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The Feminine Mistake



THE FCONOMICS OF WOMEN'S LIBERATION

I FIRST READ about the Women's Liberation Front in the spring of 1969 in a copy of New York, a new magazine devoted to the crucial problem of how to survive in New York City. That description of WLF opened with an account of a young heiress demonstrating karate as one of the basic skills needed for her survival. At the time I was inclined to dismiss the WLF as just another of the freakish movements that seem to flourish in alienated urban cultures. or in the educated segments thereof. But in recent months I have come to the conclusion that the WLF is important, and that it is dangerous. Not because of the "crazies" on the fringe - who grab the headlines - but because WLF has latched onto an appealing (and fallacious) slogan: "Equal pay for equal work."

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By focusing attention on the very real fact of differential pay scales between men and women, WLF activists have gained a wider audience than might otherwise have been likely. Here, it would seem, is a legitimate complaint against the supposed inequities of the capitalist system. Here is where "male chauvinism" makes itself felt: pure discrimination that is in no way related to one's personal capacities or performance. This argument cannot be dismissed with a shout of "You look like last year's sneakers, sister!"

The reason the WLF has been able to gain a hearing on the "equal pay for equal work" proposal is because it is already right in line with the last thirty or forty years of government interventionism. It presupposes that the government, merely by enforcing a wage law, can in some way

influence the aggregate economy to move along "positive, humanitarian" lines. This proposal, because it is not radical in 1970, lends an aura of respectability to an otherwise ludicrous movement. "Some of their rhetoric is exaggerated," one intelligent woman remarked to me, "but you can't argue with them on this point." I can, and I will.

"Fair Employment"

The argument in favor of "equal pay for equal work" rests on a concept of labor that was overturned in the 1870's. It assumes that there is such a thing as concrete human labor, a physical entity that in some way can be measured. Value is in some way linked to labor, and pay should reflect value. This was the economic premise of virtually all economists until the advent of modern economics: Karl Marx was the last major economist to hold the labor theory of value. Modern economics rests on the concept that value is linked to usefulness: the value of labor depends on the value of labor's output. The distinction between the two concepts of value is crucial.

When Women's Liberation activists argue that a basic immorality exists in any economic system that does not reward all laborers equally for equal work,

they imply that capitalism has in some way failed the test of common decency. What they do not realize is that competitive market capitalism actually comes closer than any other operational economic system to meeting their demands. All factors of production are rewarded exactly according to their productivity in a model of pure competition; in practice, market capitalism approaches that model in a remarkably close way. But the reward is not in terms of the "equal pay for equal work" slogan: the reward is based on the concept of marginal cost, or "cost of the most important use foregone." The cost of any factor of production is based on the cost of the least expensive substitute for that factor; its value is dependent upon the economic value of its product. In the long run, the free market tends to work, through competition, toward a balancing (or equating) of economic value and economic cost. Any factor of production that is receiving too large a share of net revenues will be forced to accept a smaller share through competition. This is true whether the factor of production is a computer or a secretary.

The advocates of "fair employment" keep pointing to the production side of the equation, vaguely identifying the product

with "work." But the return to any factor of production is based upon the cost of replacing that factor just as much as it is based on the value of the factor's product. Competition is supposed to equalize the two - cost and value - if maximum economic efficiency is to be maintained. (By economic efficiency, the economist means the highest value of production from a given input of resources, or a given level of production from the least expensive input of resources.) Therefore, the return to the computer is not based on "work," and neither is the return to the secretary. The return to each is based upon its contribution to production in comparison to the potential contribution of the nearest competing factor. That is truly fair employment. (Now, one can also speak of charity as a means of increasing the return to a particular human factor of production - paying him or her more than he or she is economically worth - but one should not argue for this in terms of economics, a mistake made by virtually all of the "fair employment" advocates.)

A woman who is seriously concerned with getting fair pay for her contribution—mental, physical, or simply resembling Raquel Welch—has to ask this question: What would it cost this company to replace me? If a woman knows

that there are five other women ready and willing to take her secretarial job at \$350 a month, then she would be wise not to demand very much more than \$350 a month in wages. She can demand a bit more, given the costs of training a new girl, the difficulties involved in all bureaucratic changes, and the tastes of her boss with regard to what constitutes someone who is sweet, cute, and so forth. But she *must* limit her demands.

Willing to Work for Less

The WLF complains that women are forced to accept menial wages. But in many, many cases, the reason she can accept such wages is precisely because she enjoys the advantages of being a woman; she has a man who will help bear the financial burdens of her own upkeep. She is on the job in order to supplement his earnings, so she is willing to work for wages that are essentially supplemental in magnitude. This, of course, means considerable hardship for the working woman who has no husband to support her. But her case is not fundamentally different from the man in his late thirties who has eight children and who is faced with competition from bright, young, single college graduates who are willing to take over his job at the same pay, or perhaps slightly less pay. The value

of one's contribution to a company is not directly related to one's marital status or the number of children involved.

If the advocates of "fair employment" are really concerned with morality, then they must ask an additional question: What are the burdens imposed on the person who is unemployed but who would be willing to take a job at lower pay? Fairness should relate to all those in the economy, not just those insiders who happen to have the jobs in question. The supporters of "fair employment" legislation are unwilling to face the other half of the labor equation, the "unfair unemployment" generated as a direct consequence of the "fair employment" law.

Minorities and Costs

The explanation of the "menial wages" paid to secretaries is not too difficult to present, once the concept of the return to a factor of production is grasped. Competition keeps wages down, just as it keeps prices down. The WLF women are not really that concerned with the wages of the secretary, however. The members of the WLF are the better educated segment of the female population; what they refuse to accept is the fact that women executives are paid lower wages. That, it is argued, is a consequence of male chauvinism. Why aren' their M.A.'s worth as much as some man's M.A. (or even B.A.)

I am willing to concede that there is such a thing as a cor porate bias against employing women. For one thing, men inside corporations have little desire to expand the pool of available labor to compete for their jobs. For another, most men probably re sent the idea that women could replace them in their jobs. Like most prejudices against collec tives, the thought which galls male employees is not the idea that a particularly gifted woman mighreplace a particular man (which is, really, the kind of decision that is made in a business firm), bu the idea that "women" can replace "men."

People are geared to think in terms of aggregates, even in those decisions that are essentially individual (or, in economic terms "marginal"). So those inside complain, "If you let one of them in you'll have to let them all in.' which is patently false, and to combat it, those on the outside yell, "Then if you won't take one of us on his (or her) own merit by George, you'll have to take al of us!" So they put pressure or the government to pass a "fair employment" act that prohibits discrimination, and thereby confirms the worst fears of the insiders. And then there is pressure to take incompetents into the firm, just to meet the external requirements of the legal system. Pass a law against economic bigotry, and you help to confirm the dire predictions of the bigots. Tokenism replaces competition.

Let us therefore assume that men are bigots when it comes to hiring women. Some of the bigotry, however, is not irrational. There are basic institutional reasons why women are not sought after as men are to serve in executive positions. The obvious one is that women marry and have children. For a job requiring considerable training and experience, the threat always exists that the woman will quit for family reasons. Men also quit their jobs, but generally for economic reasons. A company can raise a man's salary and at least have some chance of success in keeping him. Also, a woman's husband may decide to move out of the area: it is his decision, and his wife must follow. There is no way a company can fight his decision with much possibility of success.

Traditional Hiring Practices

Another basic reason why women are not hired is simply because they have not been hired in the past. Bureaucracies do exist, and habitual patterns do get established, and there are fundamental costs of reorienting any bureaucratic structure. A change in hiring practices certainly affects one important part of any company's organizational pattern. You do not "shake up the system" any time without bearing certain institutional disutilities—costs. The greater the break with traditional hiring policies involved, the greater the disorientation, at least initially, of the company.

There is one final comment that seems appropriate. If a survey were to be made of any random secretarial pool in the corporate structure of America, it would be quite likely that a sizable majority of the women would prefer to be under male supervisers. Given the opportunity of serving under a woman holding a B.A. or a man holding a B.A., most women, I think it is safe to say, would choose the man (assuming similar personalities and competence of the competing candidates). If the men of a corporation had the choice, an even larger percentage would be likely to prefer masculine superiors. This is a fact of life, unlikely to change in the near future. A corporation must weigh the initial disadvantages thwarting this preference among its employees. The woman probably will have to offer some special advantage to the company that her masculine competitor cannot or will not.

Wage Competition

I appeared on a Los Angeles television show in November of 1969. It was one of those afternoon talk shows aimed at the "lunch bunch" - a distinctly feminine audience. Preceding me was an articulate, middle-aged ladv from England, the founder of a female labor exchange organization which supplies womanpower to various corporations. By pre-1968 standards, she would have been considered a militant for women's rights. As the director of this multimillion-dollar organization (an even more remarkable feat by British economic standards), she was asked what she thought of the fact that women get paid less than men for their labor. "Well," she replied, "the best form of competition we women have is our willingness to work at lower wages. If you were to eliminate that, you would remove our most effective employment weapon." That woman understands the nature of competition.

The fact that the "equal pay for equal work" law is not yet in operation makes it possible for a woman to obtain that initial access to a previously masculine occupation. If she were to demand a man's wages initially, she would

stand far less chance of gaining her real objective, namely, the opportunity to prove her capacity in the occupation of her choice The company hesitates to hire: woman, given the definite uncer tainties in hiring women in gen eral. (Is she a Women's Lib type: What is she after?) But if she can offer the company a premiun to offset the logical risks involved (not to mention the questionable hostility), she can make it worth the company's risk. The most obvious premium is a willingness to take a lower wage. If she should fail on the job, the company has not lost so much.

By removing this most effective of weapons, the WLF would seriously jeopardize the possibilities for advancement by women into the higher echelons of American business. Only the most obviously competent women, the ones from the best schools with the highest grades and most impressive outside activities, would have a shot at the better jobs. Actually, the WLF proposal borders on the suicidal: certainly it would not be the WLF type who would be hired unless she could show some overwhelming economic reason why she should be selected over a less radical miss from a prestigious finishing school (plus an M.B.A. from Harvard School of Business). The upper echelon posts would be converted into semimonopolies of those women who already hold them. If the WLF's goal is really to open the doors of American business to women large numbers of women — the "equal pay for equal work" proposal is ridiculous. It is selfdefeating. Of course, for those women already in the system, the law would be an almost flawless grant of monopoly returns.

Minimum Wage Law for Women

Inescapably, from the point of view of economic analysis, the "equal pay for equal work" proposal is the demand for a minimum wage law for women. The minimum wage would be equal to the minimum pay scale for a man of comparable talents and responsibility. Like all minimum wage laws, it is primarily a legally operating barrier against all those worth less than the minimum wage. As shown in the earlier part of this paper, the woman initially is worth less, not because of her lack of work, but because of the higher risks and economicinstitutional disutilities associated (in the majority of American firms) with hiring women.

In general, minimum wage laws force the less productive, higher risk, less desirable (for whatever reasons) persons into lower paying jobs not covered by the min-

imum wage laws. If the job market as a whole is covered, then the laws tend to force them out of work entirely. A person who generates only \$1.25 worth of returns to his company will not be hired if the minimum wage is \$1.75. Those least able to afford unemployment - the least skilled, least educated - are the ones hurt most by the laws. In this country, as study after study indicates, this means the Negro teen-age male. but it also means the less skilled women. Those just entering the market, with little experience and training, are the "first fired, last hired."

Our WLF propagandists insist that housework is the intolerable curse of the American woman. It is housework's boredom and lack of creativity that oppresses women, degrades them into beasts of burden. That women would have to seek employment as household workers is, for the WLF, the ultimate example of male chauvinism. So what do we find? The minimum wage laws have been the most effective means of forcing more women into employment as household domestics!

Household employment is not covered by minimum wage laws. As a result, those women who have been excluded from jobs in the covered industries (since they are not allowed to compete by

bidding down wages) are now forced to seek less desirable employment. This means they must go to the uncovered industries. It also means that more of them than would enter this market in the absence of the laws now try to get in, thus forcing wages even lower. Professor Yale Brozen of the University of Chicago made a study of precisely this effect of the minimum wage laws in the October, 1962 issue of The Journal of Law and Economics. He surveved the employment figures, before and after a rise in the minimum wage law, in three different periods. His conclusion: "In each instance when the minimum wage rate rose, the number of persons employed as household workers rose." He then made this warning:

However, the coverage of the Fair Labor Standards Act has been broadened, and further broadening is proposed. Much further broadening will close the safety valve [i.e., the noncovered industries into which the unemployed flee]. We will, then, find the amount of structural unemployment (i.e., unemployment concentrated in certain age groups, in one sex, or race, in groups of less than a given level of education, and in certain regions) increasing as minimum wage rates increase.

This prospect, of course, applies only to the less desirable employees or potential employees. "For families with large numbers of children [which can now employ cheaper servants] and women employed in better paying occupations, further increases in minimum wage rates and their coverage may be very desirable, however unwelcome this may be to the less educated, less skilled female worker foreclosed from a better paying job by the rise in the minimum rate and coverage."

Across the Board Effects

Brozen is considering only the more familiar minimum wage law. the kind which sets a fixed minimum wage per hour for all members of the population in the covered industries. The WLF scheme is not quite the same. What the "equal work for equal pay" scheme would produce is a minimum wage law for all women throughout al' covered industries, from the secretaries to the female vice-presidents. It would not be limited to merely those employees in the \$1.50 to \$2.50 per hour range. Instead of seeing only the bottom segment of female employees forced to take less desirable positions, i.e., those which the mer would not be bidding for anyway. the WLF proposal would see to it that all entering female employees would be downgraded (except for the few token women hired for the purpose of fending off a Federal investigation). There would be a downgrading all the way along the employment ladder.

Companies would not outwardly break the law, of course, but there are many ways to avoid regulations that are undesired by personnel departments. For example, two applications are received: a man holds a B.A. and a woman holds a B.A., and both seek the same post. The woman had better be from a prestigious academic institution or have had some kind of previous business experience, or else be physically attractive, and the man should have no exceptional qualifications to distinguish himself. The woman might very well be qualified for an even higher post, one which her male counterpart would not even be considered for, so she is, in effect, downgrading her opportunities to be employed in the higher echelon job. For her to meet the true demand for labor on a competitive market, she can take a prestigious job at lower wages than her male counterpart, or take a less prestigious job at equal wages to her male counterpart. She cannot take a higher job, given equal qualifications of the two applicants and equal pay scales, for the reasons outlined above: women are less desirable employees for most companies. and they must distinguish themselves in order to be hired. A law will not change the basic economic parameters of the labor market; it can only change the ways in which the discrimination is accomplished.

Downgrading Hurts Most at the Lowest Levels

The downgrading effect will, as always, be most harmful to those women who are not members of the population segments from which the WLF recruits its membership. As women at one level of employment are forced into the iobs below – the iobs in which less training and lower educational qualifications are required - the women who would originally have applied at the lower level will be forced to accept an even lower classification. Finally, the glut will appear in the "uncovered" portions of any company's jobs, i.e., those jobs unaffected by the "equal pay for equal work" law simply because no man would apply for them with or without the law. The law will produce structural unemployment in these jobs. or else the older pattern of wage competition will appear once again: women competing against other women on a market in which not only the usual secretarial candidates are scrambling for jobs, but also the women forced out of the next higher level of employment by the "equal pay for equal work" law.

Women without husbands or wealthy fathers to supplement their incomes will be the losers. Women who have not attended the better colleges will suffer far more than the very bright, highly qualified, highly ambitious types who can gain access to the prestige jobs from the start. Men, of course, will continue to be hired. Women will then be in competition primarily with women. By changing the competition parameters from wage competition into educational or experience competition, the women without the "paper qualifications" - college degrees, years of successful employment, an attractive photograph will be the losers. Their most effective tool of economic survival. namely, their willingness to compete with the male employees by accepting lower wages, will have been removed. The beneficiaries will be those women with the college degrees and those already in their chosen jobs.

Conclusion

The WLF, by the very nature of its economic proposals, has relegated itself into a role more generally associated with the operation of a medieval guild. It has become the advocate of a monopolistic, prestige competitive, high

security employment system, one geared to all those women with impressive educational backgrounds and/or impressive physical proportions. The "equal pay for equal work" scheme is essentially elitist. As Max Weber pointed out half a century ago, the mass market demand for goods and services came to the West only when competition shifted to price competition. He called it "the democratization of demand," contrasting it with the medieval emphasis on the production of luxury goods by and for elites within the economy. As he wrote, the shift from production for elites to production for a mass market "is characterized by price competition, while the luxury industries working for the court follow the handicraft principle of competition in quality."

What Weber wrote about the expansion of the market for goods is equally true for the expansion of the market for labor. If you want to create a market that permits free entry, mass employment, and increased benefits for those not in elite categories, you must permit wage competition. Otherwise the employment game will be played in terms of paper quality: employment resumés, college transcripts and photographs.

Naturally, the WLF members tend to be recruited from just these elitist segments of the na-

tion's population. They are the girls with the college degrees and the affluent fathers who will be able to support them until they can find "the right job." The WLF girl who is willing to put on a little makeup and hide her militancy to her employer will have access to the jobs denied to her less advantaged sisters. She can drop out of the WLF and into a prestige job at her discretion. Therefore, what we find in the case of the WLF is a replay of a very ancient tune: a group calling for the imposition of a government law for the "good of the masses" ultimately encourages a law which would benefit the elitist stratum from which it recruits its members. Here is another example of the privileged minority which does quite well by doing good.

The Competitive Firm Will Pay Women Fairly

For the woman who is really competent in what has generally been regarded as a man's world, the "equal pay for equal work" scheme cannot help her, and it may hinder her initial access to the job in which she expects to demonstrate her abilities. Once she gets the job she wants, at whatever salary, she can prove her worth as a valuable factor of production, assuming she is talented. She will need no Federal law to get her

legitimate reward from her employer, assuming the employer is serious about staying competitive in the world's markets.

There are, of course, inefficient firms. These will not strive to stay competitive, i.e., by rewarding every factor of production according to the value of its output. This is the kind of overstuffed, flabby corporation that Robert Townsend attacks in his delightfully iconoclastic book, Up the Organization. Townsend's recommendation the talented but underpaid woman is identical to his recommendation for the talented, underpaid man: quit. That kind of firm is not interested in competition and therefore uninterested in creativity and production. It is best to get out. Townsend's article in the September, 1970 issue of McCall's warns women that a company which consistently discriminates against women at all levels is probably filled with hacks, especially at the top: a good firm will pay her what she is worth. She should shop around until she finds one, just as Mary Wells, the enormously successful advertising executive, was forced to do. If a firm is competitive. Townsend writes, it will pay women fairly.

By implication, we ought to conclude that the hostility to women who have proven their capability rests on a commitment to security above competition. Another minimum wage law will not solve this problem. What will solve it, as I argued in the January, 1970 issue of this journal, is a return to the decentralized, profit-oriented, free market business firm that is not shielded from competition by a host of Federal regulations and Federal subsidies, both direct and indirect. What the competent woman needs, especially the

woman who is not loaded down with paper qualifications, is that initial shot at the job that will serve as her testing ground, regardless of whether she gets a paycheck as large as a man's. What she does not need, and what those of us who benefit from her greater productivity do not need, is the establishment of the WLF's neomedieval principle, "equal pay for equal work."

Everyone Wants More

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.

IDEAS ON

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.

HOW TO BE A BENEFACTOR

LEONARD E. READ

THE WORLD'S WOES may have been greater and more numerous in 1850 than now. But, if they were, my grandfather as a young man was unaware of them. There were no radios, TVs, or telephones. Isolated in backwoods country, he had no newspaper, not even a magazine. All the troubles of mankind, so far as he knew, were those which fell within a distance he could walk or ride horseback: and they were minor problems, few and far between. In brief, grandfather had no social problems except grandfather-size ones.

But today! There is hardly a disaster or a social mess on the face of the earth that isn't immediately dinned into our ears or emblazoned in glaring headlines. News! And unless one is instinctively or rationally immune to this calamity barrage, he will incline toward the untenable belief that every ill of mankind is his prob-

lem. Thus misled, he is an easy victim of the fallacious notion that the solution of all of these is his "social responsibility."

True, each of us is at once a social and an individualistic being and, therefore, each does in fact have a social responsibility. However, we should know what that responsibility is, and what it is not, else we will work against rather than in harmony with our fellow men.

The grandfather-size problem, as it turns out, is about the maximum size any of us is able to cope with. When we get it into our heads that other people's problems are our responsibility to solve, we "rise" to a level of utter incompetence. However good our intentions, our meddling makes matters worse rather than better.

To illustrate: I am a writer of sorts. It must be obvious to you, whoever you are, that I cannot

solve your problems. Elect me to Congress and I remain as I am, my competence not improved one whit by reason of this change in occupation. Nor will it upgrade my competence to place me in the highest political office in the land, or to make me the head of A.T. & T.!

Business to the Whipping Post

Before considering how we can become true benefactors, that is, how we can soundly discharge our social responsibilities, let's reflect on the mischief done in the belief that social responsibility requires everybody to solve everybody else's problems.

For example, take business firms, especially those with the most customers, workers, and investors. They are today's "whiping boys." Such firms are picked on by politicians, muckrakers, and those millions who can be sold any nonsense—if it is repeated often enough. Pied Pipers with enormous followings are everlastingly insisting that these corporations assume their "social responsibility," such as training and hiring the so-called hard core unemployed.

