodness sake not until I have achieved parity, and legislation has been passed that guarantees equal incomes for all!

Thou knowest, O Lord, that I long to bequeath my children a land of opportunity without the necessity to purchase the right to produce, or obtain permission to enter an occupation . . . . but these things are certainly essential for the present emergency if my own cup is to overflow.

Guard me from the temptation in the future to cut open the golden goose of our free enterprise system for a few golden eggs. . . . but trouble me not about my present carving activities. I pray for the inner stamina whereby I may stand firm for what is right, regardless of its popularity at the moment . . . . but not until my net worth is adequate for financial independence, and especially not
until I have qualified for benefits from programs financed at public expense. Thou art so remote, and sometimes heedless to my pleas, but my Great White Uncle in Washington is ever eager to return, to all those who cooperate, a portion of that which he has taxed from them.

The record of humanity, including the Book especially inspired by Thee, tells us that the upward thrust of mankind has been led by men often unpopular with the crowd. Thy prophets and Thy Son called upon us to seek truth rather than what is merely expedient—called us to dig deep beneath the surface of living, seeking to understand and to make a part of ourselves those things of lasting value. Grant me the courage to risk the derision of my neighbors in the fight for what is of lasting value, even if it costs me to do so . . . . but not yet.
THE GOVERNMENT IS IN BUSINESS

by Paul L. Poirot

If you, as a property owner, have occasion to negotiate with an electric company concerning a right-of-way across your lands for its transmission lines, you may want to take some lessons in bargaining from the nation's largest landlord, the federal government.

For many years, the government has exercised considerable control over the activities and operations of the privately-owned electric companies. And out of its interest in flood control, conservation, national defense, and miscellaneous matters, it has developed an enormous power-generating and distribution network in various parts, if not quite all, of the United States. Obviously, any proposed extension of lines or services by any privately-owned electric company might turn out to be "in conflict with the power marketing program of the United States." So, that is one of the dangers guarded against in new regulations issued March 23, 1963, by the Departments of Interior and Agriculture relative to rights-of-way for power transmission lines across federally-owned lands: No right-of-way is to be granted for electric facilities which the Secretaries of Interior and Agriculture may
deem to be in conflict with the power marketing program of the United States.

Furthermore, applicants for rights-of-way for electric lines across public lands must agree to allow the federal government to use any of what the government decides may be "excess" capacity of the line. And the government would have the right, at its expense, to increase the line's capacity and to use such increase for its own purposes, thus jeopardizing any reserve for future expansion that the line's owner might have intended.

Naturally, the privately-owned electric companies are perturbed about the stringency of these new regulations. Even the most casual witness of the extension of the "TVA Yardstick" since the first inch was granted in 1933 must realize by now that the "power marketing program of the United States" has no natural limits, that it is designed to encompass every square foot and every citizen of the country, and that those in charge must deem to be in conflict with their program any and every privately-owned electric generating and distributing facility in the land. The federal government already has pulled tight the noose of its monopoly over the electric power industry in the TVA territory. When and where its next foreclosure will come is debatable, but the definite trend of the times and mood of the electorate is in that direction. The timing is strictly a matter of political expediency.

Slightly more than a quarter of a century ago, when the Rural Electrification Administration was under debate in Congress, Representative Sam Rayburn of Texas sought to reassure the nations' private electric power in-
dustry: "May I say to the gentlemen that we are not in this Bill intending to compete with anybody. By this Bill we hope to bring electricity to the people who do not now have it. This Bill was not written on the theory that we were going to punish somebody or parallel their lines or enter into competition with them."

Contrary to Mr. Rayburn's solemn and sincere assurances of 1936, the growing REA giant is reaching out to serve not only rural customers but industrial and suburban markets as well. Five out of six new REA co-op customers, in fact, are now commercial, industrial, or nonfarm consumers. And tax funds are being loaned through REA at less than cost to finance lumber plants, housing projects, and, in one case, snow-machines for a ski resort.

The recent regulations governing rights-of-way across federal lands mark perhaps the most extreme, abusive, and arrogant grab for power yet attempted in a major movement toward socialization of the electric power industry of the United States. This latest step cannot be described as a new break in the principles of private ownership, voluntary exchange, or limited government—those principles were long since fractured and abandoned in this particular struggle; what we witness now is more like a final lunge or death blow to competitive private enterprise.