So beset are many executives with these widespread collectivistic notions that they tend to neglect their proper functions of hiring the most competent personnel,

turning out better products at lower prices, and making larger profits: they concentrate instead on preserving the corporate image. These outpourings draw businessmen into a popularity contest for which they have no competence, and cause them to de-emphasize their skills in production and exchange, the skills that brought them to the top. Instead of serving as spokesmen for free entry and competition and how the market economy best serves everyone, they drop into a defensive role. They shift from portraying what is true to denouncing what is not true. Or they may succumb altogether to these unrealistic notions, in which event they apologize for profits and become parties to the growing collectivism.

This is a mischievous trend. If continued, it will prove disastrous not only to investors and workers but to the very customers many of whom are doing the condemning. When the emphasis is on the image rather than the performance, not only will the performance deteriorate but so will the image. And everyone involved must bear a share of the inevitable failure.

Public policy, it seems to me, should be geared to consumer interest — that's all of us. And as a consumer, I cringe when business executives behave as if theirs is

first and foremost—or, even secondarily—the job of looking out for pockets of poverty or the level of employment or the general welfare or any other so-called social goal. These men will serve us best in every way—including alleviation of our poverty and so on—when they stick to their own knitting!

Born a shoemaker, stay a shoemaker was, by and large, the lot of the masses until the idea of opening the market to competition was recently discovered — about seven generations ago. What a revolution that brought about! Open opportunity for masses of people and the most successful war on poverty in the history of mankind!

Adam Smith and J. S. Mill

John Stuart Mill, gifted with insight, was among the numerous men to grasp the pursuit of self-interest as an efficacious way of life:

The only freedom which deserves the name is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it.

Earlier, Adam Smith had observed that:

... by directing that industry in such a manner as its produce may be of the greatest value, [the individual] intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for society that it was no part of it. By pursuing his own interest he *frequently* promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation....

If "to trade for the public good" is at best an affectation, one must then conclude that he should trade for his own good, which is to say that each of us should observe the rules and pursue his own self-interest. Thus will he best serve others and fulfill his social responsibility. What a switch from current thinking! But events of the past 200 years, if I read them aright, confirm this view — absolutely!

There is in this thesis, however, a presupposition that an individual knows what is to his best interest. There's the rub; few have this knowledge; no one has it perfectly.

This presupposition may explain why the brilliant and cautious Adam Smith inserted that word "frequently" into his famous paragraph. Every now and then - frequently - there are in-

dividuals who more or less intelligently perceive their self-interest; and in these cases the ardent pursuit of that interest promotes the interests of society—contributes to the public good.

The pursuit of self-interest as one's objective is not widely applauded. Generally, such action is associated with greed, avarice, selfishness. Low-brows! This only demonstrates the extent of the confusion.

Motivation and Interpretation

Self-interest is the motivator of human action. Regardless of pretensions to the contrary, a communist is as much motivated by self-interest as am I. In this sense, everyone is self-centered; self-interest is the ultimate given. And to be purely selfless is to be dead.

There are two main variables in this matter. The first relates to the motivating power of self-interest. In some people it is a feeble force, often too low to be recognized. Such people sometimes think of themselves as selfless, and they nearly are. In others, self-interest is a powerful motivator of action.

The second variable is the one at issue; it has to do with how intelligently self-interest is interpreted. For instance, the thief thinks of his interest as best served by stealing from others. This is an interpretation so narrow and antisocial that the more it is pursued, the more is the public good subverted. There are, on the other hand, those who so intelligently interpret their self-interest that they would never think of trying to pursue their own good by depriving others of the same right, or in any way impeding the efforts of others to obtain their own good.

What this amounts to in the final analysis is serving or observing the self-interest of others in order to best serve one's self. This is an interpretation so intelligent that the more it is pursued, the more is the public good served. To repeat, it is the frequent appearance of these lightened individuals that led Adam Smith to an obscure truth: ". . . he [man in pursuit of his own interest] frequently promotes that of the society more effectually than when he really intends to promote it."

The ardent pursuit of self-interest is the way to social felicity or the public good, presuming that individuals are not allowed (by government) or do not allow themselves to act at cross purposes with the freedom of others, thereby damaging their own interests. To my way of thinking, this is the way; and the more pow-

erfully the individual is motivated to pursue his enlightened interests, the better. If this is the right way, then we should not lightly abandon it simply because we find only a few among us who are intelligent interpreters of self-interest. Stick to the right way and concentrate on increasing an enlightened self-interest. This is the only procedure that makes sense.

Beware the Selfless

Consider the alternative. Suppose each individual were to abandon his own interests whenever he observes others misinterpreting theirs.

What are some of these misinterpretations of self-interest? All will agree that theft is wrong. But of the millions who wouldn't personally steal from any other, what about those who will, without the slightest qualm, get the government to feather their own nests at the expense of others? What, really, is the difference? Were all to do this, all would perish. If this isn't a mistake, pray tell, what is! The list, of course, is long and must include every individual who does unto others that which he would not have them do unto him.1

And to be included, also, are the

muckraking critics of producers who are trying their best to outdo competitors, to profit by best serving consumers. To make "whipping boys" out of those who serve us most efficiently is to display an ignorance of our own interests.

What, then, is the alternative to the pursuit of self-interest? It is that these people who do not even know their own interests should pursue your and my good—the public weal! This is to compound ignorance in society. For, surely, an individual who does not know his own interest cannot remotely know mine, let alone the countless interests of millions.

Social Responsibility

Now to the final question: How best can I become a benefactor to mankind? By assuming my social responsibility. Of what does this consist? There are three steps.

Number one is to do all in my power not to interfere with the business of others.

The danger of minding other people's business is twofold. First, there is the danger that a man may leave his business unattended to; and, second, there is the danger of an impertinent interference with another's affairs. The "friends of humanity" almost always run into both dangers.

Number two is to mind my own business.

¹ See my *Readiness Is All*, a pamphlet. Copy on request.

Every man and woman in society has one big duty. That is, to take care of his or her own self. This is a social duty. For, fortunately, the matter stands so that the duty of making the best of one's self individually is not a separate thing from the duty of filling one's place in society, but the two are one, and the latter is accomplished when the former is done.²

Number three is implicit in minding my own business: practicing, as best I can, the difficult and sensitive Judeo-Christian philosophy of charity.³

Minding one's own business is the doctrine of liberty. Admittedly, this has no glamour for the "friends of humanity," the social architects, the one's who would mind other people's business. To rule out their masterminding of others is to deny their peculiar pursuit of happiness.

Minding one's own business, on the other hand, serves self by serving others and is a task of a size to fit the individual — big or little. This can be life's most fascinating venture — self-interest in its most intelligent conception, benefaction at its very best.

A Code for Survival

EVERYONE is familiar with the intense struggle for existence that is carried on among the trees of a forest. It is asserted that the struggle is so intense, and the issue of life and death so sharply drawn among the young pines of a thicket, that the cutting of an inch from the top of one of them will doom it to ultimate extinction. . . .

IDEAS ON

LIBERTY

Fortunately, or unfortunately as the case may be, the issue of life and death is seldom so clearly and sharply drawn among human beings as it is among trees, but in the long run the results appear to be much the same. If that be true, it follows that the religion which best enables men to conform to the laws of the Universe (God's laws) and to survive in life's struggle, will eventually be left in possession of the world.

² This and the previous quote from the chapter, "On Minding One's Own Business," in What Social Classes Owe To Each Other by William Graham Sumner. This chapter is in a pamphlet. Copy on request.

³ See "What Shall It Profit a Man?" in my Deeper Than You Think (Irving-

ton-on-Hudson, N. Y.: The Foundation for Economic Education, 1967) pp. 108-117.

For an instructive and inspirational book on this subject, see *Magnificent Obsession*, a novel by Lloyd Douglas.

The WOES of the underdeveloped nations



ERIK VON KUEHNELT-LEDDIHN

A FEELING of love and charity toward one's neighbor, a sense of responsibility and personal guilt have characterized Christian thought at all times. Now the world has shrunk, due to the new means of transportation developed by modern technology. Hand in hand with diminished distances goes a sudden discovery of the great differences between the nations and races—less the psychological, more the material differences.

Of course, the Western nations have known for some time that they were richer than the peoples of the various tropical and not-sotropical colonies, while the latters' awareness of their own poverty is something relatively new. Thanks

to official travels and scholarship residences in North America. Europe, and also in Japan, they started to realize that in spite of their newly won independence their living standards are way below those of the West. But it is primarily the impressions gained from tourists, illustrated papers, movies, television, and books that have given them a hitherto unknown feeling of inferiority, of envy, sometimes even of hatred. They have questioned themselves as to why they are so "underdeveloped," why the already rich nations are getting richer while their progress (though visible here and there) is so slow that the gap between them and their former masters continues to increase - making, in a way, a sham of their independence, their emancipation.

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This sort of questioning goes on not only among the "emerging nations," but also in our midst. Since Christians are sometimes moved by virtues and often have a laudable propensity to seek the reasons for an unhappy state of affairs in their own and not in somebody else's failings, they increasingly tend to attribute the poverty of the "emergers" to their own colonialist expansionism in the past and their grasping economy in the present. The Latin American masses, the starving Hindus, the miserable "Blacks" in Africa are all so badly off because we are so prosperous! Human beings, so they reason, after all are equal; they have basically the same desires, the same intelligence, the same reactions, the "fundamentally same" attitude toward work, pleasure, love, and food. So, if a considerable part of the world is left way behind in the general scramble for prosperity, it cannot be their fault - and if it is not their fault then it must be ours. Either we progressed so fast that they cannot keep pace or we brutally exploited them in the past, stunted their growth, and are still continuing such malpractices. As a result, their living conditions are "incompatible with the dignity of man."

In this reasoning there are several fallacies, starting with the

attempt to internationalize the absurd idea that equal wealth is a just demand of all individuals of one country - all differences in this matter today constitute a provocation and a manifestation of rank injustice. Even if one might advocate equal pay for equal work, what happens to the man who toils much harder than the average? In Austria, for example, the legal 43-hour week for workers is soon to be reduced to 40 hours. but (as a poll found out) the selfemployed work more than 62 hours on the average. (My own average is 81 hours.) It is also obvious that work which requires decades of training and education cannot be remunerated in the same way as skills that can be acquired in a week, a few months, or a year.

To Lack Is to Envy

Yet, whatever the reasons for a bigger income, envy comes into play. And envy also has a leading role in international relations. A country which acquires wealth quicker than another one is, in our present "climate," committing an injustice, an act of collective aggression and must be morally condemned. But since it is not (not yet!) considered immoral to work harder or to be more intelligent—though personal qualities are systematically ignored by the democratic doctrine in the political

field — one has to look for or invent moral arguments that are still accepted. In other words: if nation A has a much higher living standard, has greater wealth than nation B, the reason is that A exploited or still exploits B. (New Lefters have leveled this accusation also against the USSR.)

The poverty in certain "underdeveloped" nations appears to us to be real misery. But is it really "extra-ordinary"; is it really "incompatible with the dignity of man"? This might be so from our subjective Western point of view if, for instance, we compare the living standards of an unemployed German worker with those of a iobless Indian in Calcutta, a city where one-fourth or one-fifth of the population is born and dies in the streets. But at the same time we have to take into consideration that mankind, according to the latest estimates, is about half a million years old and that anything approaching "conditions compatible with the dignity of man" 5.000 years ago existed only in a very few spots among a handful of a chosen few.

The Rarity of Freedom

If we were to envision man's long emergence on the dial of an ordinary clock, then such—still exceedingly rare—conditions arose just 5 minutes before twelve.

Larger areas with a slightly increased number of "comfortably off" people - let us say, during the High Middle Ages - existed only one minute before twelve. And a sizable number of countries with majorities enjoying the blessed state of "material dignity" can only be found in the last 80 years or, according to our time table, 14 seconds before twelve. Needless to say, there still are many areas today where living standards are not much higher than they were in the Neolithic period (11:50 to 11:56 on our clock). This means life in caves, in illness, heat and cold, hunger, boredom, despair, in perpetual fear of wild beasts. snakes, all the enemies of early man. During that period, as we learn from excavations, the average age of men who survived childhood was 28, of women 22 vears.

I think that we even have illusions as to the life of the upper crust in the more recent past. Louis XIV could never get rid of his lice and Versailles in the summer emitted an unbearable stench. Frederic II of Prussia smelled to high heaven. Travel was an unmitigated torture. It has been estimated that the living standards of His Excellency, Herr von Goethe, Prime Minister of Weimar, would never be accepted today by a skilled German laborer

who just pushes buttons to get classic music, jazz, warm air, or a movie right in his room, a man who owns a vehicle outranging in speed and comfort anything Goethe could have dreamed of. Viewed in the light of statistics, the question as to what is compatible with the dignity of man is a very difficult one to decide. There was a time - Biblical times! - when lentils were a choice dish. Obviously, the various nations, races, and tribes are living in various stages of development. But where would we be if no individual, no tribe. no nation could progress unless all the others did as well? Progress always implies a few pioneers leading the path - and not waiting endlessly until the rest, the less endowed, the lazier, the less enterprizing, the less self-disciplined ones decide to catch up.

Sentimental Romanticists

Yet here, precisely, we come to the initial error about the woes of the "underprivileged" countries. Individuals within a nation, and the nations themselves, are neither identical nor equal. There are some biological reasons for this state of affairs (scientifically too much under debate to be enumerated here) but, above all, there are decisive cultural patterns which might be changed in the long run but certainly not overnight. We

have seen minorities (often of a combined ethnic, racial, and religious character) doing materially better, sometimes even much better than their neighbors living in the same climate, under the same government, the same laws. the same economy. (Climate, as the student of anthropogeography knows, is one of the least important but most frequently cited factors determining the inclinations for hard and systematic work.) Yet all these differences are almost willfully overlooked by the sentimental Christian romanticist. Knowingly or unknowingly, he is even affected by a number of Marxist notions.

Leftist thought, we must bear in mind, has infiltrated Christian thinking to a remarkable degree. (See THE FREEMAN, February, 1968.) A superficial reading of the Bible, the exhortations of Christ not to become a servant of Mammon but to remain "poor in spirit," the monastic ideals (in a secular version), the tradition of the mendicant orders, the rise of a bourgeois civilization not particularly devoted to religious fervor, "practical materialism" which is possibly a result of a commercial outlook - all this has initially fostered leftist currents in the Evangelical ("Protestant") world, but then also appeared with unexpected vigor in the Catholic do-

main. This is an odd development because, as Max Weber and, later, Alfred Müller-Armack have demonstrated with clarity and full documentation, it was in the world of the Reformed faiths that Italian-born "capitalism" reached its apogee and the modern so-called "Protestant Work Ethic" came into being. Medieval man worked very little. Between 90 and 140 feast days (besides the Sundays) were no rarity. On the other hand, Christmas was not a holiday in Scotland even at the turn of the century. The combination of free enterprise, hard work, and the saving habit helped the "Protestant" countries to overtake the Catholic and Eastern Church nations; and only after they adopted the "Protestant Way of Life" were the Catholic countries of the West in our days able to compete successfully with their neighbors to the north. This process, however, has not taken place in most countries of Latin America. We look for it in vain elsewhere, except in the Far East, where an entirely different motivation explains the contempt for the dolce far niente (delightful idleness).

Twisting Theology

The inroads of leftist economic and social thinking became manifest first in Protestant theology. Suddenly, one remembered that

the only persons physically chastized by Our Lord were the merchants. Now the same process can be observed in the Catholic Church, There are "internal" reasons for this state of affairs, but also external (Marxist) influences. Not to be overlooked is also a certain amount of subconscious opportunism. A new (leftist) "trimphalism" thinks to regain the "lost working class." The denominationally mixed areas of Central Europe reflect the age-old Catholic animosities against the Jewish banker, the Calvinist manufacturer, and the Lutheran big landowner. To St. Thomas Aquinas, trade was of the most doubtful moral value; but if one reads the great social-economic Encyclicals from Leo XIII to Pius XII one still finds no trace of leftist thought. A man like Father Gustav Gundlach, S.J., of the Gregorian University, a friend of mine and practically the author of Quadragesimo Anno, steered clear of all leftist pitfalls. The situation changed under John XXIII, personally a very conservative pontiff, when the Encyclical Mater et Magistra was composed largely-by professors of the Lateran Universitv.

In the Encyclical Popularum Progressio which had a distinct "overseas message," the leftist tenor was somewhat more distinct. Not the Gregorian, not the Lateran University, but a group of Dominicans in Paris working under the leadership of the late Father Lebret were the main authors of this message. Father Lebret who before his demise lectured in Latin America said at a meeting in São Paulo: "Whether God is on the side of the communists or the capitalists. I do not profess to know, yet I have a sneaking suspicion that God rather favors the communists. And if you ask me whether I am unhappy about this, I must answer you candidly that I am not." These circumlocutions simply imply that a good Catholic ought to lean rather toward communism than toward free enterprise and the ideals of personal liberty. No wonder that Latin-American "Christian-Democratic" parties are often far more socialist than the socialist parties themselves. They frequently excuse their attitude as designed to "take the wind out of the sails" of the Marxist parties, but in this respect they are singularly ineffective. Note the case of Chile where a most thorough agrarian reform has merely resulted in a marked decrease of agricultural production and an equally marked increase in leftist votes which has produced a Marxist president.

The ascendancy of leftist ideas

under the pontificate of Paul VI, certainly not known as a radical innovator, may be attributed to the fact that the Catholic Church has practically no outstanding economic or financial minds of the first order. At the moment only one living author comes to my mind. Here we are faced with a situation aptly described by the late Wilhelm Roepke, who had pointed out that economics without ethics are inane and that moralizing without economic knowledge is disastrous.

Charity or Justice?

This sort of injunction also should have been heeded by Miss Barbara Ward (Lady Jackson) who for some time has been considered an expert on the "emerging nations." In her recently published book, The Angry Seventies, prepared for and published by the Papal Commission on Justice and Peace in Rome, she reminds us of the plight of the hungry and destitute masses overseas which will wreak the most terrible vengeance if we do not make bigger and better efforts to aid them materially and if we do not redress our trade balance with them. To her - and to a number of wellmeaning souls - we are guilty of their misery. (Last February the Bishop of Innsbruck, in a pastoral letter, claimed that poverty in India is due to the *colonial* period. Apparently the wily sons of Albion introduced the caste system and some 250 million holy cows to India!)

At least one per cent of the GNP, so Miss Ward argues, must be set aside and handed over to these nations without too many strings attached. There should be international coordination, some sort of World Bank, to handle these transfers. She even demands that a steadily increasing share of the resources should be channeled through international agencies. (If I understand her rightly, by the end of the seventies these grants should reach colossal proportions.) The amount of aid due should be stipulated in international treaties and the obligation to shell it out laid down and "given the force of law." One thinks with horror of what would happen in case of a grave economic crisis when our own populations would be suffering - break the treaties?

Miss Ward's dream to aid the underdeveloped nations financially and materially is no doubt a profoundly Christian one, and we would have nothing against it in principle if she were: (a) to show us a reasonable and effective way to do it, and (b) if she would not call her plan a "new kind of justice," thus appealing to our rather masochistic Western sense of guilt.

A clarion call to charity would be all right, but "justice"? Nor do I like her big stick, the menace of the hungry millions rubbing us out altogether. India's untouchables or the peons of Colombia would starve to death amidst the ruins of Ruhr valley factories. Their military victory (a most doubtful event) would not solve anything.

Anticolonialism

Let us first look at the possible methods of such aid. In theory, an effective means of aiding the "emerging nations" would be to enlist all sorts of enterprises of the Free World to invest if the "emerging nations" (a) had political stability, and (b) could offer real security. If they could meet these two preconditions, the foreign investors would be satisfied with a rather modest return. But few of the countries can give us these guarantees; and thus the history of foreign capital overseas has always been a history of eternal expropriations by "nationalsocialist" governments.

This lack of stability and security can be explained. The "new independent nations" which now play such a big role in the U.N. escaped much too early from their tutelage: in the case of Latin America in the early nineteenth century, under the pressure and

with the aid of the Washington-London axis: and, after World War II, under the threats of the Washington-Moscow axis, each partner outdoing the other in "anticolonialism." In this game the Soviets, in the possession of Northern Asia, were thoroughly hypocritical while the Americans projected quite illegitimately their own historic experience to entirely different circumstances. The Congo obviously had nothing in common with the Thirteen Colonies. and Patrice Lumumba was not a dark George Washington.

Colonialism is not an invention of wicked manufacturers and bankers, as Hobson and Lenin assumed, but a natural activity of most nations faced with a powervacuum (or a cultural void) either on their borders or beyond the seas. Without the British colonial drive the United States would not exist: without Bavarian colonial efforts this Austrian writer would not exist: without Greek colonialism Aristotle and Archimedes and Pythagoras would not have been born: without Spanish "colonialism" the Aztecs would have gone on slaughtering up to 20,000 men a week at the Teocalli; without the French colonizing spirit the Zenanyana, the unspeakable horrors of the Evil Night, would still be celebrated in Dahomey. There is just good colonialism and bad colonialism. And in a free world, "neocolonialism"—one nation owning property in another one—is also unavoidable. There is, if one insists, even Swiss and Dutch "neocolonialism" active in the United States. It is significant that Emperor Haile Selassie and President Tubman of Liberia deplored the fact that their two countries never had experienced the material advantage of a colonial period.

If the "underdeveloped nations" (this, needless to say, excludes excolonies which were mere extensions of the British motherland) escaped much too early from the domination of civilized powers, the same can be said about our Germanic-Teutonic ancestors who destroyed the Roman Empire thus starting the Dark Ages. A group of historians, discussing the time required for our forebears to match again roughly Roman levels, agreed on a period lasting up to nine hundred years.

Progress Takes Time

Our democratic illusions as to human equality make us think that the Western (or the East Asian) performance can be repeated elsewhere in almost no time. It takes generations of morally, intellectually, psychologically retrained people to establish a technological civilization of high material standards, a civilization demanding a maximum of discipline, responsibility, enthusiasm for hard work, cleanliness, accuracy, quickness of mind, reliability, veracity, objectivity, realism, saving instincts, business sense. Just visit factories in India (or even in Russia) and you will see where the human difficulties lie. Just read the pertinent books on Africa, dealing with the African psyche in its present stage. (Tomorrow it might be different since nations are "plastic" and change their character in the course of time, but we are talking about today.) We are here referring to documentary works like Michel Croce-Spinelli's Les Enfants de Poto-Poto containing taped discussions with Africans, or the Socialist René Dumont's L'Afrique noire est mal partie.

By and large the necessary human presuppositions for a modern, partly industrial, partly agrarian economy do not yet exist in the "emerging nations," except in Eastern Asia (Japan, both Chinas, Korea, Vietnam, but not in the rest of Indo-China) unless Western financing, Western management, Western engineering and know-how, and the enforcement of Western work discipline are brought into play. Absenteeism overseas sometimes reaches incredible proportions. Fortunately,

thanks to startling discoveries, a new agrarian development is in sight but let us remember the words of Dr. J. S. Kanwar of the Indian Council of Agrarian Research in New Delhi who said that if modern agrarian methods were diligently used in only two major Indian States (out of 14). all of India could properly be fed: would this be done in all of India, two-thirds of the produce could be exported. But there are profound psychological and cultural rather than purely "financial" reasons why India starves and why the trouble in the rest of the Underdeveloped World is about the same. The average working time for the average Mid-African (male) farmer is four hours a day. After all, it took us centuries of trial and error, of disappointment and real suffering, to acquire our knowledge, our skills, our experience, a sense of reality, and our dynamism. I am talking here not only as a historian and theoretical researcher, but also as a man who annually circles the globe.

Prelude to Investment Would Be Guarantees

In other words, the necessary precondition for effective aid, as far as investments go, would be guarantees — all sorts of guarantees. In order to be fruitful and lasting, investments must be se-

cure against expropriation, sabotage, brigandage, trade blackmail, the destructive forces of civil wars, guerilla activities. Yet, how are we going to achieve this? The governments with some sort of permanence who can effectively give such guarantees are very few and far between. The democratically governed countries are in many cases even less to be trusted than benevolent autocracies because democracy provides the frame for the legal, nonrevolutionary rise to power of confiscatory and collectivist ideologies. I would rather invest on the Ivory Coast-which is effectively ruled by a realistic man dedicated to free enterprise - than in Chile under present conditions.

And if we talk not about investments, but about gifts, let me quote you a bright African, who complained that in the old days France as a colonial power paid for everything, but now "we look most ridiculous, one seems to be more incapable than before." France aids Africa still far too much, "If we really must sink, all right, then let us sink. Only too often, this aid which is given to us makes our lives too easy and it finds no good place in the economy of our country. It really does not help - on the contrary: it makes us lose all sense of reality." (Les Enfants de Poto-Poto, pp. 360-361.)

Agrarian Reformers

Higher living standards, however, can never be provided by agriculture alone. And, a technological civilization demands great sacrifices in the form of obedience. a sense of accuracy, time, and cooperation. Industrializing a happygo-lucky, dreamy, agrarian nation without strong material ambitions can only be done with a great deal of training, education, motivation, although some ideologues maintain that it can be done more quickly by the harsh imposition of totalitarian rule, enslaving unwilling workers. However, does not get very far by this method, witness the case of Russia and its satellites with the exception of East Germany. Even East Germany is far from having West German living standards because one cannot drive fast in the best car if the brakes are on.

Still, East Germany has the "Protestant Work Ethic," and that places it apart from the other satellites. Intelligent observers like I. Rosier, Fredrick B. Pike, and Jean Gebser have realized that the key to a material improvement overseas is the refashioning of the minds and habits of "underdeveloped" nations. This, however, cannot be achieved without a radical change of their cultures. Take only the fact that in Hindi the word for yesterday and tomorrow

is the same. (It differs from "today.") The automobile does not mix with juju. As Arthur Koestler has told us in *The Lotus and the Robot*, civilizations are package deals. One cannot pick out certain items and leave the rest.

Emerging Nations, Orphaned Too Soon

At the root of the tragedy we indeed find the premature decolonization. In this connection it has always to be kept in mind that colonies, contrary to a generally accepted myth, were profitable only in a very few cases. Of Germany's colonies before 1914, only little Togo was in the black. The Belgian Congo was a sound financial proposition only in the 1940-1957 period. Between 1908 and 1960 Belgium invested no less than 260 million gold francs and earned 25 million. The profits France derived from its colonies in this century was about onefourth of the original investments. Disraeli thundered against the "miserable colonies" and Richard Cobden inquired: "Where is the enemy who would do us the favor to steal them from us?" Adam Smith was right when he ridiculed the panic which broke out in Britain after the loss of the Thirteen Colonies: British exports to North America, valued at \$15 million a year before American Independence, reached \$61 million dollars by 1806. Colonies might be a matter of national pride or of military interest, but if inhabited by a "backward" population, they seldom are a paying proposition.

It is, moreover, by no means accidental that the present European prosperity arose with the loss of colonies, that the European nations with the greatest per capita incomes (Switzerland, Norwav. Sweden) never had colonies. The expenses involved in providing the colonies with roads, railroads, hospitals, health services, schools, universities, administrative machines, military and naval installations, while still so much had to be done at home, were enormous. And if well-meaning Americans complain that the Belgians or the Portuguese did nothing for the higher education in their colonies, that native M.D.'s and Ph.D.'s did not roll en masse from the assembly lines, let them remember the net result of the "intellectualization" of the American Indians; in spite of great material sacrifices, the results are not encouraging. What simply happened all over the globe is that the colonial youngsters left the home of their foster parents prematurely in a huff and now demand that someone else care for them. (The two sugar daddies, Uncle Sam and Uncle Ivan, are in

for it too.) The young runaways refuse to face their defeat. They belong - to use the labels of H. Fortmann – to Cultures of Shame. while we belong to a Culture of Guilt. And they have nicely succeeded in making some of us feel very guilty. Of course, Westerners are occasionally tough people, but there can be no doubt that we have treated each other infinitely worse than we treated the nations and tribes in overseas areas who. without Western medical services. would exist on a much smaller scale.

Self-Help

As charitable Christians, we ought to aid them. Let us, however, discard the notion of a "New Kind of Justice." Let us find intelligent ways to help them in transforming themselves into modern nations because, for better or worse, they want it. In the meantime we ought to determine the way and modality of such (charitable) efforts. This is a most difficult problem whose treatment ought to vary from place to place. Handouts certainly will not do.

Who, after all, should be the immediate recipients? Certainly not the governments of most of these countries. I think with horror of the palatial buildings erected by Mr. Kwame Nkrumah, of his luxury yacht, of the golden bed of his finance minister, of Mrs. Indira Ghandi's check for \$50 million offered to Nasser after the Six-Day War, of loans to certain Latin American countries reappearing as deposits in American and Swiss banks. Or should we distribute cash at street corners?

God gave to most, though not to all, of these countries prodigious natural wealth. Tangible wealth, however, as Japan, Switzerland, Scandinavia, and Taiwan teach us. is the fruit of human effort. Therefore, we have to try patiently to show them a way which, after everything is said and done, can only somehow resemble ours. This is a most complex and, above all, psychologically difficult ven-The "underdeveloped nations" would have to take our extended hand without any display of false pride - take it or leave it.

(AP)

John Milton

IDEAS ON

LIBERTY

But what more oft in nations grown corrupt, And by their vices brought to servitude, Than to love bondage more than liberty— Bondage with ease than strenuous liberty?

The Creative Thrust of Capitalism

MERRYLE STANLEY RUKEYSER

WHILE the unaware and the fantasy builders have been gleefully pointing to the imminent decline of capitalism, the world of reality in Southeast Asia, West Germany, and elsewhere has since World War II demonstrated the enormous potentials of the open market free choice system in accelerating productivity.

On my recent visit to the Orient, I was struck with the potency of ideas and philosophy in improving hitherto meager levels of material well-being. Certainly Taiwan, Hong Kong, South Korea, Singapore, and even Japan are without large natural resources, but the industriousness of their work force under improved management and increased foreign investment have delineated the complex factors that make for accelerated growth.

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The secret success ingredients have included the introduction of better methods and increased use of capital goods - labor-aiding machinery - under conditions that enlarge individual freedom of choice and incentives. Such disciplines as improving technology, increasing capital investment, and introduction of new management techniques stand in sharp contrast with the effortless panaceas sugarcoated with labels of "liberalism" and socialism. Socialism's appeal is based largely on emotional factors rather than on relative performance in achieving better living under competing systems.

If little Taiwan is used as a microcosm for fact finding, it becomes clear that there are broadly two approaches to problem solving. One is the purely demagogic approach of ignoring costs and individual preferences and assuring perpetuation of even unwanted

activities through the "miracle" of subsidies. If, by way of illustration, railroad labor, material, and tax costs are out of line with revenues, the easy solution lies in clamoring for subsidies. Similarly, if arbitrary lifting of construction wages far out of relationship to productivity results in prohibitively high costs, the "remedy" is for the state to subsidize the operation. Yet the persistent use of such uneconomic approaches in New York City and elsewhere, in the face of historic frustration, has been to deteriorate real estate and cause much needed new housing construction to be stillborn. Making the landlord stand between the home renter and inflation has caused unthinkable shortages and human degradation. But the uninformed, seeking scapegoats, fail to see that those who insist on rent ceilings without corresponding ceilings on costs are in the position of the man who murdered his father and mother and then pleaded for clemency on the ground he was an orphan.

Consequences of Intervention

The chaos in real estate is not a testament to weaknesses of the free market. On the contrary, it springs from decades of bureaucratic interference with the operation of a free market.

Such approaches are self-defeating. The Republic of China on the island of Formosa turned from such folly. It acts on the belief that progress lies in technological improvements which cut costs through improved productivity. It takes creative talent for innovators to devise methods for making two blades of grass grow where but one grew before, but political hopefuls persist in pontificating that we'll subsidize you if you can't get costs down to a level customers are able and willing to pay. The providers of subsidies are being liberal with other people's money. They interfere with the essentials of a competitive system in which the customer is the boss. By buying or withholding orders, the consumer in a free economy decides what should be produced, in what quantities and according to what specifications. When there are subsidies, however, government forcibly steps in and weakens the capacity of the customer to discipline the businessman. Instead of resting the survival of an enterprise on pleasing potential buyers, the inefficient hope to get by through pressuring politicians. When the businessman recoups part of his costs out of levies by government on the taxpavers, the customer is weakened in his sovereign rights at the market place.

Instead of facing the discipline of innovating or perishing, the inefficient producer rests on his laurels and hopes to live on the crutch of subsidies. But this makes everyone poorer, since inefficiency and waste are thus socialized, not eliminated through new and improved techniques.

The creative energy inherent in economically prudent operating principles has caused a growth rate in Taiwan (Formosa) far above the 5 per cent a year target set by the U.N. for emerging underdeveloped nations. Taiwan had been handicapped by fifty years of stagnation under Japanese overlords. Only 25 per cent of its scarce land - about 2.3 million acres - is arable; and industry fifteen years ago was primitive. Personal incentives under Chiang Kai-shek regime were heightened by the sale of government owned land to farmers

Taiwan vs. Mainland China

With massive economic aid from the United States which came to an end in 1965, Taiwan with its forward thrust in farming and in commerce and industry, has become a yardstick for measuring the high cost on the Chinese mainland of operating there in accordance with Leninist-Marxist doctrine.

Since 1953, the Republic of

China (Taiwan) reports an annual increment in economic activity of 8 to 10 per cent, while the mainland was stagnating. Paraphrasing Marie Antoinette's "Let'em eat cake" at the time of the French Revolution, the mainland communists were in effect telling their underfed people: "Let'em eat propaganda."

More impressive than the imperfect statistical information about mainland China has been the eagerness of its nationals to escape, as evidenced by the number of people pressing to get into Hong Kong, whose population rose from 600,000 at the end of World War II to in excess of 4,000,000. Meanwhile, per capita income in Taiwan rose from a bare \$43 in 1952 to \$258 in 1968.

In agriculture, if 1952 is taken as 100, production of farm products in Taiwan in 1969 had grown to 226. While the total area cultivated increased only two or three per cent, the yield per acre was doubled. The intensification resulted not only from technical farming procedures, but also through land reform, better farm credit facilities, and rural electrification. So impressive have these gains been that the Taiwan Government has recently been sending out at its own expense technical missions to emerging countries in Africa, Latin America. and elsewhere to demonstrate how to fight hunger by producing more on available farm acreage. The results reflect a consolidation of many changes, including pest control, crop rotation, mechanization on farms, and better motivation of farmers. Principal crops include rice. wheat, soybeans, sweet potatoes, and vegetables, and the little island nation also produces peanuts, sesame, pineapples, and sisal. As a result, Taiwan has not only become selfsufficient in food, but actually exports some.

In industry since 1952, the annual rise has been 14.2 per cent and in manufacturing 15.1 per cent. Despite the sharp percentage gain in wages, labor rates and living standards are still low not only by U.S. and Western European standards, but also in comparison with Japanese levels. Japan has been experiencing a labor shortage, and has diverted some of its industrial production to Taiwan, South Korea, and elsewhere, where labor has been more abundantly available. Japan and the noncommunist nations in Southeast Asia, including Hong Kong, and Singapore, have succeeded with negligible natural resources. The countries import raw materials and export finished goods. Originally they traded primarily on low labor costs, but

with the rise in prosperity there has been a partial narrowing of the gap between Southeast Asian labor costs and those in the West. Such emerging competition poses new problems for the United States; we can no longer ignore high money wage rates here on the ground that we possess unique means of offsetting them through technology. Japan and its neighbors have adopted sophisticated technology.

Investment Makes the Difference

Taiwan has gone in diametrically the opposite direction from collectivization in mainland China. This is evidenced by the fact that private enterprises in Taiwan have grown 14-fold over the last 18 years, whereas governmental economic operations there. enterprises formerly cluding owned by the Japanese and turned over to the government, and power, railway, highway, ports, and communications - all in the public sector - have meanwhile multiplied only 5 times.

In contrasting the approach in Taiwan with that of mainland China, a spokesman for Taiwan said: "Communist China has always been against 'material incentives,' although small doses of such rewards existed both in agriculture and industry. The 'Cultural Revolution' tried to eliminate

even these small doses, but recently there has again been less denunciation of material rewards which seems to indicate that some enterprises are again resorting to this 'reactionary' practice.

"The low productivity in China is also due to lack of investment capital."

Republic of China officials assert that the island nation is now internally generating enough capital to finance its continuing development.

The earlier strides made in Taiwan were made possible not only by better management methods and better disciplined workers but by capital formation. This was set in motion by investment by foreigners, including Chinese living overseas. These figures, supplied by the Taiwan Government, show the trend:

FOREIGN INVESTMENTS BY COUNTRY (Expressed in units of \$1,000—U.S. Currency)

Year	United States	Japan	Others	Total
1953	1,881	160	-	2.041
1954	2,028	14	50	2,092
1955	4,423		-	4,423
1956	1,009		~-	1,009
1957	11	37	_	48
1958	_	1,116		1,116
1959	100	['] 45	_	145
1960	14,029	309		14,338
1961	4,288	1,301	375	5.964
1962	738	2,664	639	4,041
1963	8,734	1,397	216	10,347
1964	10,223	728	916	11,867
1965	31,104	2,081	1,955	35,140
19 6 6	17,711	2,447	746	20,904
1967	15,726	15,957	7,005	38,688
1968	34,555	14,855	4,035	53,445
1969	27,882	17,642	36,697	82,221
TOTAL	174,442	60,753	52,634	287,829

Progress Abroad Matched by Deterioration at Home

While there have been new laboratory demonstrations since World War II in Japan, Southeast Asia, West Germany, Republic of South Africa, and elsewhere of the vitality of the free market and the competitive system, there has been in the United States, the world's traditional showcase of free enterprise, an increased tendency to whittle away at the system.

Right now, after giving lip service for more than a generation to freer international trade, this country, under the pressure of rising competition from Japan, West Germany, and elsewhere, has been reversing policy and discussing the achievement of salvation through restrictive quotas rather than through establishing better technology which would enable Americans to hold their own without artificial props.

After World War I, fear of the foreigner resulted in increased immigration restrictions in this country, with rigid quotas. This was done to save the relatively well paid jobs of domestic workers. But capital is international, and, while the movement of men was restricted, capital flowed across boundaries. Through direct investment American companies opened their own facilities in foreign labor markets. Thus, there

was leakage in the primitive effort to preserve jobs on a basis other than competitive efficiency.

Now, in face of the hazard of pricing ourselves out of markets, there has been talk in the House Ways and Means Committee of setting import restrictions shoes, textiles, and other products. But, even if such quotas would temporarily appear to do the job. they would tend to lead to blind alleys. If Japan, for example, is restricted on shipping textiles to the United States, its enterprisers will strive for survival through capturing a substantial part of the foreign markets to which American firms are still exporters.

The prime objection to seeking salvation by restraining the freedom of the marketplace is that it diverts attention from real problems. The basic issues are the needed changes in U.S. technology, laws, collective bargaining pro-

cedures, relations between government and business, and in management policies to heighten efficiency in making and distributing goods and services. Certainly the inflationary policy of the Federal government and the class bias in the labor-management laws cannot be swept under the rug. In his State of the Union Message two years before he retired. President L. B. Johnson, while giving a goodie to the unions in recommending repeal of Section 77B of the Taft Hartley Act assuring freedom of the states to pass right-to-work laws, significantly suggested a review of the whole field of labor-management legislation. The concepts in existing Federal labor-management laws are obsolete and reflect the depressionbred fears of 1935 when the Wagner Act was passed. The need is to let economic forces operate through the open competition of the unhampered market.

The Methods of Capitalism

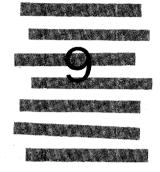
IDEAS ON



Among the "less developed" countries, as the term is most often used, almost all have at least one thing in common. They are countries that desire capital but have not yet put into practice the methods of capitalism.



Throttling the Railroads



The Future of the Railroads

VIRTUALLY everyone who has any interest in and knowledge of the transportation situation in the United States must agree that the railroads are in trouble and that their difficulties are very closely related to a host of other transport problems.

The vast Penn Central system is bankrupt. One after another once famous passenger trains have been cut, and less well known ones have long since been canceled. Most companies say that they lose money on their commuter business. Street transportation companies in most cities are generally money losers. Traffic congestion

is endemic around and within most cities of any size. Exhaust from the internal combustion engine used on automobiles, buses, and trucks principally is a major pollutant of the atmosphere. Railroad unions are perennially on the verge of striking and tving up transportation throughout the length and breadth of the country. Highway building in the urbanized areas of the country goes on at a torrid pace and vet it always appears to be behind the rising demand for highways and streets. Disposal of waste - in some considerable part a transportation problem - is a mounting burden.

The decline of the railroads is not a development isolated from everything else in America; the effects extend outward to the much

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more comprehensive matter of all of transportation, and what happens to transportation affects the commercial and fraternal life of a people.

Proposed Remedies

Proposals for doing something about the transportation situation have not been wanting. Governments at various levels have begun tentative and hesitant reversals of long term policy toward the railroads within the last decade or so. Politicians have at long last ceased to talk of the railroads as if they were a menace that somehow has to be contained else it will destroy the country. They have begun to treat them more as if they were respected elderly grandparents, for whom some provision must be made in the period of their dotage. Subsidies are now being provided for various commuter trains and some for longer distance ones. The Federal government is about to commit itself to take over and run the remaining passenger trains, if the companies cannot do so. In a similar fashion, cities have been subsidizing or otherwise taking over street transportation systems.

One proposal which has much support is that government should devote itself to coordinating the various modes of transportation within the country as well as the international carriers under its authority. Indeed, Congress charged the Interstate Commerce Commission with some such task as this for surface transportation in an act passed in 1940. The preamble said:

It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantages of each; to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges for transportation services, without unjust discrimination, undue preferences or advantages, or unfair or destructive competitive practices; to cooperate with the several States and the duly authorized officials thereof: and to encourage fair wages and equitable working conditions: all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense.1

¹ Quoted in Marvin L. Fair and Ernest W. Williams, Jr., Economics of Transportation (New York: Harper, 1950), pp. 727-28.