One of the proper functions of a government of limited powers is to protect the rights of citizens to life and property—as long as each lives and uses his property peacefully and without injury to others—and to constrain those
who might attempt such injury. But when the government itself acquires the ownership of land or any other property, who then is to constrain the government in its injurious use of such property? The principle of limited government is thus abandoned whenever the government claims title to land. It is abandoned whenever the government takes the first step toward building a hydroelectric dam or power-generating plant or transmission line. Indeed, it is abandoned whenever the government undertakes to set the rates and otherwise regulate the operations of privately-owned electric companies. So, there are no fundamental libertarian principles left upon which one can then make a firm stand when the federal power agency takes its next logical step—such as posing impossible conditions for rights-of-way across federal lands. Why should anyone be particularly concerned at that late stage?

This is no gross exaggeration or wild prediction of something that might possibly happen in the United States many years hence. The monopolization of the electric power industry under government ownership and control already has happened, in our time, before our very eyes, just as it has happened before in other lines of business activity, and as it will continue to happen if citizens of the United States are willing to abandon the basic principles of private ownership and control of property, voluntary exchange, personal responsibility, and limited government.

Nor is “the power marketing program of the United States” by any means limited to an interest in the pro-
duction and transmission of electrical energy. Federal and state taxation, regulation, and control of the production, importation, pricing, transmission, and marketing of oil and gas is a burdensome fact familiar to all. And few persons have even bothered to doubt the propriety of what amounts to a government monopoly of the budding business in atomic energy. There are indeed many facets to "the power marketing program of the United States"; and there are numerous examples in other fields to show the nature of the trend.

Communications and Transport

Everyone knows that it is now illegal to undertake any operation in conflict with "the communications program of the United States." The government monopoly of the postal service is complete. Government control of the airwaves is absolute; there is no opportunity for a strictly private and independent system of radio or television communication. The so-called private telephone companies are franchised, regulated, and controlled. Most magazines could be put out of business tomorrow at the whim of the Postmaster General. And even the newspapers can be shut down whenever the government chooses to look the other way as union leaders flaunt the special privileges inherent in labor legislation.

A similar pattern toward government monopoly is emerging in "the transportation program of the United States." It has been a long series of steps from the first post roads as provided in the Constitution to the expand-
ing, federally subsidized and controlled system of inter-
state highways. And federal interest in mass urban trans-
portation is the latest major development. Meanwhile,
we have a heavily subsidized merchant marine for over-
seas transportation, as well as a government program for
rivers and harbors and canals and other inland water
transport. The railroads have paid dearly and still pay
for those early land grants along their rights-of-way
through the underdeveloped government lands of a
struggling young nation. Passenger and freight rates are
strictly regulated; proposed mergers or abandonment
of lines carefully scrutinized and often forbidden; rail-
road properties and services mercilessly taxed by every
unit of government from the federal on down to the level
of the local school district; wages and hours and working
rules featherbedded under a blanket of government sanc-
tion—all of which comes very close to the same thing as
absolute ownership and control by government. As for air
transport, the only part of the business not directly oper-
ated or heavily subsidized by government is strictly regu-
lated as to routes, rates, records, reports, romance, and
routine. Little wonder that Americans find it so difficult
to imagine a transportation service to the moon unless
the government provides it!

Another clear example of government monopoly is in
“the monetary and credit program of the United States.”
The Constitutional authorization “to coin money” and
“regulate the value thereof” has been twisted through
central banking, fractional reserves, and deficit financing
into an engine of inflation that persistently grinds away
the value of private savings, builds minor cyclical business fluctuations into major disastrous depressions, and threatens to destroy the credit of the United States among the nations of the world. Money and credit, instead of serving as a lubricant to facilitate trade, have been monopolized by the government into a combination brake-accelerator that regulates and controls and frustrates the will of consumers and the activities of businessmen who would try to serve them.

Agriculture and Labor

Less clear, perhaps, in its monopoly characteristics but at an advanced stage, nonetheless, is "the agricultural production and marketing program of the United States." Individuals are no longer free to produce and sell such crops as tobacco, cotton, peanuts, or wheat in competition with the government program. Many wheat growers are to be commended for their courageous stand in the recent wheat referendum. But, there is no way to reconcile the principles of freedom with a political process whereby the past producers of a given commodity, and no others among the taxpayers of a nation, are privileged to vote whether to accept heavier subsidies and more stringent control or smaller subsidies and less control. Freedom in agriculture means no subsidy and no government control of agricultural production and marketing, no matter how many persons vote otherwise.