Politically Impossible

All this may sound quite plausible on paper. Why, indeed, should the government not develop a national coordinated system of transportation? Why could it not use the carrot and the stick, alternating with regulations and inducements skillfully administered so as to achieve this national goal?

The most direct reason why government cannot develop a coordinated transportation system is in the nature of politics. Politicians operate by conciliation and compromise. They attempt to balance interest against interest, region against region, rural population against urban, and so on. Whichever interests are at the moment most clamorous and crucial to election victories will receive the most attention. It is difficult to see how this would be likely to result in coordinated economic activity.

At a little deeper level, it can be seen why government would not succeed in this even if it could mirror the electorate much better than it usually does. Government intervention tends to fix relationships in patterns that have existed at some time in the past. This is so, not only because government action inhibits change and places obstacles in the way of adjustments to new circumstances, but also because any sort of factual

basis upon which men would operate to coordinate transportation would be taken from the past i.e., would be historical. If all the data that might conceivably be brought to bear on transportation were fed into a computer, the answers that could be obtained from the computer, so far as they would be factual. would be answers for some time in the past. To make the point concrete, it might be possible to construct a model for a coordinated transportation system for 1925 on the basis of data now available. But none can be constructed now for 1975 except by extending current figures - that is, fixing it in the present pattern - or by speculating as to what will be needed in the future

The Uncertain Future

The deepest reason why government cannot intervene so as to provide a coordinated system is that no one knows what modes of transportation are wanted in what quantity and of which quality in the future. The present writer does not know how many passenger trains between which points may be wanted in the future. He does not know whether there should be more or less than there are at the moment. He does not know how many hopper or grain cars will be needed next season. how many automobile carriers.

how many gondolas, how many flat cars, where a new railroad should be laid and an old one discontinued, where new stations should be built and old ones abandoned, and so on. This writer does not know, nor does anyone else, what will be wanted in the future. If he did know, he could become fabulously rich by providing it at just the right time and right place. But alas, such infallible foresight is denied to us mortals, whether we are clothed with the powers of government or not.

This being the case, a coordinated transportation system, if there is to be one, will have to be built by trial and error, by speculation; and it will never be completed until all change has ceased. This means that there will be malinvestment, that there will be waste, that some of the speculations will not pay off. This is one of the central arguments for having such speculations made by private investors rather than government. If government agents guess wrong, we all pay. If private investors guess wrong, they lose.

Irresponsible Performance at Everybody's Expense

But we do not all simply pay once and get it over with if those in government guess wrong about what is wanted; we may continue to pay and pay. Politicians do not readily give up when they are wrong; they frequently continue to throw our good money after their bad decision. They have fertile imaginations when it comes to thinking of reasons for operating enterprises at a loss. If they operate passenger trains which have only an occasional passenger, they can still justify it on the grounds that if an all out war came the trains would still be needed, along with many other reasons of like character.

Past experience indicates, also, that if government enterprises do not succeed economically, the politicians rather than blaming themselves will blame the people, or, more precisely, some portion of the people which can serve as a scapegoat. Government power may then be used to make the people fit the procrustean bed of facilities that government has provided. It is easy to see how this might work with a coordinated transportation system. The more popular modes could be scheduled at inconvenient hours and the less popular ones at peak hours of transport need. Increasing restrictions on the use of private automobiles and trucks and airplanes would likely be made in efforts to make governmental facilities pay off. (Of course, private companies like to have such aids as these from governments when they can get them.)

Summation of Evidence

But it is not necessary to resort to the imagination to examine the effects of intervention. This work has already explored many of these in detail in connection with the railroads. The main reason there is not now a coordinated system of transportation in this country is government intervention. A summation of the conclusions from evidence already presented will make the point. Government intervention in railroad activity has:

- 1. discouraged investment by limiting earnings and prescribing conditions of operation.
- 2. discouraged innovation not only by harassing investors but also by making railroads continue costly operations once they have been established.
- 3. discouraged consolidations that would have produced truly transcontinental systems by the long and short haul clause as well as other devices.
- 4. discouraged competition by establishing rates and service requirements and by fostering consolidations among naturally competitive lines.
- 5. subsidized and advanced other modes of transportation while inhibiting railroad competition by regulatory measures.
- 6. empowered railroad employees against the companies by supporting unionization, by sponsor-

ing collective bargaining, by establishing seniority systems and work rules, and by fixing an expensive retirement system on the railroads.

- 7. produced bankruptcies, coddled inefficiency, and adopted penalties of one kind or another for the efficient.
- 8. fostered overconstruction at the outset, prevented the abandonment of unremunerative lines and facilities, and required the railroads to pay for expensive safety measures which are usually provided at taxpayer expense for other modes of transportation.
- 9. taken from railroad managements most of the authority for making entrepreneurial decisions but fastened upon them the responsibility for continued operation.

The list could surely be extended but the point emerges:

The present transportation mess is a result of government intervention. The railroads have been greatly limited in their appointed task of helping to link the country together commercially and fraternally. They have been hampered, restricted, limited, inhibited, harassed, regulated, pushed, pulled, and controlled. The fact that some railroads can still operate profitably is testimony to the great economic advantages of this mode of transportation.

Subsidies and Controls

The Federal government is now proposing to take over and operate passenger trains if the companies will not continue them. Already subsidies are being provided for the Metroliners on the Penn Central and for some commuter trains. There is a familiar pattern in this activity. Governments first adopt restrictions and regulations which inhibit private enterprise in providing certain services. Then, they enter the field to provide the services. It has happened with city transportation systems. It has happened with housing. Once in the field, governments extend their domain, and taxpayers are called upon to make up the losses incurred by government operation. What community in America will not want a Metroliner? And what politician will not see votes in requiring the government to provide it?

Some railroads may see a bonanza in all this. But they should long since have learned to beware of governments bearing gifts. It is easy to see that if government operates passenger trains, and private companies the freight trains, a contest will quickly develop over which shall bear what proportion of the costs. Government can bankrupt line after line by shifting the costs toward freight, thus setting the stage for

government takeover of the rail-

There is a way out of this mess, however, which promises much better results. It is a way that even the railroads may be too timid (or too fearful) to suggest. It is a way that promises much for investors, for management, for workers, and, above all, for consumers. It is the way of freedom rather than control. It is the way of economy rather than waste. It is the way of service rather than servitude. It is the way of mustering the ideas and abilities of numerous men rather than the stultifying concentration of decisionmaking power which now obtains. It is the way of prosperity rather than depression, of life rather than death for an industry.

In short, turn the railroads loose! Remove the restrictions, limitations, controls, prescriptions, and regulations which now hamper and restrain them. Allow them to serve in whatever ways they can and will, profitably and felicitously. There is no reason why they should not be allowed to, and every reason why they should.

Free the Market

If what is wanted by Americans is a coordinated transportation system which will provide for their transportation needs, then one of the ways they can hope to

have it provided is to turn the railroads loose, turn them loose to charge market determined prices. turn them loose to form whatever combinations may appear to those involved to be desirable, turn them loose to extend services where they will and to abandon those that are unwanted, turn them loose so that their managements can make the entrepreneurial decisions, turn them loose to hire whom they will at whatever wages are mutually agreeable between employer and employee, turn them loose from the grip of subsidized and privileged competitors, turn them loose to take advantage of their low variable costs and allow them to increase their proportion of the traffic so as to meet their high fixed costs - in short, turn them loose from the ubiquitous grip of government.

The most direct way to accomplish this would be to repeal the vast century-long tangle of state and Federal legislation affecting the railroads. Abolish the Interstate Commerce Commission and the various state regulatory commissions. Remove all prescriptions as to rates, service, investment, sale, abandonment, long and short hauls, new construction, and so on. This would leave the railroads free to manage their own affairs. Remove all the special privileges extended to labor unions. Cease to

subsidize competitors in various ways.

Chaos Now Prevails

Americans have been taught to believe over the years that chaos would result if this were done. It is true that we could expect many changes if railroads were freed from restrictive and inhibiting legislation. One of the things that might be expected is that under the prod of economic necessity railroad men would begin to shake off their lethargy and become more vigorous. Competition would revive: among railroads, with barges, with trucks, with automobiles, with airlines, and so on. Railroad managers might be expected to cease thinking of ways to curtail service and to start thinking of ways to extend it. As some railroads began to be quite profitable, investors would be lured into putting more money in them. Stocks whose prices have been stagnant for decades might be expected to begin to fluctuate considerably. Imaginative entrepreneurs would dream of nationwide rail systems and move to form them. Prices of rail services would fluctuate, differ from company to company and region to region. New sources of goods and services would be opened up to vie with established ones. Some services would be abandoned and new ones

would be conceived. Truckers, barge lines, and airlines would feel the spur of competition. Companies that could not compete successfully would sell out or go out of business.

If this be chaos, it has never been clear why the consumer should fear it. It is clear why all sorts of vested interests might and do fear competition and enterprise, why those in the business fear competition for they may not be able to hold their own, why labor union leaders and those with seniority fear the competition of would-be workers, and why truckers, barge lines, and airlines would fear freed railroads. But the worst the consumer - which is all of us - has to fear from competition is lower prices and better service. If the increase of choices and decisions he is offered be chaos, then many would no doubt welcome such chaos.

Freedom Brings Order

Actually, we have the chaos now, the chaotic tangle of legislation within which all commercial transport operates, the chaotic patchwork of railroads over which goods and people must pass to go from coast to coast, the chaotic situation on the streets and highways as vehicles of a vast assortment of shapes, sizes, and operating conditions vie with one an-

other for limited space, a chaotic situation which results in the rending crashes which produce their annual huge tolls of dead and wounded bodies and vehicle destruction, the imminent potential chaos which strikes perpetually threaten, the chaotic structures and facilities of a declining railroad industry unable to attract new capital, and so on. It is ironic to fear that freedom would result in chaos when we are confronted on every hand with chaos, both actual and potential, much of which has resulted from intervention.

Of course, the railroads are not the only means of transport that should be freed. Others are restricted and restrained by regulation also. It is this restraint of commercial transport, while leaving individual transport free, which has produced so much that is unwanted today, so many of the deaths and injuries on the highways, so much of the congestion, so much of the pollution, and so much of the contest for limited space. If we continue to inhibit commercial transport, we shall, no doubt, have to place increasing restrictions on individual transport. There is another way. It is to free all transport of any restraints that are not directly related to protecting life, liberty, and property. Coordination will occur within the marketplace; professionals will do much of the work of transport; the amount of congestion and pollution will probably be greatly reduced; and the choices of means and quality of transport will increase. Such a prognosis is warranted from past experience with the market.

As things stand, the future of

the railroads is bleak. So is the future of consumers of their services. Over a period of about ninety years, virtually every sort of intervention has been tried—intervention which has brought us to the present pass. It is time for yet another experiment—an experiment with freedom.

IDEAS ON

An Orderly Universe

WE THEREFORE BELIEVE in liberty because we believe in the harmony of the universe, that is, in God. Proclaiming in the name of faith, formulating in the name of science, the divine laws, flexible and vital, of our dynamic moral order, we utterly reject the narrow, unwieldy, and static institutions that some men in their blindness would heedlessly introduce into this admirable mechanism. It would be absurd for an atheist to

say: Laissez faire! Leave it to chance! But we, who are believers, have the right to cry: Laissez passer! Let God's order and justice prevail! Let human initiative, the marvelous and unfailing transmitter of all man's motive power, function freely! And freedom, thus understood, is no longer an anarchistic deification of individualism; what we worship, above and beyond man's activity, is God directing all.

Editor's note by GEORGE B. DE HUSZAR, inspired by an unfinished passage in Frederic Bastiat's Economic Harmonies.



EVERY SELLLER of a commodity or service wants to cover his costs of production and receive something over and above such costs if possible. He spends long hours keeping records and, with rare exception, believes that he actually sets the price of his goods and services by adding a margin above his expenditures.

The truth, however, is that all recorded costs of an item are washed out and rendered irrelevant by the actual market price at which that item is traded — a price determined by the competitive forces of supply and demand. That price becomes the new "cost" of consideration to the next user, regardless of how much labor he or any prior owner expended on that particular item. And if he sells it in turn to another willing buyer, the latter's demand will have as much to do with deter-

mining the price as do the supplier's recorded expenses. Cost, of course, influences the supply side of the market and thus the price; but costs incurred do not determine price.

To believe or to say that any item of commerce is but the sum of the costs incurred in producing it - a package of somebody's prior labor - is to introduce a confusing irrelevancy into the bargaining process that determines the price at which free trade takes place. The only relevant factors in a voluntary trade are that each party to the transaction, at the moment, values what he receives more than he values what he gives. Each thinks that he gains from the trade, no matter what costs were incurred to produce what he gives or gets in exchange.

That's all there is to the sub-

jective theory of value. It takes into account the demand as well as the cost of production. And this determination of prices in the open competitive market affords the current running record of costs and returns that a businessman needs in order to calculate profit or loss and judge whether or not to continue a particular business activity.

His record of yesterday's costs and returns may afford him some clues as to the efficiency of his procedures. But today's prices are the nearest indication available to him as to what tomorrow's costs and returns may be. What are today's prices for the buildings and machinery in use as compared with other production facilities now on the market or waiting to be invented? What are today's prices for various raw materials as compared with available or potential substitutes? How do today's prices for hired help compare with prices for labor-saving machinery? And how do today's prices for his saleable commodity or service compare with prices for competing items?

The Labor Theory

Despite this marvelous facility of market pricing and economic calculation, a man as producer finds it almost impossible to view his product or service other than as the result of labor or work. If he's working for wages, he demands a wage rate high enough to keep pace with "the cost of living." If he's selling wheat or corn or beans, he wants prices high enough to cover his costs of production. If he's providing a postal service under an exclusive government monopoly, he wants postage rates to cover costs.

In other words, the seller's inclination is to try to hedge against the forces of supply and demand so as to assure a price that would include a "fair" markup over costs. What he seeks, in effect, is a guaranteed customer. And the postal service monopoly is a good example of such a condition. If the customers do not cover the costs, other taxpayers are obliged to do so. Market prices, with competitive postal services, are forbidden. There is no way of knowing what might be the demand for or the supply of postal services if buyers and sellers were obliged to look to the market to tell them how much of which scarce resources to devote to such purposes. Resources are simply used in the postal monopoly, with no way to know whether the use represents conservation or waste. The force of government sees to it that the full costs are covered by taxpayers, regardless of the inefficiency and waste.

Outside the Market

Government pricing and government contracts, including the payment of subsidies of any kind. always are on a "cost-plus" basis because in those cases the efficient market method of pricing has been prohibited. Supply and demand are ruled out of the determination: the customer is led to believe the resources involved are not very scarce - relatively free; the supplier is guaranteed that taxpavers will cover his costs, whatever they may be. Such socialistic pricing affords no effective method of economic calculation by which to measure success or failure, profit or loss, conservation or waste. Thus, socialists are foredoomed to stumbling in the dark with their outmoded labor theory of value - the sum of costs.

As long as men continue to view

goods and services as a package of labor or the sum of the costs of production, they will continue to turn to government for subsidies, handouts, privileges, guaranteed incomes, protectionism, and the like. The more this is done, the less chance there is to trade for gain in the open market - the only system of pricing that conserves rather than wastes scarce resources.1 Chief and foremost among those scarce resources is man, not for his capacity to consume as the socialists imply, but for his productive power to serve himself by serving others.

Security May Betray Us

IDEAS ON

∆ LIBERTY Whenever I hear that the *government* is helping someone, I feel sorry for that person. Or whenever I find that someone, by a monopoly grant of power, has a sure market or a sure job, I feel sorry for him too. Even helping a person to help himself may be a disservice to him; for you will probably—perhaps unconsciously—compel him to do it your way. Charity, if needlessly bestowed, probably will have a vicious effect. People who are promised support will hardly work. All grants, all subsidies, all rewards for services not rendered have a deleterious effect on character; and if character is not of foremost consideration, what is?

¹ It may be assumed that the most urgent purposes of consumers will be served in one way or another and that it is best to do it as efficiently as possible. A businessman's profit or loss is the measure of his efficiency—his capacity to minimize the cost of serving consumers. Profit denotes the conservation, and loss the waste, of scarce resources.

THE PROTESTERS

W. A. PATON



Sociologists and psychologists (to say nothing of other academic specialists) have been having a field day diagnosing, explaining, and at times - condoning the phenomenon widely known as "student unrest." Indeed, the concern of some of the professors has waxed to the point of willingness to promote, and even to participate in, the programs of the campus revolters. With this situation it is not unreasonable to conclude that the sympathetic professors have played a significant part in providing a climate that encourages student discontent, and must as-

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sume a measure of responsibility for the consequences. Especially in the "social sciences" there are many instances of instructors who neither require serious study of the subject (such as it is) nor regular class attendance, which leaves their students with plenty of time to cultivate restlessness. And in some departments it is easy to find members who seem to be none. too busy themselves, either at teaching or engaging in any other form of scholarly endeavor. This is still not the typical state of affairs, it should be acknowledged. in medicine, engineering, and the professional schools generally, where a majority of the students are striving diligently to gain a handhold on a career ladder, and most of the teachers are trying hard to be helpful.

Playing a role perhaps more im-

portant than that of the professors in opening the door to the restless and unruly are the acquiescent and obliging administrators, widely represented among today's college and university presidents, deans, and other officers. The extent to which these people cater to the dissident groups is nothing short of amazing, and deeply disturbing, to many old grads. And boards of trustees and regents should not escape mention in this connection. Often a majority of the members of the governing board are not favorably inclined toward the attitudes and policies of faculty and administration, but they turn their backs most of the time and pussyfoot even when conditions clearly call for a positive stand.

Semantic Confusion

To support the view that the leaders in campus disorders are idealists troubled by the ills of the educational system, and incensed by the limitations of prevailing programs for dealing with the plight of the disadvantaged and downtrodden, resort is had to some very sorry semantics. Words are potent weapons in man's affairs, and their misuse can bring unfortunate results ranging from minor misunderstandings to tragic confrontations and crises. The disturbances in the schools we are

currently witnessing cannot reasonably be regarded as constructive efforts to improve the educational process, or amend alleged bad practices in any other area. Fomenting disorder, smashing windows and burning buildings, throwing missiles (from bricks and rocks to bombs and bullets) at the police and other official lawenforcement personnel, physical attacks on students and teachers who are trying to carry on — these are hardly the earmarks of an idealistic reform movement.

I have personally viewed hundreds of shattered windows and doors on the beautiful grounds of one of the world's renowned private universities and the experience was nightmarish. At a large state institution, which I know well, one episode was the seizure of the new undergraduate library. which cost the taxpayers several millions, by a band of twenty to thirty "youths" who held possession for many hours while wrecking files and equipment, disarranging and damaging thousands of volumes, defacing walls, and otherwise disporting themselves. The result was a shambles, forcing a temporary complete closing of the building, to the great disadvantage of the thousands of undergraduates regularly using the library's facilities. This costly caper of the "militants" is only one

of a long list of interferences with normal operation during the last three years, usually featured by violence and vandalism, and the total effect has been a substantial impairment of the functioning of the university. To date, moreover, not a single student participant in the disruptive incidents has been expelled, or even suspended. A dean did indeed announce suspension of one stalwart "youth" who knocked a teacher down and broke his glasses, but the outcries of outraged "student government" groups and their faculty supporters soon induced a revocation of the dean's initial decision.

Query: Why shouldn't campus rowdies, thugs, vandals, and rioters be properly and plainly described, instead of being labeled as "protesters," and credited with an earnest desire to better school environments and operations and assist in solving all pressing social problems?

Professional Agitators

There is solid evidence that hardened agitators, often trained abroad, are involved in most major strikes and riots in the schools as well as on the streets. These are people dedicated to destroying the American educational system and — ultimately — producing a condition of general chaos that will insure the complete col-

lapse, like a house of cards, of our political and economic institutions. Apologists for the student activists, and the disorders in which they figure prominently, should take note of this established fact. There is room for argument, of course, as to just how potent the professional agitator cells are, in stirring up trouble.

With respect to the faculty members and administrators who are prone to defend groups and organizations sponsoring militant "movements" and activities, there is a noticeable tie that binds: almost to a man they are either outright socialists, or dominantly socialistic in outlook. They are all definitely unfriendly to private business enterprise and an unhampered, competitive market: they damn capitalism at every opportunity, in the classroom and elsewhere, either bluntly or by sly slurs and digs running from faint praise to half-truths and downright misrepresentation. Generalizing as to the views of the student troublemakers is less warranted, but that the leadership of the various groups is heavily loaded with Marxists and procommunists is very clear.

Nothing can be done, needless to say, to convince the partyline foreign agents, and their confirmed fellow travelers and sycophants, that there is any merit in the American experiment in individual freedom — freedom to move about, to choose an occupation, to save and acquire property, to prosper, and (on occasion) to become wealthy. But we can still hope that the host of well-meaning citizens who have been somewhat tolerant of the youthful "protesters," and indifferent to the turmoil they have stimulated in the schools, will wake up, and exert a restraining influence before the wrecking operation reaches the point of no return

Widespread Mental Smoa

One striking feature of times is the willingness of people generally, and especially in the ranks of the intellectuals. called, to disregard plain facts and be beguiled by illusions and mirages. Common sense seems to be on the wane. The widespread mental smog from which we are suffering, it may be urged, is much more dangerous than the fumes emitted by our motor vehicles. This condition appears the more remarkable, at first glance, in a society equipped with an incredible array of gadgets providing almost instantaneous and worldwide communication, a flood of printed material on every conceivable subject, and an elaborate educational framework designed to keep us occupied with learning from early childhood on into the adult years. But perhaps this is what ails us. Perhaps we are so swamped with information—and misinformation—that the power to think, to reason, to get at the nub is becoming atrophied.

As most careful observers will agree, the protesters and revolutionaries have been aroused rather than restrained by the permissive and indecisive tactics of those in charge. Give them an inch and they'll take a mile is just as true today as in the past. Will we never learn that coddling and cajolery will not check those bent on tearing our schools to pieces, or engaging in any other form of lawlessness? And neither will "trying understand," "opening avenues of communication" fancy description for setting up a flock of committees, conferences, and discussion groups), and other soft-soap suggestions from professorial ranks, aimed at advising or mildly admonishing, restore order and efficient functioning to the campus.

The Need to Take a Stand

Nobody favors arbitrary or tyrannical suppression of the restless and discontented, even when they have no solid ground under their feet. (We greatly need the inventive and innovative individual, in all fields.) But taking a

definite and determined stand, laying it on the line and not backing down, are essential to the curbing of destructive conduct, in school or out. There are, at long last, a few schools where this position is being asserted, forthrightly, and some supporting voices are being raised in high places in government. Delay has, of course, made the chore of restoring order much more difficult. Purging academic staffs, stiffening admission requirements, and increased willingness to resort to expulsion are developments badly needed.

A concluding question: What will be the impact on American productivity, on the level of output of goods and services, of the diversion of time and energy to attempts to cope with student lawlessness, plus the serious impairment of the usefulness of our educational facilities accompanying the school disorder and destruction? The economic system in this country is already showing signs of staggering, despite the momentum achieved by the technological advance, under the burden of costly programs reflecting the preoccupation with the needs of the ailing, the elderly, and the "disadvantaged," a widespread and increasing indifference to efficiency and good performance, a complex and stifling tax structure, a crime wave of frightening proportions, a mountainous fense effort, which probably cannot be greatly relaxed in the near future, growing governmental interference and control in all fields, coupled with fiscal irresponsibility and the continuing plague of inflation. In short, we have about all the troubles and difficulties we can take. Any substantial addition to the load at this juncture may topple us. And in the face of the prospect of tremendous increases in population (according to the predictions) how can the present per-capita standard of living be maintained, to say nothing of improvement? The almost forgotten truism that "we can't consume any more than we produce" still holds.

The Exposure of Nonsense, All in Good Time

To clear the air, blow away the mists of nonsense and confusion, there is a great need for men of the stamp of Jonathan Swift, Gilbert and Sullivan, and our own Will Rogers. What a blessing it would be if a crop of talented humorists and satirists were to spring up, with the genius to riddle with ridicule the pretensions and poses of the "liberal" professors and their ilk! (We have Al Capp, but he needs help.) Once joking about the prevailing absurdities became popular, a re-

turn to sanity, to order, to decent behavior—as the standard to which all men should strive to repair—might well be in sight. A gale of laughter would surely be good medicine at this juncture. Even some of the "protesters" might be nudged into joining a jocular chorus, and looking with less favor on commotion and wanton destruction.

Recently I happened to open up my battered copy of *Book of Tales*, a volume edited by William Swinton and George R. Cathcart and published in 1880 as a reading supplement for third graders. This book was a great favorite of mine seventy-odd years ago, and I read and reread it until I knew many of the tales "by heart." (I wonder if there are any third graders nowadays so stimulated by the stuff provided for them.) One of the "poems" included was a satire written by Matthew (pen name of William Browne Brighty Rands, 1823-1882), first published in 1864. This is worth being brought to light again for its own sake, and also because it might serve as a model for a humorous piece on the antics of the present-day protesting "youths." Here, then, is "Lilliput Levee," taken verbatim from the Tales:



Lilliput Levee

- 1. Where does Pinafore Palace stand? Right in the middle of Lilliput Land! There the queen eats bread and honey; There the king counts up his money.
- Oh, what a wonderful change to see!
 Nothing is dull as it used to be,
 Since the children, by clever, bold strokes,
 Have turned the tables upon the old folks.

- Now the thing was easily done,
 The children being two to one;
 Brave as lions, quick as foxes,
 With hoards of wealth in money-boxes.
- 4. They seized the keys, patrolled the street,
 Drove the policeman off his beat,
 Built barricades, and stationed sentries:
 Give the word when you come to the entries!
- 5. They dressed themselves in riflemen's clothes; They had pea-shooters and arrows and bows, So as to put resistance down: Order reigns in Lilliput Town.
- 6. They went to the druggist's, broke in the door, And scattered the physic all over the floor; They went to the schoolroom, and hid the books; They munched the puffs at the pastry-cook's.
- 7. They sucked the jam, they lost the spoons, They sent up dozens of fire-balloons, They let off crackers, they burnt a guy, They piled a bonfire ever so high.
- 8. They offered a prize for the laziest boy, And one for the most magnificent toy; They split or burnt the canes off-hand, And made new laws in Lilliput Land.
- Never do to-day what you can
 Put off till to-morrow, one of them ran;
 Late to bed, and late to rise,
 Was another law which they devised.
- 10. They passed a law to have always plenty Of beautiful things: we shall mention twenty,— A magic lantern for all to see, Rabbits to keep, and a Christmas-tree,—
- 11. A boat, a house that went on wheels, An organ to grind, and tarts at meals, Drums and wheelbarrows, Roman candles, Whips with whistles in the handles, —

- 12. A real live giant, a roc to fly,A goat to tease, a copper to sky,A garret of apples, a box of paints,A saw, and a hammer, and no complaints.
- 13. Nail up the door, slide down the stairs, Saw off the legs of the parlor chairs, — That was the way in Lilliput Land, The children having the upper hand.



- 14. They made the old folks come to school All in pinafores, that was the rule, Saying, Eener-deener-diner-duss, Kattler-wheeler-whiler-wuss.
- 15. They made them learn all sorts of things That nobody liked. They had catechisings; They kept them in, they sent them down In class, in school, in Lilliput Town.
- 16. Oh, but they gave them tit for tat!

 Bread without butter, stale at that, –

 Stick-jaw pudding that tires your chin,

 The marmalade on it ever so thin.
- 17. They governed the clock in Lilliput Land: They altered the hour or the minute hand; They made the day fast, or made it slow, Just as they wished the time to go.
- 18. They never waited for king or for cat, Or stopped to wipe their shoes on the mat; Their joy was great; their joy was greater; They rode in baby's perambulator!

- 19. There was a levee in Lilliput Town At Pinafore Palace. Smith and Brown, Jones and Robinson, had to go, — All the old folks, whether or no.
- 20. Every one rode in a cab to the door; Every one came in a pinafore: Lady and gentleman, rat-tat-tat, Loud knock, proud knock, opera-hat.
- 21. The palace, bright with silver and gold, Was full of guests as it could hold.

 The ladies kissed her Majesty's hand:
 Such was the custom in Lilliput Land.
- 22. His Majesty knighted eight or ten, Perhaps a score, of the gentlemen; Some of them short, and some of them tall; Arise, Sir What's-a-name What-do-you-call!
- 23. Nuts and nutmeg (that's in the negus);
 The bill of fare would perhaps fatigue us;
 Forty fiddlers to play the fiddle:
 Right foot, left foot, down the middle.
- 24. Conjurer's tricks with poker and tongs, Riddles and forfeits, comical songs; One fat fellow, too fat by far, Tried "Twinkle, twinkle, little star!"
- 25. His voice was gruff, his pinafore tight; His wife said, "Mind, dear, sing it right;" But he forgot, and said "Fa-la," The Queen of Lilliput's own papa!
- 26. She frowned, and ordered him up to bed; He said he was sorry; she shook her head: His clean shirt-front with tears was stained, But discipline must be maintained.
- 27. Now, since little folk wear the crown, Order reigns in Lilliput Town; And Jack is king and Jill is queen In the very best government ever seen.



ENYY

THE MORE orthodox way of attempting to refute a socialist, or any kind of collectivist, is to appeal to his latent sense of rationality. Since every individual is different, equality - as distinct from legal equity - cannot be legislated. The attempt to do so suppresses the innovative spirit in a society, and everyone is the poorer for it. If you can get a socialist to admit this, you have him where you want him. He will be compelled to support some adaptation of the competitive principle in order to square his thinking with a sense of reality.

Unfortunately, the world is full of people who are not in the least concerned with creating a socialist order for idealistic reasons, however misguided the reasons may be. These people aren't looking for a progressive society of any type. What they want to do is to pull front-runners down, to penalize excellence, to make everybody the same, for reasons that are grounded in emotion. They are the envious ones who cannot stand to see anybody move out of the ruck. They are impervious to the logic

that must ultimately tell any sensible person that it is the division of labor that supports our huge modern populations, the envious and the unenvious alike. This is the mentality dissected by Helmut Schoeck (*Envy*, Harcourt Brace Jovanovitch, \$7.50).

Curiously enough, the term "envy" is hardly mentioned by any of our big-name contemporary sociologists or political philosophers. There are plenty of economists who are prepared to refute socialism by recourse to the rational appeal. One even finds them behind the Iron Curtain - or one did before the Czechoslovak crisis resulted in the suppression of the Ota Siks who were trying to revalidate market principles in the sluggish Eastern societies. But there seems to have been a conspiracy of silence about the subiect of envy.

In combing over the literature on social change, Professor Helmut Schoeck, who taught at Emory University in Atlanta before returning to Europe to take a chair of sociology at the University of Mainz, discovered that only one modern writer, a Frenchman named Eugene Raiga, had ever devoted a single book to the role of envy in stirring social and political disturbances. Against this meager showing there have been hundreds of writers from R. H. Tawney to Michael Harrington who have rung the changes on the alleged sin of acquisitiveness. Indeed, it has been considered far more wicked to provoke envy than it has been to break the commandment that says, "Thou shalt not covet." Justice Oliver Wendell Holmes used to twit his friend, Harold Laski, about the "passion for equality," which seemed to him a dissembling way of "idealizing envy." Significantly, Laski, though he was the most rhetorically gifted of the British Labor Party's publicists, avoided answering Holmes's pointed remarks. If he had tried to do so he would have inevitably called attention to the ugliest side of the socialist movement.

Aside from Eugene Raiga and a few novels such as L. P. Hartley's Facial Justice one has to go back to the nineteenth century to find any extensive commentary on envy as perhaps the chief destructive element in society. The philosophers, Kant, Schopenhauer, Kierkegaard, Nietzsche, all had something to say on what they considered one of the more important, if

reprehensible, human drives. Adam Smith spoke of the need for laws to keep property from being invaded and destroyed by the envious. Herman Melville, in Billy Budd, dramatized the envious man as the embodiment of evil, and Eugene Sue's Frederick Bastien: Envy dealt with the subject almost clinically in fiction that foreshadowed modern psychoanalysis. And the ancients and the relatively ancient, from Aristotle to Chaucer and Francis Bacon, were not afraid to speak against the envious man.

Professor Schoeck thinks that modern social and political theorists have repressed the concept of envy out of sheer embarrassment. The whole surge of our modern society has been toward "socializing" the economy, and if one were to admit that the movement has been in response to resentful and evil men, it would create a most unpleasant and painful state of affairs. The iniquitous secret of socialism is that it leads, in its more extreme manifestations, to a world without sociability or sociableness. With Leftist theoreticians taking over so many of the media and so many of our university chairs, it is hardly likely that we will get much dispassionate treatment of the subject of envy. What we do get is a literature of circumlocutions. The writers speak

of "conflict," which is a matter of overt behavior. Envy is a silent, secretive process that can be hidden behind protestations of idealistic concern for equality. Since it is silent (nobody likes to admit it), our writers don't have to pull it out of the closet. But Professor Schoeck surmises that the failure to identify envy for what it is has had much to do with the masochism of our younger generation, many of whom feel guilty because their parents have money, or because the nations of the West are more prosperous than those of the "third world." The positive and energizing values of capitalist society are lost sight of simply because we no longer tolerate any discussion of envy and covetousness as being among the more sterile human attributes.

Professor Schoeck is willing to concede the high-mindedness of some socialist theorists. But he has recourse to anthropology to prove that envy remains a constant in society, no matter what the principle of organization. In primitive collectivisms the envious man concentrates on little things. The Siriono Indians of Bolivia denounce the hoarding of food. But although they conform outwardly to collectivist norms, the individual Sirione hunter will hide his catch outside the camp. After nightfall he will return, possibly with his wife, to the hiding place for a lonely feast. It is part of the myth of a "golden age" to suppose that pre historic communities were joyfu utopias where everyone shared and nobody envied anybody else.

The possibility of creating a collectivist society without envy founders on the necessity of giving somebody the power to maintain order. Naturally, power of any kind provokes envy among those who do not have it. It is no accident that the Russians haven't been able to create an equal society; if they had, it would have resulted in a situation in which nobody would do the less congenia work. To get production out of the poor slobs in the "classless" society, the Soviet managers have had to establish a 40:1 differential between maximum and minimum incomes. In Western countries. where the urge to utopianism hasn't yet killed the market economy, the ratio is more like 10:1.

Even the Israeli kibbutz has proved disappointing to those who hoped that communal life could be a life without envies and resentments. To exist at all, the kibbutzim have had to make use of the products, the technology, and the achievements of individualistic societies. They have succeeded to some extent, but at the cost of producing a younger generation that is obsessed with the fear of

showing signs of individual superiority. The individual who exercises a poetic gift feels guilty, and it is judged an offense to do intellectual work when physical labor is demanded.

Professor Schoeck, recognizing human nature for what it is, doesn't expect to do away with envy anywhere. But the time has come, he says, for a "hardening towards exaggerated sensitivity to envy." It makes no sense for us to behave "as though the envious man was the main criterion for economic and social policy." We should treat the envious man for what he is, a person who wants to pull others down without bothering to expand his own capacity for excellence.

▶ YOUTH, UNIVERSITY, AND DEMOCRACY, by Gottfried Dietze (Baltimore: Johns Hopkins Press, 1970), 117 pp., \$6.50. Reviewed by George C. Roche III

IT HAS BECOME commonplace to criticize the modern university, its faculty, and students. The significance of Professor Dietze's latest work is that he goes far beyond such criticism.

Not that he approves of the present academic community:

Laziness, vanity, and arrogance, the seeking of and corruption through power, the elimination of excellence, the negation of the search for the truth, devious pursuits of material things, intellectual sacrifices, and the absence of freedom—all can be found in modern universities.

Sympathetic to youth and its problems, Dietze feels that the young people living in what he calls "the liberal-democratic era" have sufficient uncertainty and insecurity to face without the further uncertainty and insecurity likely to result from contacts with the modern university. From that point on, however, he parts company with protesting students, emphasizing that today's protesters tend to favor those courses of action most detrimental to genuine education.

In Professor Dietze's analysis, both university failures and student failures are traceable to a single cause—the politicalization of the university, a direct result of mass democracy and the acceptance of the welfare state:

The present breakdown of law and order, usually reflected in crimes against property rights, is in a large measure the natural consequence of so-called social legislation. Individual citizens cannot be expected to respect property rights if the government has consistently disregarded these rights and destroyed public trust and all sense of obligation.

Today's students have grown up in this atmosphere. Rioters are the children the welfare state has released. When rioting students protest against the "Establishment," they apparently do not realize that they themselves are a product of that Establishment:

... the student diagnosis of present societies is a quack diagnosis, for establishments are not sick because they are insufficiently democratic, socialist, egalitarian, etc., but for the very opposite reason - namely, because they have gone too far to the left. Student aims, therefore, are likely to increase the illness of society rather than to heal it, just as a doctor who makes a wrong diagnosis and applies the wrong therapy is likely to worsen his patient's condition. Rioting students are outcasts of the establishment only on the surface. On closer inspection, they are its products. Student rioters are outcasts of the establishment only insofar as the establishment has remained healthy. Insofar as it has become sick, they are representative of it. They are the poison produced by the infections of the body politic, out to destroy that body.

The author reminds us that this has all happened before, describing the vulnerability of Weimar democracy:

Political factions fought it out in the Reichstag, in the streets, and in universities, which increasingly had become places for political debate and controversy. In the end, Hitler arose and . . . streamlined the universities into his system. Professor Dietze's erudition in philosophy, history, law, and letters comes to bear on the subject of the university's proper place in society. The ideal for the student, the scholar, and the university itself comes alive as the reader begins to understand the meaning of a "community of scholars."

Youth, University, and Democracy is filled with insights for student, teacher, and administrator. The book also makes clear to the rest of us that, for all the shortcomings of today's universities, we must be careful to distinguish between today's politicalized campus and the historic role of the university. Seen in that historic role, the university should be and can be a bulwark against the mob mentality:

. . . universities, developing along with constitutionalism, have protected the freedom of the individual against authoritarian popes, kings, and popular demagogues, and [can] continue their libertarian mission in modern democracies. That mission implies maximal benefits for community - including youth. For only free universities can serve truth, and only advancement toward the truth can satisfy the perennial quest of a traditionally confused, sad, and brave youth for clarity and bring about the kind of public good youthful idealism has always longed for.

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

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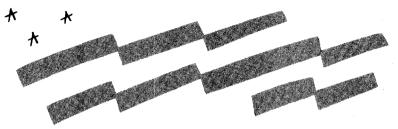
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* MAN and MIRACLE



GEORGE WASHINGTON'S high regard for the Constitution of the United States was expressed in a letter to Lafayette early in 1888:

It appears to me, then, little short of a miracle that the delegates from so many different States . . . should unite in forming a system of national government so little liable to well-founded objection.

From that phrase, Catherine Drinker Bowen derived the title for her historical narrative of the Constitutional Convention of 1787, *Miracle at Philadelphia*. With Washington presiding over their deliberations, some 55 diverse personalities, representing 12 sovereign states, agreed on a code of association proclaimed by Glad-

C. Austin De Camp, Retired Lt. Col. Engrs. AUS, saw volunteer service in World Wars I and II. His 86 years have been devoted to exposition of America's gift of freedom to the world, speaking and writing of the meaning behind the major anniversaries we celebrate.

stone "the greatest document ever struck off by the hand of man"—a document designed to give unity and purpose to a government of men and of states and to assure that liberty should be the birthright of succeeding generations.

"Miracles do not occur at random," observes Mrs. Bowen. "Every miracle has its provenance, every miracle has been prayed for. The wine was first water in Cana; there was a wedding and a need." And, one might add, the individuals were at hand to fulfill such need.

As to the miracle at Philadelphia, the prayer for freedom had been growing in intensity for fifty generations. The need was evident in the conduct and governance of 13 embryo states along America's Atlantic shore. In due time, the requisite human agency appeared, making liberty the first

and foremost concern of the political structure. Those developments of American philosophy, culminating in the decision for a free mankind, are indeed a great miracle. How fitting then, in celebration of Washington's birthday, that we check our bearings to determine if we are worthy of our miraculous heritage: attainable freedom for all mankind.

The Seeds of Liberty and the Flowerina

To review the history of liberty is to realize that the concept is of relatively recent origin. Liberty could be no part of a polytheistic religion, with a multitude of gods enslaving men and directing their destinies quite apart from human desires and capabilities. Only some 3,900 years ago did Abraham make the first major break from polytheism; and much of the world today has yet to break those chains. The meaning of freedom develops slowly.

With all the fine theories of freedom evolved by the Greeks, they neither embraced monotheism nor discarded slavery. Englishmen spelled out the beginnings of the rights of man in the Magna Carta; they recognized the right of the individual to by-pass the clergy in reading the Scriptures; they enhanced the quality of justice through impartiality in

court practices; but they remained the subjects of rulers who inherited sovereignty by Divine Right.

The great break-through to the idea of citizen sovereignty came on the Atlantic coast of America, among people conditioned to self-reliance, resourcefulness, and independence. Freedom — the right of choice — was knocking at their door. And they opened that door in recognition of their need.

Abraham had sown the seed: one God of the universe manifesting Himself through the individual. Intervening centuries of religious and philosophical gestation enabled Thomas Jefferson to put it in these words: "All men are created equal . . . endowed by their Creator with rights . . . life, liberty, and the pursuit of happiness ... that to secure these rights, governments are instituted among men." How, then, to structure a government to implement new-born idea of citizen sovereignty?

Except for the inspired leadership of George Washington in those perilous years after 1776 this child might have died in infancy, and we might still be groping for a practical way to rest sovereignty in the individual. History should record him, not only as the father of his country, but also as the father of citizen sovereignty – the greatest advance in social and human relationships since the dawn of civilization.

Citizen Sovereignty

The governance of man, if one traces the social contract through time, begins with the tribal chieftain. It progresses from smaller to greater rulerships, all substantially authoritarian in method and monarchical in design. The Divine Right of Kings and succession by primogeniture typify such systems, the freedom of the individual ever secondary to the authority of the sovereign. Then, the miracle - the mantle of sovereignty enveloping each citizen and his heirs forever, theirs the responsibility for working out the intangibles of human liberty and voluntary association.