"The labor marketing program of the United States" is not yet a tight monopoly; some persons are still free
to work for anyone offering a job opportunity at a wage rate mutually acceptable. But in this area, too, the trend is unmistakable. Under government legislated and sanctioned compulsory unionism, one job classification after another is withdrawn from the free market, held for union members only, withheld from other individuals qualified to perform the work satisfactorily. And more and more of the types of employment still open to non-union workers are being covered by minimum wage laws which block out those least productive workers incapable of earning the legal minimum wage. Government unemployment compensation and social security programs and tax policies made idleness more attractive, often more remunerative, than creative effort. And all of these government subsidized and enforced fringe benefit items cut from the wage, leaving less and less of the total open to free bargaining between employer and employee.

**Freedom in Jeopardy**

While the foregoing examples by no means exhaust the list of goods and services that have been brought partially or wholly under government monopoly in the United States, they should suffice to illustrate to anyone concerned that economic freedom is seriously threatened; that one advance toward the welfare state leads inexorably to the next step; that the proponents of government regulation and control of creative activities are in deadly earnest; and that once allowed in principle, there is no logical stopping of compulsory intervention until the
government owns and controls not only all the property in a given industry but also all the people dependent on that industry as investors, employees, and consumers.

**Go Back to Basic Principles**

Let us return now to the immediate problem of the private electric companies concerning rights-of-way across government-owned lands. The companies may contend, of course, that the government ought to be a kind and benevolent landlord, willing to grant rights-of-way with no strings or conditions attached.

But suppose an electric company were seeking a right-of-way for a power line across the lands of one of its competitors in the electric business—as the builders of coal pipelines are now seeking rights-of-way across properties owned by the railroads, which also want to transport coal. Under such conditions, is the property owner expected to grant right-of-way to a competitor strictly on the latter's own terms? This, of course, is not a reasonable expectation.

As electric power companies well know, property owners along a proposed right-of-way can be most demanding in their terms and conditions. And occasionally, such opposition may be confronted with governmental power of eminent domain to force acceptance of "fair and reasonable" terms. However, the government's power of eminent domain is of no avail when that self-same government is the demanding owner of the property at issue. So it is that the electric companies, licensed, char-
tered, regulated, and controlled by the government, are strictly at the mercy of the government when seeking right-of-way across government-owned land.

To argue their case logically before the court of public opinion the electric companies and other businessmen similarly threatened by governmental encroachment will be obliged to hark back to the fundamentals and basic principles of personal freedom of choice and full responsibility for the consequences; private ownership and control of property; voluntary exchange of all goods and services in open competition; and government limited in scope and power to the defense and protection of the life and property of every citizen equally against unprovoked acts of violence, fraud, predation, with a system of courts to decide matters in dispute and armed forces powerful enough to enforce all such decisions and to collect taxes sufficient to maintain the government in its proper functions.

By these basic principles, it is possible to explain logically why neither power companies nor any other creative activities should be chartered or licensed by the government in the first place, but left instead to competitive private enterprise; why the government has no business whatever in the generation or transmission of electricity or as producer or provider of any other goods or services that have a market price, leaving all this to competitive private enterprise; why the government should neither own nor control any parcel of land or any other scarce goods and resources beyond the necessary tools and instruments of war, leaving such ownership instead to the
highest bidder and thus to the most capable management that can be found by the true and tested methods of open competition; why the government should grant neither favor nor exemption to any individual or group.¹ Then and only then can life and property be reasonably secure in the possession of those who have earned and paid for their rights-of-way.

¹For further explanation of these limitations, see Government: An Ideal Concept by Leonard E. Read, Foundation for Economic Education, Irvington-on-Hudson, New York (1954). 149 pages. $1.50 paper, $2.00 cloth.
KEEP FREEDOM A SECRET?
by Leonard E. Read

What would happen to the free market, private property, limited government philosophy if those of us who believe in it were to keep this philosophy to ourselves and our friends? Suppose we never sought to communicate our understanding of it to anyone—except to those genuinely seeking to learn about this way of life. Speculate on what would happen if we embraced a counsel of silence toward all but serious seekers.

What would happen? Would the libertarian philosophy fare better or worse by reason of this strategy of secrecy?

One thing for certain: There would be no further offenses in liberty’s name by her well-intentioned “friends” who use angry prose in their attempt to convert “the ignorant.” Is it any wonder that freedom’s message, when subordinated to “hate and fear” programs, is so unattractive? More often than not the message is revolting. In these millions of instances would not silence be preferable? Understanding is not advanced by raised voices, and thus the cause of freedom would be better served were these countless effronteries never committed.