Under citizen sovereignty, the excellence of any government depends directly upon the excellence of the citizenry. If one is unhappy with today's state of the nation—law, order, education, inflation, pollution, war, morals, or whatever—the only honest and courageous course is serious self-examination. And then the question: "What am I going to do about it?"

One helpful answer might be to try to repair the lack of humility and gratitude in our spiritual makeup. To daily and sincerely register thanks for our heritage as citizens should make of us better sovereigns than we are.

Also, we might seek an ideal sovereign after whom to pattern the exercise of our own privilege and duty. And what better choice than George Washington, first citizen sovereign following the rejection of monarchy, and model of unimpeachable honesty.

Parson Weems may have been a better historian than he knew when he invented the myth of the cherry tree, an interpretation of the greatness of a man who would not lie. Douglas Southall Freeman says of Washington: "For the long and dangerous journeys of his incredible life, he always had the strength and direction needed, because he ever walked a straight line."

Another question we might ask ourselves: "Does the sovereign believe in the cause he serves; am I truly dedicated to the freedom of mankind?" Evidence of Washington's dedication is to be found in these responses when he was sought for speaking engagements after the war:

To the Reformed German Congregation in New York — "the establishment of Civil and Religious Liberty was the motive which induced me to take the field."

To the New Church in Baltimore

-"We have abundant reason to rejoice that in this Land, the light of

truth and reason has triumphed over the power of bigotry and superstition and that here every person may worship God according to the dictates of his own heart . . . It is our boast that a man's religious tenets may not forfeit him the right of attaining and holding the highest offices that are known in the United States.

Biographer Freeman says further:

George Washington was neither an American Parsifal nor a biological sport. What he was, he made himself by will, by ambition and by perseverance . . . He ever walked a straight line.

There is the crowning glory of the man, a man with few, if any, of the accepted factors of greatness such as commanding statesmanship, great eloquence, great scholarship, great skill as a builder, or even great military prowess. Not by talented genius that Washington attained the mantle of greatness, but because he walked a straight line. Achievements unparalleled, by unswerving devotion to truth. Truth, which makes men free.

Washington left us a legacy of opportunity and of truth — basic elements in the structure of national endurance. Facing today's "times that try men's souls," may we be guided, by a man and his miracle, to walk a straight line.

If, to please the people, we offer what we ourselves disapprove, how can we afterwards defend our work? Let us raise a standard to which the wise and honest can repair. The event is in the hand of God.

Attributed to GEORGE WASHINGTON during the Constitutional Convention

CONSUMERISM

MAX E. BRUNK



IN AMERICA TODAY people work fewer hours, have more security and real wealth than ever before. and yet we are an unhappy people involved in much social dissent. We are frustrated over poverty, equal rights, changing social mores, campus revolt, pollution, and our environment. It is no longer fashionable to talk or worry about our productive capacity either as a nation or as individuals. Farmers and our business institutions are taken for granted. We are not so much concerned with the source of our wealth as we are with its appropriate disposal.

The things we worry about today were, of course, problems years ago, but we were too busy, too insecure, too poor to do much

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about them. Perhaps we should be thankful for the affluence that has made it possible for us to move these "old problems" upward on our scale of priorities. At the same time we should recognize that while affluence provides the means it does not necessarily provide the wisdom for instantly coping with the complex social problems now concerning us.

Affluence has provided an abundance of people who are economically free to concern themselves about the affairs of others. Man hours no longer thought to be needed to produce goods and services are, in no small degree, the source of our social discontent.

Until quite recently, we have been so busy growing in an industrial sense, and we have enjoyed the fruits of our labor so much, that we have had little time or re-

sources to devote to those broad social problems created by our rapidly advancing technology. No small part of this technological advance has been in agriculture. Those persons left in agriculture today are the economic survivors of the greatest mass migration in the history of man. Had there been no out-migration from agriculture over the past 35 years, our present farm population would be 65 million rather than 10 million. This sudden displacement includes many who have neither the capacity nor ven to learn and master a new profession - many who find it disagreeable to work by the clock and calendar. Many of these are the technological dropouts who are in trouble - who are both a burden and responsibility of our modern society - who are a source of discontent in this time of affluence.

One Dropout, One Vote — Formula for Disaster

Numbered among the dropouts and other technological misfits are many of our youth who, supported by affluent parents, have not had to worry much about becoming productive citizens. Our colleges are crowded with those who have little or no idea of the professions they ultimately seek to follow. Many, in their bewilderment, seek immediate changes in our social

structures amounting to an instant social security designed to perpetuate their dole.

Suddenly we are aware of a large and growing group living on the leavings of a highly productive society. Earlier societies have had their leisure classes but never before in history has so large a proportion of a society been free of the worries of seeking the bare essentials of food. shelter, and clothing. The perplexing problem facing us is how to absorb these technological dropouts and make them productive. For how else are we to combat a national negativism and get on toward a happier society?

In the meantime, this growing horde of economic parasites takes on a very serious meaning in a one-member, one-vote democratic society. Still in the minority, their presence is largely manifested in social meddling—in contemplation about the welfare of their fellow man. One such movement we vaguely call consumerism—a term still too young for the dictionary. This particular movement not only impinges on your rights as a consumer but also is symbolic of present-day social meddling.

Consumerism is a movement of activists who champion issues which appear to be beneficial to consumers. My carefully worded statement that consumerism is a

movement of activists who champion issues which appear to be beneficial to consumers is blunt and to the point. It will not make the consumerist happy for it exposes the spurious implication that there is, outside the market place. a bona fide movement of consumers who join in common cause on their own behalf. Nevertheless, in order to understand the growth, strength, and power of consumerism one must realize that it is not a movement of consumers themselves. The term implies protection of the consumer, but the flood of proposals for ways and means of protecting the consumer are not generally traceable to those seeking protection for themselves. To the contrary, the specific issues of consumerism are initiated by those who, for assorted reasons, seek to protect others from harm. It is this third-party involvement in a buyer-seller relationship that gives consumerism its uniqueness. The consumer activist, regardless of motive, is indeed a crusader.

Third-Party Intervention

Time will not permit an exploration of all the motives of the consumerist. They obviously range from selfish to unselfish, from dishonest to honest, from thoughtless to well informed. Whatever his motives, the consumer activist contends that consumers should be protected from physical and economic harm, that consumers should be informed and educated in product knowledge, that consumers should have a choice in the market place, and finally that consumers should have proper legal redress for wrongs. Such virtuous aims seem undebatable until one realizes that under consumerism they are subject to third-party interpretation which may or may not be in the consumer interest.

In a normal market relationship. the buyer's right to accept or reiect imparts forceful economic meaning to these aims consistent with each individual's particular set of values. But competitive enterprise is rejected by the consumerist who identifies protection in terms of third-party values. And because such values can always be made to appear rational, they are condoned and often vigorously supported by the general public. As a result, innumerable laws, regulations, and coercions are rapidly displacing the free decision of the individual in the market place, and the right of the consumer to choose increasingly becomes a mockery.

Without much doubt, I reveal my personal conviction on consumerism. I think most of all I resent the hypocrisy of the politics behind consumerism — the illusion that someone is doing something for me when in fact he is only doing something, at my expense, to serve his own selfish political interests.

I hear business leaders today claiming that consumerism is antibusiness - antiproducer - antiagriculture. They, too, have fallen victim to the hypocrisy of consumerism. They are mistaken. Consumerism is aimed at the consumer. Business can adjust and endure under consumerism much better than consumers can. To business, consumerism merely closes the doors to certain opportunities, redirects effort, or alters the competitive advantage one business might have over another. But look what it does to the consumer who pays the cost and loses the benefits that a prohibited product or service could have provided.

I reject the popular contention that the housewife-consumer is ignorant, stupid, or uninformed merely because her actions are not consistent with either my beliefs or the beliefs of any professional consumerist. In my opinion, consumers with dollars in their pockets are not weak by any stretch of the imagination. To the contrary, they are the most merciless, meanest, toughest market disciplinarians I know. I reject the thesis that there is any one universal value in marketing that can be made applicable and acceptable to all 200,-000,000 American consumers. Any businessman who succeeds in his efforts to capture the favor of the consumer knows this. He knows that the values and needs of different consumers change with almost every purchasing decision. Surely we need to distinguish between the proper role of government in protecting consumers from deceptive practices and the inappropriate role of serving as intermediary between buyers and sellers in making value judgments.

The Price We Pay

In our zeal to protect the "innocent" consumer, we need recognize that each protective step necessarily limits our productive capacity as a nation. It may be argued that a wealthy nation can afford such luxury and, though this is true, we need also to take into account the price we are paying for consumerism.

Risk is inherent in every consumer purchase — in every consumer act — and man can do nothing to alter that fact. The efforts of man to eliminate risk in the market place contain much political appeal but are nonetheless futile because the reduction of one kind of risk must always be accompanied by a compensating increase in another kind of risk. The cost of protection is deprivation. We can, if we desire, achieve a high degree of auto safety by re-

ducing speed; but society rejects the sacrifice and instead, with the safety belt, accepts a lower safety level requiring less sacrifice.

Some of the most protected members of our society are the inmates of our prisons. These unfortunates know the personal cost of their protection through acute awareness of their deprivations. But the cost of consumer protection is not so apparent. We have no way of putting a value on the sacrifice in foregone products and services that a free market could provide.

Motivated by Power

So far I have identified the consumerist only as a kind of selfappointed, omnipotent guardian of the consumer. Who is the consumerist? Where do his ideas come from? What gives him motive? To some degree I think we are all consumerists at one time or another. We all have ideas about how other people should behave or be made to behave. When we get worked up about some issue we may even become activists and try to force our opinions on others. However, the most potent and dangerous consumerists are found in the ranks of elected public officials, career public workers, authors and writers, college professors, school teachers, preachers - people who have time on their hands to worry

about others—people whose status depends on publicity and popularity—and perhaps above all, those technological dropouts who have yet to find a place in society.

It is interesting to observe that the consumerist sometimes has as much difficulty convincing the consumer of her need for protection as in convincing a regulatory body to do something about it. This is what they call education. But in final analysis the consumerist with the real punch is the elected official who champions laws, the appointed official who establishes regulations, or the self-appointed meddler who needs only to demonstrate. to release a report or make a speech to hit the headlines. I doubt that my congressman is responsible for the eight sets of seat belts that came in my latest car, but I got them and I paid for them. While some congressmen deem it expedient to play on the political opportunities of consumerism, we can be thankful that most of our public representatives, perhaps much better than the general public, understand the shams of consumerism. In a very real sense, these responsible representatives often protect the consumer from the consumerist.

The Case of Unit Pricing

So far I have dealt in broad generalities. Perhaps a specific illus-

tration may help to expose consumerism in its true light. I have heard it said that if strawberries were a manufactured product, they would be restricted from the market today because so many people are allergic to them! Indeed, the long arm of consumerism will soon reach back to the products of the farm as it already has in its intense concern with antibiotics, insecticides, herbicides, and fertilizers.

Anyway, my little story has to do with unit pricing and I approach it with no misgivings. From mail I have received. I've learned the danger of commenting on any consumer issue because someone, some self-appointed consumerist, always stands ready to defend such issues. A few years ago someone had the thought that if all products in the retail store were price-marked in equivalent units of pounds, quarts, square feet, and the like, then the consumer could better identify the best buy. There was an implied assumption that the variety of package sizes on the market were a calculated attempt to deceive the consumer.

Gradually the idea began to catch on and more and more people began to accept and champion it. I know of no strong bona fide consumer support for the idea but I do know of a lot of passionate pleas made by consumerists who thought the idea had merit, especially for people on a tight budget. Finally, the proposal gathered enough steam to be ordered into effect by the Department of Consumer Affairs in New York City. But before it could be invoked, the courts ruled that the Department had no authority to require conformance. The matter currently rests there while steps are being taken to establish the needed authority.

But, as in any fight, charges and countercharges flew wildly. The merchants claimed that the costs of so marking products would be prohibitively expensive - that the net increase in cost would be borne by the consumer. The consumerists claimed that such marking would enable some consumers, and particularly those who needed it most. to save up to 10 per cent on their grocery bill. No one really had any facts, though the idea sounded plausible and workable. This is the typical way consumerist issues arise and generate support, first among those who would like to do something for the consumer, and then among consumers who innocently become effective consumerists without really knowing it. It also reveals the typical negative reaction of the business community which serves only to add the fire of certainty to the consumerist's eyes.

Fortunately, this is one idea that

could be tested with reasonable preciseness, and one of my colleagues at Cornell, Professor Daniel Padberg, undertook to do that in a chain of stores in the Midwest. The most interesting of his conclusions is that both the costs and benefits were grossly overstated. The costs in the smallest stores ran to over 4 per cent of the sales value but in large supermarkets they amounted to less than a tenth of one per cent of sales. But a check of product movement over time indicated no significant shift in purchases by the consumer. In two broad food categories the consumer actually shifted her trade up to the higher cost per unit item; in the cereal category she shifted to lower-cost packages; and there was no change in the others. Surveys of consumers shopping these test stores revealed that awareness of the availability of the information was greatest among the highincome, well-educated consumers. Despite these findings, the only real facts on the issue available, it is my prediction that the consumerist will continue to champion unit pricing, will continue to talk about how it will benefit the poor, and eventually will succeed in getting widespread regulations making unit pricing mandatory.

The issue of unit pricing did not originate from any factual base, and accordingly, facts are not

likely to alter the decisions of those who champion its cause. It makes no difference that the theory of unit pricing is based on a false and strictly materialistic premise. It makes no difference that it gives the large merchant a competitive advantage over the small. It makes no difference that the wealthy take greater advantage of the information than do the poor. Even if the benefits are not very great, it may be argued that the costs are insignificant. At least the consumer doesn't need a computer when she shops and she gained a notch in her right to be informed. But is the cost really insignificant if we add this to the hundreds of other laws and regulations that have been forced on the consumer within the last several years?

The Market Will Handle Whatever Is Essential

Once again I would make it abundantly clear that I neither advocate nor oppose the idea of unit pricing. I am only saying that if indeed it has merit, if truly enough people want it, the competitive pressure of the market is sufficient to bring it into being without the aid of third-party meddlers. In a democratic society we can, if we desire, force its cost on the public by either legislation or regulations. But no amount of legislation or regulation can force its

use on an unwilling, uninterested consumer.

In today's sensitive market, the producer of any product or service needs to keep an eye on both the consumer and the consumerist. The activities of the consumerist are crusing the consumer increasingly to rationalize her actions in the market place, and this verbal justification is in turn affecting her behavior. Shrewd marketers in the past have always responded more to the actions of Mrs. Consumer than to her talk. The literature of market research is full of examples in which the consumer said one thing but did another. When called upon to explain his actions, everyone hopes to sound rational, whether he acted that way or not. Consumerism is creating a self-consciousness in consumers and developing a vocal response based on third-party rationalization that can be grossly misleading to those bearing the responsibility of serving the consumer.

Business Is Suspect

In considering the impact of consumerism on marketing, any industry should recognize that consumerism breeds on suspicion of the motives of business. Something has to be wrong, someone has to be unhappy for consumerism to exist. The consumerist sees

different-sized packages on the market, not as an attempt to meet the differing requirements of people, but rather as a deliberate effort to confuse the consumer. In the consumerist's mind, fractionalounce contents have nothing to do with efficiency or cost savings but are designed to make comparative pricing difficult! Codes are put on packages to hide vital information from the consumer! Colors and printing are used to deceive! Packaging is used to cover faulty merchandise, and advertising is designed to make people act impulsively against their better judgment! The list is endless, and it always will be, for this is the nature of consumerism. However. I believe this observation tells us that the more business conducts its affairs in the open - lives in a goldfish bowl so to speak - the less it will be subject to the whims of the consumerist.

My little example on unit pricing may sound trivial but it is not so considered by the industries involved. It's like the truth-in-lending law. How many consumers do you think wanted this law for their own protection? How many thought it might be a good idea for someone else? How much more do you now know about interest rates and carrying charges than before the law was passed? How many dollars has it saved the con-

sumer? Regardless of how you choose to answer, the truth-inlending law is now safely tucked away on the books where it can be forgotten. The few mills of marketing margin that it will permanently cost may even be worth the silencing of the consumerist on this issue. I only regret that it has freed the consumerist to dream up some other regulation that might hurt me more.

Consumerism is made up of little issues each affecting either relatively few consumers or few businesses. It thrives on the importance of being unimportant. It enlists the passive support of the majority against the vigorous opposition of the few and in this way it grows on our economy like a cancer. There is a common belief that consumerism has grown out of the malpractices of business. This is false, but certain malpractices of business have been effectively used by the consumerist to give credence to specific consumer issues. The characteristic approach of the professional consumerist is to find several flagrant violations of good faith which can be substantiated. These are pocketed while a broadside charge is made against an industry. When the charges are met with denial, the specific cases are brought forth from the pocket to legitimatize the general charges. The repetition of this time-worn legal trick seems never to be recognized by the little American who believes he is being wronged by big business. The whole idea of the giant-killer has a certain romantic appeal to him.

The President's Special Assistant for Consumer Affairs

There is one other timely concern and that has to do with current efforts to create one governmental agency, office, bureau, or department to serve as spokesman for the consumer. Provision for such an office came out of Senate Committee hearings just prior to the 1970 elections and the House had already acted on a somewhat different version of the same measure.

How effective a spokesman for the consumer such an agency might be is demonstrated by the past activities of the President's Special Assistant for Consumer Affairs. During its eight-year gestation period much effort has been made to gain consumer, business, and labor support for the program. Many talks have been given, press conferences held, and consumer meetings scheduled. Although the office of Special Assistant has carried the identity and prestige of the White House and has been served by three different, highly respected and competent ladies, the general public has never really taken the Office seriously. Any mention of the Office will usually bring forth a knowing twinkle of the eye or a sympathetic smile. It should be apparent to the most ardent supporter of the program that bona fide consumer interest has failed to develop. It should be apparent that our responsible public officials should be doing more important things than writing specifications for panty hose or the size of lettering on a can of sardines.

Apparently, the consumer already knows that any remedial action he deems necessary is most directly accomplished as a result of his actions in the market place. He also knows that the market place respects his actions whether he is in the minority or with the majority. He does not expect to impose his consumption values on his neighbor, any more than he expects his neighbor's values to be imposed on him.

The Office of Consumer Affairs, in order to demonstrate public concern, claims the receipt of over 40,000 consumer complaints a year. That sounds like a lot of unhappy people, but how significant is it when you consider that it amounts to one complaint per 15 million dollars of consumer expenditure per year? Anyway, it is my guess that bona fide complaints far, far exceed this number but

that they are sent to those who can do something constructive about it — not to places where only punitive action can be anticipated.

Unhappy Consumers Vote "No"

All of us have had unsatisfactory experiences with products. Not only have we been misled at some time or other, but many times products have failed to perform or come up to our expectations. Thinking people must recognize that this is part of the price we pay for being the wealthiest and most productive nation in the world, part of the price we pay for progress, development, and improvement. We learn by making mistakes. Every year, thousands of new products and services reach the market; and for every new one, thousands are withdrawn - rejected by the consumer. We can, if we desire, avoid these costly and wasteful errors. We can protect the consumer, but do we really want to close the market and forego all improvements in products and services? Do we really want to substitute administrative dictate from Capitol Hill for individual buyer decision?

Regardless of any new agency that might be created to represent the consumer, and regardless of the growth of consumerism, the only true reading of the consumer is to be obtained from her actions

in the market place. There can be no true spokesman for the consumer other than the actions of the consumer herself. She can rationalize her actions but, try as she might, she cannot explain them in full. That is why she cannot tell vou what new or modified goods and services would better serve her needs. In marketing research I have spent the better part of my life ringing consumer doorbells in a futile effort to get them to tell me how some product or market service can be improved or what new products or services they want, only to find that in our

conversation they failed either to visualize their alternatives or identify the true values to which they in final analysis respond. The consumer, in her mute but effective way, can only bring all her value considerations to bear in response to what is offered her. She has her own built-in protective device. If you displease her - if you do not offer her the best alternative - if indeed you deceive her in terms of her own values, she simply and quickly votes "no" in the market place. That is the miracle of the free market - the miracle the consumerist refuses to recognize.

Long Range Consequences

IDEAS ON

THE ECONOMIC CONSEQUENCES of socialism are fairly obvious, and they have been dealt with at length and competently by a number of economists. Government gets into business and industry in a big way, as a producer itself and as the major consumer for industries tied in with government spending. But important as these economic effects are, collectivization has long range consequences of far deeper significance. Political control and direction of economic life, even under the noblest of auspices, carries with it demands and imperatives which are hard to reconcile with the basic assumptions which lie at the foundation of our culture and our institutions.

ON INSTITUTIONAL SENESCENCE

This article by Mr. Jacobson, from Fairway, Kansas, first appeared as a Letter in the Wall Street Journal of September 30, 1970. It is reprinted here with his permission.

JOHN GARDNER'S new social initiative "Common Cause," the subject of "Gardner's Temperamental Imperative" (Aug. 31), touches on a more fundamental issue than his proposal or your article suggest. Both proceed from the assumption that most, if not all, of our major problems lend themselves to solution by new or existing institutions, and from a basic belief that institutions, and institutionalization of our lives, are always the first weapons to reach for in attacking our problems.