Against a foe I can myself defend,
But Heaven protect me from a blundering friend!
So much for the “crusaders,” but what of the few who are topside in their understanding of the libertarian philosophy? Suppose these, too, were to embrace the idea of keeping their knowledge to themselves except when seriously sought by others. Would freedom suffer as a consequence?

As a matter of fact, the most accomplished students of liberty known to me have adopted this practice of calculated silence, being among those who “have helped the truth along without encumbering it with themselves.”¹ They advise only when their counsel is sought; they go only where they are called. But they do everything within their power to qualify to be called! And, miraculously, they are called, for their proficiency attracts students, audiences, readers.

We rarely observe masters of any philosophy trying to thrust their ideas into the consciousness of others. Were they to do so, their aggressiveness would be just as offensive as are similar practices by the millions of beginning “crusaders.” Friends are not made by trying to force one’s way into another’s mind any more than by forcing one’s way into another’s home, and it makes no difference how “wise” the intruder is. Contemplate the folly of attempting to impose your hobby on all and sundry! This would send them scurrying. Friends are won by an attracting, not an imposing, behavior. Trying to cast others in one’s image not only betrays an evil intent; it can’t be done.

This is not to guarantee that the seeker will get in-

¹ Artemus Ward.
fallible counsel from the teachers he chooses, for the whole of truth is unknown to man. Nonetheless, when counsel is sought—as opposed to being thrust at another—an enormous amount of error is avoided automatically. To put it mildly, the tendency is to concede more wisdom to ourselves than others will admit; and, sadly, the less we really know, the less we are aware of our deficiencies. Only the seeker can know when he is ready to sample what we have to offer, and this readying or ripening process takes its own, not our, time.

Another reason for keeping our views to ourselves until they are sought is that no matter how much we may hope for the improvement of others, we have no means of bringing it about except as we have something in store to offer. As we cannot aid others materially without goods and services of our own to give or exchange, so is intellectual, moral, and spiritual aid impossible except as we ourselves have light to shed.

There is still another and even more important reason. Keep in mind the perfecting of self as life's major objective, and it must be seen that all careless or unnecessary words are self-destructive. All words aimed at making over or reforming others fall in this category. In bygone days, in ignorance of this fact, I was often an intruder with my gratuitous counsel, speaking to ears deaf to my ministrations, a careless, wasteful, idle spending of my time and energy, as well as theirs. Long after I had learned of this error the hard way, I discovered that this truth had been known for centuries: "Every idle word that man shall speak, they shall give account thereof in
the day of judgment." But when counsel is sought—when inviting ears and eyes are in evidence—then the giving of counsel is not idle but has value and thus is self-constructive. The reason for this comes clear as we observe how energy works.

Analogies are always superficial, but this one helped me: Visualize a dam behind which is a large reservoir that maintains itself at a constant high level. From the dry side penetrate the dam with a pipe so as to tap the water. Cap the pipe. No water will flow from the pipe; none will enter. Now, remove the cap. Immediately, the potential energy of the reservoir will turn to kinetic, moving, power-giving energy; water will flow into one end of the pipe as it flows out the other.

Intellectual and spiritual energy works in much the

---

2 Value in the market place is determined by whatever others will willingly exchange for a good or service. And, ideologically, it is the receiver or consumer who sets the value of an idea to himself.
same fashion. The observation, "It is more blessed to give than to receive," strongly suggests that giving is a precondition to receiving. Giving counsel to those who seek it, will result in one's own upgrading; it is self-constructive. In other words, the way to learn is to teach, and vice versa—keeping in mind that true education is a give-and-take process. It is impossible to learn how better to explain an idea without, at the same time, enriching one's own understanding.

**Ideas Whose Time Has Come**

The thought of keeping the libertarian philosophy a secret unless others ask, is, I confess, only an important safeguard against aggressive or obtrusive behavior. For there is a paradox here; secrets are rarely kept, and ideas whose time has come can never be contained. "It isn't that I can't keep a secret; it's the people I tell it to." Most of us are like children in this respect: "Grandma, we are having a surprise party for you. But don't tell anyone; it's a secret!" To quote a famous biologist:

> It is an observed form of human behavior that research workers in general must communicate or burst, once they have made any kind of exciting discovery . . . the natural state of man is to see all, hear all, and tell all.\(^8\)

What we are discussing here is the question of method, the importance of ridding ourselves of tactics which

---

offend. Time and again, when we have insisted that sound method rests on self-improvement, many devotees of the libertarian philosophy have retorted, "You would have us behave like Trappist monks," or "Would you have us hide our light under a bushel?"