All this is very much consistent with today's generally accepted American social theory. This body of social wisdom states further that only institutions with broad, preferably national, influence and a cloak of intellectual grandeur de-

serve much attention or following. In the atmosphere of social self-consciousness prevalent in recent years, we have seen a proliferation of institutions, followed inevitably by their attendant bureaucracies bearing elaborate, theory-laden, empirically untested programs in social experimentation.

Another view, however, holds that we are excessively preoccupied with our institutions; that we have transferred ever increasing responsibility for the outcome of our personal existences from individuals and small groups to our institutions, and in the process have burdened our institutions with exorbitant expectations; this has led inevitably to disappointment and apathy or, worse, rebellion. Further, this view holds,

our preoccupation leads us to cling with a death grip to useless or outworn institutions, following the lead of groups with residual special interests in them, rather than permitting them a quiet death and a decent burial.

Emphasis on Collective Action

The decade of the 1960's was characterized by an unprecedented effort to use the power of institutions, mostly Federal agencies, to bring about the most far-reaching and fundamental control ever attempted over our social and economic environment. Not since the New Deal have we indulged in a comparable binge of institution creating, focusing above all on national institutions and national uniformity and standardization in goals and objectives. All this was propelled by a contagious feeling of intellectual confidence in our ability to apply self-conscious, collective effort to the solution of virtually any major social problem. It was simply a matter of identifying the correct levers and pressure points and applying the weight of our newly created (or resuscitated) institution, whereupon society would respond as predicted.

If any fact is apparent in 1970, it is that society did not respond as predicted and that the bold social and economic experiments of

the sixties fell far short of their goals. Most of the experiments had little effect in the end on the problem attacked (despite some legal progress, basic racial antagonism is more truculent than ever), and some were downright counterpro-(vigorous ductive economic growth, stimulated by deliberate government action, burned itself out to become rampant inflation). Only the most insensitive politician nowadays fails to recognize that a substantial part of his constituency has lost confidence, not perhaps so much in him as in the institutions he represents. We are no longer surprised at school bond issues rejected, at light voter turnout at the primary polls, at discontent and high turnover in the newer, socially involved Federal bureaucracies. Indeed, the ironic footnote to a decade of unprecedented institutional activism seems to be the fact that large numbers of Americans have not only lost confidence in our institutions. they appear to have lost interest in institutions in general.

Mr. Gardner is correct in assessing the present state of our society as a case of "institutional decay." However, it would be more correct to say that we are living in an age of advanced institutional gigantism of a kind that ordinarily signals the senescence of a species. The implied analogy to animal ex-

tinction is more apt. The dinosaurs, impressive beasts that they must have been, no doubt lived, toward the end, in a very delicate ecological balance with the world around them. They were most likely victims of rather subtle environmental transformations to which they were unable to adapt. The most successful and durable of the species to follow them were typically small, mobile, adaptable, and unspectacular.

Giants in Trouble

Examples of the institutional gigantism-senescence syndrome abound in our government and society. Prominent bureaucracies. notably the Pentagon and the various regulatory agencies, demonstrate well-known leviathan characteristics. One need only live in or near a major city like New York for a period of time to realize that the institution (taking the word in its wider meaning) of the sprawling metropolis is quite literally beyond human control, unable to provide a safe, let alone pleasant, environment for its hapless inhabitants.

The demise of the Penn Central is an interesting case where a last ditch attempt at adaptation was made; although it is now clear that at least some of the fate of this giant organization was attributable to mismanagement, the

Penn Central was doing one thing that may in other times and other hands have saved it—taking steps to get out of the railroad business. Of course, not all cases of institutional or species senescence are accompanied by enlargement of individual constituents. The family farm in America has simply failed the requirement of adaptation despite massive attempts at subsidization to keep it alive.

Interestingly, the analogy of animal evolution seems to follow through in adumbrations of developments in organizational behavior in America today. There appears to be a tendency in these times. concurrent with the decay of our standard institutions, for small, often ad hoc organizations to develop to meet specific needs. There is reason to think that this will turn out to be a far more efficacious organizational response to the increasing complexity and velocity of change in our modern social and economic environment than the increased centralization and concentration of power we have come to expect.

Business began some years ago testing the concept of decentralization in an attempt to come to grips with gargantuan organizations that were showing signs of hardening of the arteries, and the success of this concept is no longer disputed. For all the sound and

fury introducing the various new Federal programs and bureaucracies designed to aid the disadvantaged during the sixties, black people, the primary target of this plethora of altruistic fervor, today have little but scorn for any involvement whatever on the part of whites in their affairs. Their primary confidence and loyalty seem now to lie with local, black-managed organizations that have developed rather spontaneously to meet specific, empirical needs of local communities. Organizations of this kind are not characterized by a great deal of formality or intellectual edifice and need little help from self-appointed reformers or organizational theorists. They simply work, they fulfill their intended function, and they are once again - typically small, mobile, adaptable, and unspectacular.

Decadent Institutions Should Wither Away

Institutions for which there is a clearly identifiable, pressing need will have no struggle for survival. On the other hand, the only rational thing to do with those institutions that have outlived their usefulness, or proven their uselessness, is simply to let them fade away, perhaps with a little help. This may mean resisting the demands of many of our activist politicians to tie our gasping cities

into financial heart-lung machines, throwing much good money after bad. It may mean relegating rail passenger service, or other forms of rail service for that matter, to the history books if commercial demand is insufficient to support them without subsidy crutches. It may mean repealing laws and dismantling bureaucracies that serve no useful purpose beyond self-perpetuation or supporting special interests.

American society is cluttered today with institutional deadwood. and we shovel much sand against the tide, so to speak, in our attempts to protect those among our institutions that deserve to wither away. In our passion for imposing uniformity and standardized conditions everywhere, we have vastly overestimated the number and magnitude of problems which really demand national attention and impressive institutions to tackle them; we have allowed ourselves to be smothered in a stifling excess of institutional mother love. We have forgotten that laws enacted, institutions created or expanded, so often call for new restrictions of individual liberty, expropriating new reasons for more personal property (taxation), not just the unmitigated, manna-from-heaven benefits proclaimed by our politicians. So we continue to rush forth to embrace

every opportunity to barter away a portion of our liberty for a vague promise or a fear assuaged.

Liberty a Better Cause

Mr. Gardner's Common Cause would bring us a continued preoccupation with our institutions and their resurrection. I suggest that a more appropriate, and far more pressing, "common cause" today is the task of rebuilding personal liberty before it too becomes extinct. Champions of this cause are not now to be found in prominent places or great numbers. Those who call themselves "liberals" (an ironic degradation of a namesake from an earlier age) continue to clamor for greater collectivization of our lives by trying to convince us that somehow life, if left to their management, will provide something for nothing. The socalled "conservatives" seem to become more enamored of repressive use of police power every day; some of the more extreme among them, if pressed, will allow as how perhaps we should be preparing some sort of "work" camps (substitute "concentration") for shiftless hippies and students, black rabble-rousers and other malcontents.

The "common cause" of a reemphasis and rebirth of individual freedom probably shares with Mr. Gardner's Common Cause the kind of largely cerebral appeal that makes it difficult for its proponents to generate the irrational fervor that usually provides the motive force for popular social missions. Perhaps we can only hope that there are enough troubled people left who realize that any government, democracy included, that does not dedicate itself first and foremost to the protection and advancement of individual liberty will end in tyranny.

Imprisoned Ideas

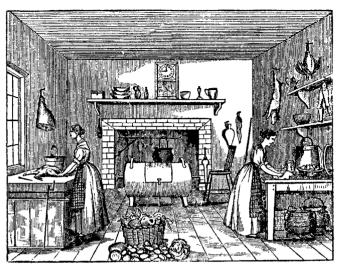
IDEAS ON



LIBERTY

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

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



Courtesy of Old Sturbridge Village

The Liberation

THOUGHTS ON READING SOME OLD COOKBOOKS

BETTINA BIEN

"VIVE la différence," say the French in referring to the difference between the sexes due to of Women physical and physiological causes. This difference can be a source of delight to those free to enjoy it, but can generate ill-feeling and friction between the sexes if they are compelled by law to ignore it.1 Our physical and physiological characteristics are bound to

¹ For a discussion of some effects of prohibiting discrimination on the basis of sex in economic dealings, see Gary North's "The Feminine Mistake: The Economics of Women's Liberation." THE FREEMAN, January, 1971.

Miss Bien, a member of the staff of the Foundation for Economic Education, enjoys and appreciates the modern aids to homemakers.

have economic consequences, which will persist so long as human life continues as we know it.

Legal and political rights, without distinction as to sex, have been recognized gradually by the governments of most civilized nations of the world. By legislation and common law decisions, women have acquired freedom on a par with men to act, own property, and make contracts in their own behalf. (This freedom is being eroded by the present trend toward socialism - to the disadvantage of both men and women. Special government privileges and subsidies, progressive taxation, legislation limiting the right of contract, hours of work, and so on, have already seriously interfered with the rights of property owners and the freedom of contract. But this is another story.) For all practical purposes, laws now deal with men and women pretty much the same.

Economic Opportunities

In recent decades, economic and professional opportunities have been opened to women. Step-by-step, insofar as social customs have permitted, and within the limitations imposed by the "différence" between the sexes which at least the French appreciate, women in this country are relatively free. They may now compete with men,

each to the extent of her abilities, in seeking their chosen goals — economically and professionally.

The tremendous advances, which have made it possible for women to achieve recognition as persons - legally, politically, economically, and professionally - are undoubtedly due in large part to capitalistic contributions. Savers, inventors, and producers, operating in a relatively free market economy risking their own private property in the hope of profit, supplied the goods and services which have freed women from the daily drudgery and heavy manual labor expected of them for centuries simply to fulfill their roles as sexual companions, mothers to their children, and homemakers for their families. The improved production and preparation of food, more efficient transport, better retail outlets, and inventions of modern household appliances have given women more time to pursue interests outside the home.

In this day of push button kitchens, automatic timers, electric refrigeration, home freezers, mechanical beaters and choppers, prepared foods and instant mixes, a housewife cannot begin to conceive of the many strenuous chores her grandmothers and greatgrandmothers coped with daily. Imagine a home without heat or electricity. Imagine a kitchen with-

out a stove, refrigerator, or running water. Suppose there were no corner stores or supermarkets with milk, butter, bread, meat, vegetables, or soap. Think of a life when each family had to grow its own food, gather the fuel to cook it, tote all water, produce the textiles, and sew, patch, and mend the family clothing.

Early Household Hints

Early cookbooks offer helpful hints to save the housewife's time and energy, hints which no modern bride need consider. For instance, keep kettles of water, both hot and cold, handy always in the kitchen. Pine wood is an economical fuel for heating ovens but hard wood makes much hotter coals. Lamps will have a less disagreeable smell if you dip your wick-yarn in strong hot vinegar, and dry it. Teach children to prepare and braid straw for their own bonnets, and their brothers' hats. Fresh meat brought into the house should be carefully covered from the flies, put in the coldest place in the cellar, and then cooked promptly - especially in summer. Save all the nice pieces of fat to make lard, and put those that are not so nice into the soap grease.

The earliest cookbooks and housekeeping manuals appeared only about 200 years ago. Few women could read before then;

and how-to-do-it information, so much of which was needed to run a household smoothly, was passed along by example and by wordof-mouth.

Firing the Oven

One early cookbook published in this country was The American Frugal Housewife by Mrs. Lydia Maria Childs (12th ed., 1832). The housewife of that day cooked over an open fire, roasted meat on a spit, or baked in a reflecting oven before the fire or in a brick oven built in the chimney. To fire up the oven was such a chore that one or two days a week were set aside just for baking. With good planning, five successive bakings could be done in the oven with one heating: "The bread first - then the puddings afterward pastry - then cake and gingerbread - and lastly, custards." This last suggestion comes from Mrs. M. H. Cornelius, whose book, The Young Housekeeper's Friend, appeared in 1859. At the time she wrote, brick ovens were going out, cooking stoves and ranges coming in. Yet, boiled dinners, stews, soups, and steamed cakes and puddings prepared on top of the stove were still more popular with the cooks than cakes which called for firing up the oven.

In 1832, Mrs. Childs wrote for

the rural housewife who had her own vegetable garden, a few fruit trees, and chickens. The whole family shared in the household chores, of course, and most housewives had extra help from a hired girl or a female relative living with the family. Yet, the responsibility for the work was the housewife's. She grew the herbs for flavoring, gathered the eggs. and ofttimes milked the cow. She baked with yeast of her own making, or used eggs or baking soda and cream of tartar for leavening - baking powder was not for sale until about 1850. She did the family's cooking, and did it all with crude utensils. She beat eggs with a fork or a wire whisk, and elbow grease - the rotary egg beater did not come into general use until the second half of the nineteenth century.

Housewives had to bake the family's bread regularly. This meant mixing the dough, usually in the evening, setting it to rise overnight, and kneading it "very thoroughly." Mrs. Cornelius wrote, "A half an hour is the least time to be given to kneading a baking of bread, unless you prefer, after having done this till it ceases to stick to your hands, to chop it with a chopping-knife four or five hundred strokes. An hour's kneading is not too much." Bread was the staff of life and good bread was a

source of pride to the housewife. Lack of refrigeration was a continual challenge. The housewife took care to use things before they spoiled or to find satisfactory ways to preserve them. Before the canning industry developed in the late 1800's, she had to preserve fruits and vegetables in season to be assured of provisions year round. In 1859, Mrs. Cornelius advised putting preserves in widenecked bottles, pasting paper over the tops, and then brushing egg white over the paper with a feather to seal the bottles and discourage mold.

First, Get a Cow

The nineteenth century housewife had to be a Jill of all trades. The industrial revolution with its increased specialization and division of labor barely ruffled the surface of traditional housekeeping practices. The 1859 housewife purchased a few more household items than her grandmother could have in 1832. But she still had to kill her own fowl, cut up the family's meat, salt it, smoke it, or otherwise cure it and keep it safe from bugs and animals. To be sure of good dairy products, she was told: "The first requisite is to have a good cow." Keeping a cow added to the household chores. Someone had to feed the cow and milk her, day in and day out, set the milk for the cream to rise, and churn butter at least twice a week. Without refrigeration, keeping milk, cream, butter, and dairy utensils sweet was a continual worry. Now that dairy products are sold in stores, packaged and ready to use, men do most of this heavy manual labor on a mass production basis, using methods developed and equipment produced with the aid of increased savings and investments.

Doing the family wash was another backbreaking chore in the nineteenth century. First the soap had to be prepared from lye made out of wood ashes, and fat and grease saved from cooking. The water had to be toted and heated. heavy wash tubs filled, with countless trips back and forth to the stove. After the clothes were sorted, the finest and less soiled things were washed first, the coarser and dirtier items later in the same water. Most pieces were scrubbed by hand on a washboard. The white things were boiled. After washing, rinsing, boiling, wringing, bluing, and starching as necessary, the clothes were wrung and hung outdoors on a line. Doing the family wash took another full day of the housewife's time.

Ironing consumed most of a third day each week. The flat irons and special "polishing irons" for final touchups had to be heated on the stove and reheated again and again as they cooled.

Then Came Automation

The kitchen stove or range using wood or coal gradually came into use in the mid-nineteenth century. These had advantages over the open fireplace and the brick oven. With the use of gas and the construction of gas lines in the late 1800's, new cooking jets became available - gas ovens came considerably later - making meal preparations a little easier. The development of electricity, refrigeration, large scale specialized farming, improved transportation, professional bakeries, and the expansion of retail outlets have further liberated women from the grueling household labor which had been their lot in life. Automatic washing machines and dryers have taken the drudgery out of doing the family wash. Moth-proofed woolens and new miracle fibers have simplified the care of the family's clothing. Vacuum cleaners, floor polishers, and local dry cleaning establishments help to keep homes and their furnishings clean the year round, doing away with the need to scour the house and everything in it from top to bottom spring and fall. Refrigeration and other effective ways of preserving foods have freed the family menu from dependence on the season. When compared with her nineteenth century counterpart, the modern housewife is truly liberated from grinding household drudgery and endless kitchen chores.

When a housewife presses a button or turns a switch on a modern household appliance, she has at her command the labor of countless specialists - savers, investors, inventors, producers, and merchants - each of whom then helps with her daily chores. In effect, they help tote the wood when she turns up the thermostat. A twist of the faucet draws the water. Turning a dial will fire the oven. A push-button machine will wash, rinse, and wring the weekly wash. With a trip to a grocery store, the housewife can in effect grow the family's food, milk the cow, churn the butter, make the cheese, gather the eggs, knead and bake the bread, grind the spices, kill the poultry, cure the meat, preserve fruits and vegetables, and make the soap.

Capital, the Key

Each person in the world differs from every other person. Thanks to these differences, everyone benefits if each of us is free to concentrate in the field of his (or her) greatest aptitude and interest. There is some specialization and division of labor even in small groups and primitive communities. But under capitalism, with private property and the freedom to move, invest, and exchange goods and services throughout large areas and among increasingly large populations, it has been possible to develop and exploit our differences more fully than ever before, to everyone's advantage. It was this complex economic system, developed on the basis of highly specialized division of labor, which liberated women from their traditional household chores.

Women are different from men - and always will be. The woman of the 1970's has gained recognition as an individual under law. She may own property, make contracts and, thanks to the development of capitalism, now has time to pursue her special aptitudes and interests outside the home and thus compete with men economically and professionally. Rather than trying to compel denial by law of the physical and physiological differences between the sexes, let's acknowledge and accept them philosophically as the French do: "Vive la différence."

The Medical Market Place

A. R. PRUIT, M. D.-

WHAT is the state of the market, what are the economic problems of the health industry today? Realistic appraisal of the current situation requires examination of the nature of the market prior to the onset of massive state intervention. So let us review the economic history of organized medicine in the United States. Was it an open market? If not, what kind of a market, and what factors led to its development?

American medicine was until about 1850 a free-wheeling, highly competitive, free market industry. Like the ministry in some religious denominations today, anyone who "felt the call" was free to hang out a shingle and declare himself available. The only restrictions were those put upon

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him by the quality and availability of the competition, and by the favor of the customers who dictated his rewards, Similarly, medical schools were easy to start, easy to enter. These schools taught every conceivable approach to health from the orthodox to the mystic. Many of the schools of this time were organized as profitmaking institutions. Some were owned by the faculty. Some were privately endowed. Some were hardly more than diploma mills. Their quality and the quality of their products ran the gamut of the quality spectrum from excellence to quackery.

It is easy to understand why many of the finest men in orthodox medicine, those dedicated to the development of medicine as a science, would feel totally dissatisfied with this seemingly chaotic arrangement. One can only ap-

plaud their desire to improve the over-all quality of medicine for the public benefit. Their problem was one of implementation. How can this improvement be accomplished? Can the people, through education or any other means, ever have enough special information to be able to recognize and choose quality care out of this hodgepodge of misinformation and charlatanism? Or, is human gullibility so great, and human ability to choose responsibly so frail. that some means must be found to protect individuals from their own folly and insure the delivery of what we know to be the highest quality care? Who is to be responsible: man or the state? That was their basic question. This troublesome but fundamental question lies at the root of every sociopolitical problem which faces us today. The men in medicine did not believe that man could be responsible. Their answer: the state. They believed that orthodox medicine should seek the sanction and protection of the state to help shield the people from their inability to choose responsibly.

Origin of the A.M.A.

The American Medical Association was organized in 1847 and committed itself to two propositions which, when fulfilled, would improve the over-all quality of

American medicine. But these same propositions led to sharp restriction of the medical market place. From a free market, it quickly changed to what many economists call a discriminatory monopoly, which simply means a market place which favors, invariably through legislative fiat, one competing group over all others. How did this come about?

The two propositions were (1) that medical students should have acquired by the time they were ready to practice a "suitable education"; and (2) that a "uniform elevated standard of requirements for the degree of M.D. should be adopted by all medical schools in the U.S." What would be "suitable" and "elevated" was to be determined by a consensus of the best minds within the organization.

Certainly, these laudable goals of themselves could have no possible bearing on medical economics. What did bear on the medical market place, however, was the method of implementing those propositions. The method was to exclude, by state intervention, all undesirable or unqualified competition: first, by licensure of only qualified M.D.'s, and second, by control, through the state mechanism, of medical school standards.

These objectives were achieved in two stages. It took the A.M.A.

fifty years to convince all state legislatures that licensure was necessary, but by 1900 this goal was accomplished. The states in turn delegated the power of licenorganized medicine sure to through the State Boards of Medical Examiners, all of whom were members of orthodox medicine. Subsequently, control of standards of medical schools was accomplished comparatively quickly following the now famous Flexner Report in 1910. With licensure already in effect, it was a simple matter to change the rules of the State Examining Boards to consider only graduates of medical schools which were approved by the A.M.A. and/or the Association of American Colleges, whose lists were identical. A short time later. these controls were extended to many of the hospitals of the country by defining standards for hospitals eligible for internship and residency programs. Today, through the efforts of the Joint Accreditation Commission, these controls have been extended to all the hospitals in the country. The delegation of these powers by the state, making A.M.A. a quasi state agency, gave it complete control over entry into the practice of medicine as well as control over access to the nation's hospitals. It is this control over entry and access that prompts Prof. Milton

Friedman of the University of Chicago to call the A.M.A. the most powerful trade union in the world. Control over entry and access is also the reason other economists call the health industry a discriminatory monopoly.