Light, in the sense of wisdom or understanding, cannot long be hid "under a bushel." Ideas radiate in a most mysterious manner, disregarding space or time or such insulating devices as "a bushel" or even a thick lead dome. History is replete with experiences of coincidental insights occurring to persons unknown to each other and poles apart geographically, linguistically, and in many other respects. The late Carl Jung referred to this phenomenon as "synchronicity." A book publisher, observing that numerous authors, unknown to each other, write on the same subject at the same time, called it "coincidental thinking."

A recent Seminar, by far the most satisfactory of all that FEE has conducted, caused my two associates and me to inquire, "How come, our performances being no better than on previous occasions?" The answer came clear: the fifty participants were further along in their libertarian understanding than had been true of earlier groups. The very ideas which, in their mysterious radiation, had influenced our determination to master the rationale of freedom had also made their way into the consciousness of these encouraging folks. While they came only to learn more and to seek counsel from us, we found that they also had much to give in exchange. All three of us came away from that weekend of intensive discus-
sion with a renewed energy; the experience was self-constructive.

When we concede that ideas radiate in a mysterious manner, we merely mean that we do not understand their workings. And, not understanding, we run the risk of having no faith that the personal possession of good ideas, in itself, has a bearing on the upgrading of others, even if—yes, especially if—we avoid all proselytizing programs. But how can an individual have faith in something he does not understand? Well, here is another seeming paradox, but faith is possible, nonetheless. For instance, do we not exhibit implicit faith in our own healthy bodies and minds, mysterious as the operation of these partners are? Consider, also, our power for recall. No one knows what memory is; it is a mystery. Yet, we have faith in it. Try an experiment. See how easily you can recall a scene, a person, an event to the mind's eye. Time and space are no barriers; the visualization is instantaneous! Something that happened fifty years ago, half way around the earth, can be recalled as easily as pressing a light switch; the where and when are transcended. In any event, ideas radiate in somewhat the same manner, and we have as much warrant for faith in their power of extrasensory transmittal as we have for trusting our own memory.

Since this is the case, we can begin to see why it is more harmful than helpful to become "eager-beaver" about spreading ideas. Why not everlastingly concentrate on getting the ideas, making them available to those who seek, and let it go at that? For this we know: ideas have a
built-in communication system of their own, which works very well unless short-circuited by offensive methods of propagandizing for them.

History reveals that all movements have been led by only a few; the mass of people have never been more than followers in any instance. Yet, we have in the U.S.A. today more potential leaders—individuals who understand, can explain, and believe in the libertarian philosophy—than most successful movements have ever had. But as there can be no Chiefs without Indians, so there can be no leaders without followers. Thus, we are confronted with the probability that our method is at fault. Too many of us are afflicted with that type of overzealousness which gives offense; we harry and torment rather than enlighten and, by so doing, fail to gain a following; we cut off the natural and effective radiation which we can confidently entrust to the ideas we succeed in making our own.

Ideas on liberty cannot be kept secret; we'll tell about them or burst. But we can hold in reserve the ideas we possess until other minds invite them in, invitations that are certain to come if the ideas be worthy. For the most part, this is a matter of substituting attractive for obtrusive behavior—a switch easy enough for anyone who can will his own actions.
<table>
<thead>
<tr>
<th>AUTHORS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barger, Melvin D.</td>
<td>169</td>
</tr>
<tr>
<td>The Failures of Private Enterprise</td>
<td></td>
</tr>
<tr>
<td>Chamberlain, John</td>
<td>41</td>
</tr>
<tr>
<td>Nobody Has a Right To Live But Me</td>
<td></td>
</tr>
<tr>
<td>Chamberlin, William Henry</td>
<td>386</td>
</tr>
<tr>
<td>Man's Destiny: Forced or Free?</td>
<td></td>
</tr>
<tr>
<td>Conklin, Gordon</td>
<td>417</td>
</tr>
<tr>
<td>... But Not Yet</td>
<td></td>
</tr>
<tr>
<td>Cooley, Oscar W.</td>
<td>148</td>
</tr>
<tr>
<td>What Is “Employment”?</td>
<td></td>
</tr>
<tr>
<td>Curtiss, W. M.</td>
<td>297</td>
</tr>
<tr>
<td>Jobs Require Capital</td>
<td></td>
</tr>
<tr>
<td>DeArmond, Fred</td>
<td>247</td>
</tr>
<tr>
<td>The Businessman's Morals</td>
<td></td>
</tr>
<tr>
<td>Dykes, E. W.</td>
<td>25</td>
</tr>
<tr>
<td>Big Wars from Little Errors Grow</td>
<td></td>
</tr>
<tr>
<td>Elsom, Harold B.</td>
<td>260</td>
</tr>
<tr>
<td>The Perceptual Basis of Liberty</td>
<td></td>
</tr>
<tr>
<td>Garrett, Garet</td>
<td>299</td>
</tr>
<tr>
<td>Laissez Faire</td>
<td></td>
</tr>
<tr>
<td>Harper, F. A.</td>
<td>378</td>
</tr>
<tr>
<td>On Breeding Prosperity</td>
<td></td>
</tr>
</tbody>
</table>

Author identification appears on the title page of each author's first article in this volume.
Heiple, Rae C., II
  Government Relief ........................................ 79

Howell, Craig
  Aggression Is Always Wrong ................................ 364

Mahaffy, Francis E.
  Social Justice ................................................ 239

Manion, Clarence
  Right and Wrong—Not Right and Left ....................... 45

Margenau, Henry
  The Eternal Search for Truth ................................ 280

Mises, Ludwig von
  The Economic Role of Saving and Capital Goods 116

Moor, Arthur
  You Cannot Pick a Dandelion ................................ 312

Opitz, Edmund A.
  The Lure of a Lost Cause .................................... 97
  Painting Government into a Corner .......................... 396

Paton, William A.
  The Beetle and the Centipede ................................ 143

Poirot, Paul L.
  The Greatest Waste .......................................... 58
  Who Are the Unemployed? .................................... 162
  The World’s Largest Lottery ................................ 330
  The Government IS in Business ................................ 420

Rand, Ayn
  The Nature of Government ..................................... 102
<table>
<thead>
<tr>
<th>Authors</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Read, Leonard E.</strong></td>
<td></td>
</tr>
<tr>
<td>What Shall Be Prohibited?</td>
<td>29</td>
</tr>
<tr>
<td>Kakistocracy</td>
<td>83</td>
</tr>
<tr>
<td>Pull That Veil Away!</td>
<td>178</td>
</tr>
<tr>
<td>The Market Is a Computer</td>
<td>316</td>
</tr>
<tr>
<td>Keep Freedom a Secret?</td>
<td>431</td>
</tr>
<tr>
<td><strong>Rogge, Benjamin A.</strong></td>
<td></td>
</tr>
<tr>
<td>The Case for Economic Freedom</td>
<td>9</td>
</tr>
<tr>
<td>Profits</td>
<td>204</td>
</tr>
<tr>
<td>Is Economic Freedom Possible?</td>
<td>282</td>
</tr>
<tr>
<td><strong>Rothbard, Murray N.</strong></td>
<td></td>
</tr>
<tr>
<td>Mercantilism: A Lesson for Our Times</td>
<td>182</td>
</tr>
<tr>
<td><strong>Russell, Dean</strong></td>
<td></td>
</tr>
<tr>
<td>Economic Growth</td>
<td>125</td>
</tr>
<tr>
<td>Play Store Economics</td>
<td>218</td>
</tr>
<tr>
<td><strong>Smith, Bradford B.</strong></td>
<td></td>
</tr>
<tr>
<td>Our Unique Economic System</td>
<td>337</td>
</tr>
<tr>
<td><strong>Sparks, John C.</strong></td>
<td></td>
</tr>
<tr>
<td>Hail to Automation!</td>
<td>66</td>
</tr>
<tr>
<td>Ghost Towns</td>
<td>369</td>
</tr>
<tr>
<td><strong>Wall Street Journal, The</strong></td>
<td></td>
</tr>
<tr>
<td>Riding a Rocking Horse</td>
<td>215</td>
</tr>
<tr>
<td><strong>Wriston, Walter B.</strong></td>
<td></td>
</tr>
<tr>
<td>How To Attract Capital</td>
<td>201</td>
</tr>
<tr>
<td><strong>Yankus, Stanley</strong></td>
<td></td>
</tr>
<tr>
<td>The Apples of Finniss Creek</td>
<td>257</td>
</tr>
</tbody>
</table>
INDEX

The letter "n" following a figure refers to a footnote.

A
Aggression, 364
Alison, Archibald, 192
Anthropolgy, 263
Archeologists, 266
Aristocracy, 94
Aristotle, 405
Art, 402, 411
Augustine, Saint, 417
Authoritarianism, 29, 352
Automation, 66, 162

Computers, 316
Conklin, Gordon
market postponement, 417
Conservatives, 56
Consumption, 120; see also Production and consumption
Cooley, Oscar W.
employment, 148, 165n
Croker, John, 192
Curtiss, W. M.
jobs require capital, 297

B
Barger, Melvin D.
failures of private enterprise, 169
Bastiat, Frederic, 246, 324, 392
Beetle and the centipede, 143
Behaviorism, 15, 337, 351, 417
Berkeley, George, 190
Berrill, N. J., 435n
Billias, George Athan, 201n
Braniff, Thomas, 201
Brown, Robert McAfee, 240n
Bunyan, Paul, 301
Burke, Edmund, 308
Business, private and public, 41, 247, 420
Buying and selling, 210

Calvinism, 303
Capital
costs, 218
economic role, 116
investments, 69, 117, 297
labor and, 297
market attraction, 201
wealth, 308
Capitalism, 162, 306
Cartels, 286
Chamberlain, John
right to live, 41
Chamberlin, William Henry
man's destiny, 386
Charity, 241, 251
Church and state, 404
Classical economists, 190
Clemens, Samuel, 393
Coke, Edward (Lord), 47
Competition, 41, 215, 284; see also Freedom; Market economy

Cooper, John, 192
Consumption, 120; see also Production and consumption
Cooley, Oscar W.
employment, 148, 165n
Croker, John, 192
Curtiss, W. M.
jobs require capital, 297

Dandelions, 312
DeArmond, Fred
businessman's morals, 247
debtors' relief, 197
Declaration of Independence, 49, 275, 311
Dutch Republic, 302
Dykes, E. W.
war, causes, 25

Economics
calculation, 316
freedom, 9, 282, 412
growth in, 125, 127
human enterprises, 402
play store, 218
radicalism in, 300
role of, 116
system, 337
Education, 400, 410, 431
Electric companies, 420
Elizabeth, Queen, 193
Elsom, Harold B.
basis of liberty, 260
Employment, 148, 154, 162, 189, 297
England, 43, 182, 184, 303
Ethics, 402, 407
Exchange, freedom in, 162, 322

Ferguson, Adam, 307
Fetter, Frank W., 190n, 191n, 192n, 193n
Fielding, Henry, 189
Finniss Creek, 257
France, 305, 325
Free Market. See Market economy

443
INDEX

Government (continued)

- spending, 141, 191
- subsidies, 174, 184, 332, 334
- taxation, 92, 213, 358
- unemployment, 151, 162
- unlimited, 396
- urban renewal program, 330, 369
- wars, 25, 135, 364
- welfare state, 83, 178, 360, 415

H

- Harper, F. A.
  - population and prosperity, 378

Heckscher, Eli F., 187n

Heiple, Rae C., II

Hoff, Trygve J. B., 321n

Holland, prosperity in, 302

Hollis, Christopher, 251

Hoover, Herbert, 134, 391

Housing subsidized, 334

Howell, Craig

aggression, 364

HUMAN action, 15, 337, 351, 417

Human resources, 59, 322, 402

I

- Idleness, 152, 190

Incomes, 149, 205

Individualism
  - freedom in, 15, 396
  - government and, 35
  - rights, 41, 45, 103
  - social justice and, 239
  - society of, 307, 355
  - way of life, 305

Industrialization, 162, 205

Inflation, 71, 178, 186, 198

Interdependence, 312

Investments, 69, 117, 297

J

- James I, 194

Jefferson, Thomas, 404

Jones, E. Stanley, 250

Justice, social, 239

Juvenile delinquents, 394

K

- Kakistocracy, 83

Keynes, John Maynard, 187n

Keynesian policy, 182, 186, 187n

Khrushchev, Nikita, 227

Knavey, 83

L

- Labor
  - capital required, 297
  - employment, 148, 154, 162, 189, 297
INDEX 445

Labor (continued)

exploitation, 180
law, 193
unemployment, 151, 162
union doctrine, 122
value and, 15, 316
wages, 193, 309
Laissez faire, 299
Land banks, 199
Laws
antitrust, 295
division in, 46
English, 47, 182
equality before, 359
influenced, 185n
justified, 45, 246
labor, 193
Libertarianism, 29, 400
Liberty, 53, 260; see also Freedom
Lost causes, 97
Lottery, 330
Lowell, James Russell, 83

M

Mahaffy, Francis E.
social justice, 239
Manion, Clarence
law interpretation, 45
Margenau, Henry
search for truth, 280
Market economy
basis, 386
calculation, 316
capital in, 201
competition, 41, 215, 284
computers, economic freedom
in, 9, 283, 316
effects on, 145
failures, 169
government and, 145
postponement, 417
prices, 218
profits and losses, 204, 206
trade, 41, 186
see also Individualism
Marx, Karl, 387
Massachusetts, mercantilism, 195
Mercantilism, 129, 182
Mises, Ludwig von
economic calculation, 321n
economic role of saving and capital goods, 116
employment, 167n
Money, 69, 189, 200
Monopoly, 210, 284, 296, 423
Montesquieu, Charles, 305
Moor, Arthur P.
picking dandelions, 312
Morality, 11, 33, 247, 386; see also Religion

N

Nationalization, 191
Natural resources, 58, 350
Navigation Acts, 183
New Deal, 133
"New Frontier" psychology, 138
New Hampshire, gambling, 86
New York, gambling, 90
Nock, Albert Jay, 27
Norris, George, 218
Norton, Charles Eliot, 83n

O

Opitz, Edmund A.
lure of a lost cause, 97
painting government into a corner, 396
Orwell, George, 397

P

Paton, W. A.
beetle and the centipede, 143
Persuasiveness, 32
Petit, Thomas L., 251
Petyt, William, 188
Poiret, Paul L.
government in business, 420
greatest waste, 58
unemployment, 162
world's largest lottery, 330
Poland, 322n
Population, 378
Potter, William, 187
Poverty, 309; see also Charity
Price fixing, 215, 218, 326
Private enterprise, 169; see also Market economy
Production
automated, 66
factors, 118, 120, 355
limits, 380
profits, 206
purpose, 186n
Profits and losses, 204, 206
Prohibitions, 29
Property, 257, 420
Prosperity, 378
Public relief, 79
Purchasing power, 69
Puritanism, 303

R

Radicalism, 299
Rand, Ayn
nature of government, 102
Rayburn, Sam, 421
Read, Leonard E.
combating statism, 178
INDEX

Read, Leonard E. (continued)
kakistocracy, 83
keep freedom a secret, 431
market computer, 316
postal services, 333n
prohibitions, 29

Religion
business views, 247, 249
Calvinistic, 303
court and state, 404
England and, 303
freedom and, 11, 386
government in, 50
lost causes, 97
morality and, 33, 260, 386, 403
Puritan, 303
radicalism in, 299
social justice, 239
Right and wrong, 41, 45
Robinson, William, 192
Rogge, Benjamin A.
economic freedom, 9, 282
profits, 204
Rothbard, Murray N.
mercaptalism, 182
Rural Electrification Administration, 421
Russell, Dean
tolls, 63
economic growth, 125
play store economics, 218, 322n
Russia, 227, 319, 387

S
Savings, 69, 116, 297
Schröter, F. W. von, 187
Self-improvement, 417, 431
Semantics, 46
Shister, J., 150
Sismondi, Jean Charles, 308
Smith, Adam, 182, 184, 185, 289, 296, 306
Smith, Bradford B.
unique economic system, 337
Social Justice, 239
Social relationships, 350
Socialism
advocates of, 178
economic calculation, 321
laissez faire attacked by, 308
libertarianism and, 29
prices, 225
programs, 330, 354
South Africa, 21
Southey, Robert, 191

Sparks, John C.
automation, 66
ghost towns, 369
Special interests, 185n
Subsidy, 174, 184, 332, 334
Sumner, William Graham, 28, 244

T
Tawney, R. H., 300
Taxation, 92, 213, 358
Temple, William, 190
Tennessee Valley Authority, 218
Trade, 41, 186
Transportation, 330
Truth, 50, 280
Tyranny, 396

U
Unemployment, 151, 162
Urban Mass Transportation Act of 1963, 330
Urban Renewal Program, 369

V
Values, 13, 316
Viner, Jacob, 185n, 187n
Voluntary society, 355, 403; see also Market economy

W
Wages, 193, 309
Wakar, Aleksey, 322n
Wall Street Journal, The
riding a rocking horse, 215
Wars
aggressive, 364
causes, 25
economic growth and, 135
Waste, natural and human, 58
Wealth, 308; see also Capital
Welfare state, 83, 178, 360, 415
Wriston, Walter B.
attracting capital, 201

Y
Yankus, Stanley
apples of Finniss Creek, 257

Z
Zielinski, Janusz, 322n