Monopoly Practices

Viewed in the light of the current acute shortages of physicians, the successful argument deriving from the Flexner Report is ironical. In brief, the argument held that America was suffering from an overproduction of doctors and that it was in the public interest to have fewer doctors who were better trained. It was recommended, therefore, that a substantial fraction of the medical schools be closed; that standards be raised in the remainder and admissions be sharply curtailed. This is to say, in effect, that the public should be protected against the consequences of buying medical services from inadequately trained doctors by legislating poor medical schools out of businessas if all could have Cadillacs if Fords were outlawed.

Whatever names one may apply to the industry or to the A.M.A., it is a fact that the number of doctors produced by the medical schools has remained relatively static for many years despite a rapidly increasing population. In

1910 when the Flexner Report was published there were 23,300 medical students in the United States and the total population was roughly 100,000,000. Today, there are 35,883 medical students, to serve a population of approximately 200,000,000. The effort to upgrade the quality of medicine, by controlling the standards required of medical schools, has resulted in a sharp decrease in the number of medical schools available to the students. In 1910 there were 162 medical schools in the United States, By 1920 this number had been reduced to 85; by 1930 to 76; and by 1944 it reached a low of 69. It seems clear, then. that control over entry has resulted in a restricted and controlled medical market with the number of physicians, as well as the medical schools, in chronically short supply.

When Demand Exceeds Supply, Prices Tend to Rise

It is axiomatic that when demand exceeds supply, other factors being equal, the price of the goods or service in demand also increases. It is also true that when standards of quality are elevated, the price of the better quality product is also elevated. A Cadillac necessarily costs more than a Ford. To know that these laws have held true in medical econom-

ics, we only need remember that the medical profession has become one of the highest paid of all the professions — thus reflecting the relatively higher costs of medical care to the general public. Ordinarily, however, one would expect, in a market where supply is so severely restricted, a much greater cost differential than there has been. The medical profession has been able to deliver quality medical care to the general public, rich and poor, at prices within the reach of any who needed care.

There were many mitigating factors which made this possible. Once the barriers to entry into the profession were overcome, the individual physician was free to practice when, where, and how he pleased. There was no Board of Directors making decisions for everyone. Competition with fellow physicians helped to keep his prices down and the quality of his care high. Contract with each patient through "fee for service" demanded his personal involvement with the singular problems of the individual, the essential ingredient in quality medical care. The ancient Hippocratic tradition that care would be provided regardless of ability to pay was an extremely important factor. Freedom of choice by the physician and by the patient, community respect and its derivative, the sense of responsibility to the community, all played important roles. The success of the system depended precisely upon the fact that it was *not* an organized business entity. There were no police committees like peer review, or utilization review. Competition, contract, and freedom of choice provided all the restraints that were necessary.

This, then, is an economic overview of the American medical system prior to the advent of government inflation of the nation's supply of money. It was not a perfect system. There are no perfect systems this side of heaven, in spite of the contrary declaration of the planners of the American utopia. But that system functioned brilliantly enough to bring American medicine into world-wide esteem. It is the very nature of this high quality but severely restricted and inelastic supply market and of the control mechanisms which sustain it, as outlined here, which makes the system so vulnerable to massive intervention. At the same time, the system raises almost insurmountable obstacles in the way of those who are totally opposed to this intervention and to the philosophy which prompts it. Whoever controls entry and access has the power to control the economic destiny of every physician in the industry if he chooses to use that power.

The Impact of Inflation

Inflation is one of the most devastating, destructive, and demoralizing forces which can be imposed on a civilized society. The distortions and dislocations which it produces are so numerous and occur in such rapid succession, that the adjustments and rearrangements which society would achieve under normal growth conditions now become impossible of achievement, thus creating permanent dislocations and maladjustments with social disintegration the ultimate result.

Most of the dislocations and maladjustments which are chronic problems in the health industry today are directly or indirectly an aftermath of inflation. The increase of doctors in the cities and their decline in small towns, the growth of specialists and the decline of generalists, the increase in emotional and social problems and the decline and distortion of social values and standards, are but a few of the multitude of distortions and dislocations which are aggravated by, or caused by, a continuing general inflation. I mention here these effects of general inflation because of their bearing on problems to be discussed later.

For discussion purposes, the health industry can be considered as an isolated economic unit which functions within itself in exactly the same way that the national economy does. As such a unit, it is subject to the same laws of the market place. Such an economy tends toward a state of equilibrium between supply and demand, and the prices of goods and services to the consumer are reflected in this equilibrium by remaining fairly stable.

If, in this state of relative equilibrium, there is an intrusion of hitherto unavailable money, there occurs an immediate disequilibrium. In the general economy the increased demand caused by the influx of new money is met (at least for awhile) by an increase in productivity and a rise in prices, which tends to return the market toward a state of equilibrium again.

As long as the producers can profitably increase their productivity by raising their prices, then supply and demand will continue to tend toward equilibrium.

This holds true for the general economy and it holds true for the health industry as long as the inflation is general. But when a massive increase in the supply of money is suddenly injected into the isolated economy of the health industry, there is an entirely different situation. The health industry can cope with general inflation because its internal equi-

librium is not greatly disturbed. However, when a secondary inflation is imposed on the industry by a sudden vast increase in the supply of money within its isolated economy, the disequilibrium which occurs between supply and demand has immediate and serious consequences throughout the industry. The medical market cannot react as the general market reacted for the obvious reason that in the general economy, supply has been relatively flexible and could adequately respond to demand; but in the medical economy, supply, particularly in the vital area of physician's services, is relatively inflexible and cannot respond adequately to great increases in demand

Subsidies to Medical Schools

The first major intrusion of government into the health industry began with World War II and the subsidization of medical schools. This intrusion did not cause an immediate disequilibrium in the medical market. It was concentrated in the area of what may be termed a producer's market and had no appreciable direct effect on consumer demand. However, when coupled with some of the consequences of general inflation, it did cause major changes in the distribution of physicians, thus affecting their supply in the

vital area of service to the consumer.

The initial effect of the use of fiat money to subsidize medical schools was to cause an inflation of research activity. While this increased activity did serve to in-(inflate) our knowledge crease and technical ability in many areas, it had other, far-reaching and less salutary, effects. There was, first of all, a great increase in the size of the faculty of medical schools. With continued subsidization, and through the device of tenure, the number of teachers and research fellows tended not only to grow but to become permanent, thus greatly increasing the costs. Since the chief source of funds from the government was earmarked for research purposes, the schools tended to be diverted from their main purpose-to teach students - and to become more and more preoccupied with research. As the research programs grew, more and more physicians were diverted into research, thus adversely affecting the supply available for private practice.

The availability of fiat money in this area, along with the rapid growth of population and the increasing demand for medical services, did increase, very slowly, the number of medical schools and the total number of medical students. In 1944 there were 69 med-

ical schools. By 1969, their number had climbed to 99. Interestingly enough, though hardly surprising, every medical school in America is now dependent upon the Federal government for more than 50 per cent of its income. Some, I am told, receive as much as 85 per cent. The medical schools of America can no longer survive without continued government support. The total number of medical students attending the various medical schools by 1969 had risen to 35,883, an increase of about one-third over 1950. I have been unable to obtain any exact figures on the number of these graduates who enter private practice. However, John Gardner, former Secretary of Health, Education and Welfare, in his 1967 Report to the President on medical costs made this statement: "It is estimated that in the period 1950-1965 the demand for physician services increased by at least 41 per cent, probably considerably more. Meanwhile, the total supply of active physicians increased by only about 31 per cent, while the supply of physicians in private practice increased considerably less." (Emphasis added.)

Walter McNerney, writing recently on medical costs, calculated that: "If we double the output of American medical schools today and keep all other factors constant, it will be 30 years before we double the total number of physicians in the country."

Supply in the medical market place is, indeed, inelastic.

Thirty years of war and the continuous mobilization of huge numbers of men in the armed forces: the tremendous growth of bureaucratic health agencies, state and Federal: the mushrooming of research programs in the medical schools and in the so-called "think tanks"; all of these, made economically possible only because of fiat inflation of the money supply, have increased the demand for physicians. The entry of doctors into these artificially created areas of demand has, in terms of the supply available to private practice, negated completely the increased production of physicians by the medical schools.

Controls Upset Balance Between Demand and Supply

The net result of government intervention in medical education has been (1) the Federal government has gained virtual control of medical education; (2) in terms of an increasing demand for services there has been a relative decrease in the supply of physicians available to render services through entry into private practice.

The passage of the Hill-Burton

Act initiated the second major intrusion by government into the medical market. The rapid increase in the number of hospitals which resulted, coupled with the growing demand for medical services generally, caused a hyperacceleration of demand for trained auxiliary medical personnel of all kinds. Supply of personnel has not been adequate to meet the demand, and a spiral of wage increases has resulted throughout the industry. It is significant, as a reflection of this disproportionate increase in cost, that until the advent of Medicare, hospital fees were the only prices throughout the health industry which increased significantly faster than price levels in the general economv.

According to Mr. McNerney, "over 60 per cent of health care costs are attributable directly to manpower." When one considers that nursing salaries have more than quadrupled in the last 25 years, that the salaries of other technicians have risen comparably, and that all wages are still rising, one can see immediately that the effect of special inflation within an industry where all technical help is in short supply is to put an exorbitant price tag on the services demanded.

With the advent of Medicaid and Medicare the already strain-

ing health market was immediately forced into a state of marked disequilibrium. In this instance, vast sums of unearned and hitherto unavailable dollars were suddenly poured into the demand side of the ledger.

The immediate effect was not just an increase in demand. There occurred a psychological hyperinflation of demand. The consumer, released from all the restraints imposed by "cost" and "afford," develops, rather quickly, a whole new spectrum of complaints which demand attention. Chronic ailments which were not disabling, with which he had lived and been productive for many years without seeking medical aid, now become more and more emergent. He begins to demand attention for increasingly trivial complaints. His calls upon the physician become more frequent and his hospital admissions more frequent. He demands more sophisticated and more luxurious services and facilities than he was willing and/or able to pay for before. The physician once had difficulty keeping him in the hospital long enough; more and more the problem now is getting him to leave. As we have already proved. with the vast and never-ending expansion of welfare programs over the past 30 years, there is no end to the growth of needs and

demands when they are unrestrained.

As long as the government continues to stimulate demand, and supply remains inelastic, acute shortages will continue and wages will continue to rise. Attempts to further improve efficiency by more mechanization and increased paramedical personnel will only increase capital investment and operational costs. Physicians and hospitals, who must pay their bills or close their doors, have no choice but to increase fees and to continue increasing them with each new spiral of wage, price, and tax increases. This, in general, is the situation in the medical market today. As long as inflation continues, this will remain the situation, and no combination of managerial talent under the sun can do anything constructive about it.

Further Intervention No Cure

What happens when the medical market, as seems likely, becomes a government controlled monopoly, administered by a politically oriented bureaucracy? It seems unlikely that the situation will improve under the least competent and least efficient form of administration which man has yet devised.

The only thing that can possibly be achieved by government inter-

vention is a drastic reduction in the over-all quality of medical care at a tremendous increase in cost to the consumer. The program will be entirely dependent on a continuation of inflation in spite of massive increases in taxation for the already overburdened taxpayer, and in spite of wage and price controls which will be applied throughout the industry. The demise of competition, the eradication of "fee for service" contract between the physician and the individual patient, the distortion of freedom of action and freedom of choice, must all have an almost lethal effect on physician motivation and incentive. The art of medicine under these circumstances must degenerate into a sterile and grossly distorted caricature. There may, for awhile, be luxury care but the element of quality will, all too often, be lacking.

Lower the Standards?

The only possible way to adequately increase the supply of physicians under the present circumstances is to lower the standards of qualification. Just as the Registered Nurse shortage of the 1950's caused the development of Licensed Practical Nurse programs, so will the planners try to meet the physician shortage by the development of what should

be, but will not be, called Licensed Practical Physician programs. The imposition of these programs will, in effect, turn the clock back about 70 years, as far as the over-all quality of medical practice is concerned. In the pre-Flexner Report era, however, the consumer had a free choice of quality. In our time the poor quality care will be imposed by the state. The vast majority of Americans will have to accept it. There will be no choice in the matter.

This is not a pleasant report. It is, I believe, an honest one. I cannot here attempt evaluation in depth of the many maladjustments which have accrued, not only from external influence and interferences, but also from our own past errors both of omission and commission in the management of our affairs. Further study and evaluation of these fundamental problems is, in my opinion, imperative. No useful purpose can be served by minimizing a serious situation. Just how serious our situation is becomes immediately apparent when we realize that the problems of medicine are but one set of symptoms of a disease which threatens our entire social structure.

There is no easy solution. Before we can understand effects, the causes in which they are rooted must be explored and identified. Until we understand causes, we cannot hope to find effective solutions.

The situation is by no means hopeless. On the contrary, we have every reason to be hopeful. There is more awareness, more concern, more intensive study, more understanding of fundamental issues today than at any time in the past 30 years. Disillusionment with government policy, its profligate spending, its gross inefficien-

cy, its monumental failure to improve society, is growing rapidly. Inflation cannot last forever. It must end, as historically it always has, in economic and social disaster, but this will not be the end of the world. Our form of government may not survive, but we will. If we know and understand enough, we can, in our turn, and in our sphere, help recapture a heritage which we have somehow lost.

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Free Medicine Can Make You Sick

IDEAS ON

LIBERTY

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

The Lure of Nonprofitable Service

KURT V. LEININGER

A PRESSING QUESTION today asks where the young will channel their abundant energy. Civil engineers are worried that the influx of new engineers will not keep pace with the rising demand for engineering services. Yet they are in some doubt as to the best way of presenting the engineering profession to the young as an exciting field of endeavor. The best way would seem to show the young what engineers do, what they have the potential for doing, and the actual and potential rewards. monetary and otherwise. Instead. however, the alleged benefits of "nonprofits" and "public service" are frequently advanced to entice the young (particularly today's young) to enter engineering. A good example is a recent radio in-

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terview with a prominent engineering professor.

Discussing the future of the field of environmental sciences and engineering, the professor said that this is an attraction to the young because the work they will do won't "profit an individual industry" or "result in higher profit statements to a group of people who are anonymous" to the young. He went on to add that "one can work in the public sector and begin to see something of their efforts developing on the scene."1

Dissecting these comments, it appears that the young are urged to seek employment in an organization that can generate no profits, can provide no information to its investors as to the fate of their capital, and yet is able to provide

¹ Quotes from the American Chemical Society News Service. Transcript #460.

the opportunity for individual achievement. It is laborious to undertake to criticize these comments in the setting of the most affluent society on earth, but I think it is essential to do so.

Sign of Consumer Satisfaction

Profits generated by a free (or even semifree) enterprise system are the means by which the various producing segments of a complex society, employing a division of skills, can gauge their success in meeting the requirements of society. Profits mean that a company is successful in meeting consumer demand for its products; decreasing profits mean that the company's energy is misdirected and should be reoriented toward more urgent requirements. A producer operating with no profit, yet continuing to operate, can only stay in business at the cost of other producers who are making a profit. Ironically, a nonprofitable company must also rely on the profit system, to even compute that it has no profits.

At the most fundamental level, an individual employee who produces less than he requires for his livelihood can only continue to be employed at the expense of other employees who are producing more than they require for their immediate need.

Contrary to Karl Marx's view

of the workability of "from each according to his ability, to each according to his need," this actually discourages the "able" from continuing to produce and rewards the "needy" for not producing enough to provide for himself. The net result is a leveling process where achievement is stifled and mediocrity or even sloth is the status quo.

This is the system held out as attractive to the young. The professor I quoted could be confronted with the question, why should the most able and profitable people keep producing, when their rewards, if any, are not proportional to their achievements? But he evades this consideration and blithely states that individuals will be able to see "something of their efforts developing on the scene" if they are not tied to the profit system. He is correct that results will be seen, but they will not be positive results, as any of numerous unprofitable government activities can attest (e.g., postal service, public housing, social security, and medicare).

Anything Worth Doing Should Be Done Profitably

The question now will be raised as to how we can say that the profit system applies to the broad field of public works and especially pollution control, even granted that it applies to private industry (which I'm sure some would grant). The answer, perhaps glibly stated, is that it is still individual people who use the products of large engineering works. The fact that there are many people using a public work at the same time does not relieve the producer from making the best product at the lowest possible cost, which is the criterion for profitability. It is true that the field of pollution control is unique in that people do not use the products for their own direct benefit as much as to prevent their activities from harming other people. But this still requires a successful product. If a consultant designs an abortion, the word spreads and he's out looking hard for clients, or his plans are not approved by a state agency empowered to grant construction permits.

It makes sense that while the lure of "nonprofit" and "public service" is advanced by the civil engineering profession, engineer-

ing students will avoid the field, and turn to chemical or electrical engineering careers in profit-oriented organizations that offer the highest starting salaries. This could also explain why major technological advances in the pollution-control field are being forged by chemical engineers and others who are in private, "profitable" concerns.

If civil engineering is to draw the talent it sees as necessary, it must break away from the "lure to nonprofitable service" and emphasize the fundamental attributes of the profession. If this isn't sufficient, perhaps the broad civil engineering profession itself is outmoded, and the various specialties within the broad field require emphasis. In any event, if the profession can orient itself to the facts of reality (i.e., new demands, new technology, and the necessity of making profits), that in itself would draw people who then would have a new avenue to profitable achievements.

Profits

IDEAS ON

∆¶∆ LIBERTY PROFITS... are the special creation of the ability, the know-how, the inventiveness, the foresight, the imagination, of the superior executive. They are, in effect, not added into price but taken out of the cost.



FROM the beginning of history sincere reformers as well as demagogues have sought to abolish or at least to alleviate poverty through state action. In most cases their proposed remedies have only served to make the problem worse.

The most frequent and popular of these proposed remedies has been the simple one of seizing from the rich to give to the poor. This remedy has taken a thousand different forms, but they all come down to this. The wealth is to be "shared," to be "redistributed," to be "equalized." In fact, in the minds of many reformers it is not poverty that is the chief evil but inequality.

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These direct redistribution schemes (including "land reform" and "the guaranteed income") are so immediately relevant to the problem of poverty that they warrant separate treatment. Here I must content myself with reminding the reader that all schemes for redistributing or equalizing incomes or wealth must undermine or destroy incentives at both ends of the economic scale. They must reduce or abolish the incentives of the unskilled and shiftless to improve their condition by their own efforts, and even the able and industrious will see little point in earning anything beyond what they are allowed to keep. These redistribution schemes must inevitably reduce the size of the pie to be redistributed. They can only level down. Their long-run effect must be to reduce production and lead toward national impoverishment.

The problem we face here is that the false remedies for poverty are almost infinite in number. An attempt at a thorough refutation of any single one of them would run to disproportionate length. But some of these false remedies are so widely regarded as real cures or mitigations of poverty that if I do not refer to them, I may be accused of having undertaken a comprehensive analysis of the remedies for poverty while ignoring some of the most obvious.

What I shall do, as a compromise, is to take up some of the more popular of the alleged remedies for poverty and indicate briefly in each case the nature of their shortcomings or the chief fallacies involved in them.¹

Unions and Strikes

The most widely practiced "remedy" for low incomes in the last two centuries has been the formation of monopolistic labor unions and the use of the strike threat. In nearly every country today this has been made possible

to its present extent by government policies that permit and encourage coercive union tactics and inhibit or restrict counteractions by employers. As a result of union exclusiveness, of deliberate inefficiency, of featherbedding, of disruptive strikes and strike-threats, the long-run effect of customary union policies has been to discourage capital investment and to make the average real wage of the whole body of workers lower, and not higher, than it would otherwise have been.

Nearly all of these customary union policies have been dishearteningly shortsighted. When unions insist on the employment of men that are not necessary to do a job (requiring unneeded firemen on Diesel locomotives; forbidding the gang size of dock workers to be reduced below, say, 20 men no matter what the size of the task; demanding that a newspaper's own printers must duplicate advertising copy that comes in already set in type, etc.) the result may be to preserve or create a few more jobs for specific men in the short run, but only at the cost of making impossible the creation of an equivalent or greater number of more productive jobs for others.

The same criticism applies to the age-old union policy of opposing the use of labor-saving ma-

¹ I have examined most of these schemes in more detail elsewhere (chiefly in my Economics in One Lesson and in Man vs. the Welfare State) and must refer the interested reader to these and other sources for more extended discussion.

chinery. Labor-saving machinery is only installed when it promises to reduce production costs. When it does that, it either reduces prices and leads to increased production and sales of the commodity being produced, or it makes more profits available for increased reinvestment in other production. In either case its longrun effect is to substitute more productive jobs for the less productive jobs it eliminates. Yet as late as 1970, a book appeared by a writer who enjoys an exalted reputation as an economist in some quarters, opposing the introduction of labor-saving machines in the underdeveloped countries on the ground that they "decrease the demand for labor" 12 The natural conclusion from this would be that the way to maximize jobs is to make all labor as inefficient and unproductive as possible.

Overtime Rates

A similar judgment must be passed on all "spread-the-work" schemes. The existing Federal Wage-Hour Law has been on the books for many years. It provides that the employer must pay a 50 per cent penalty overtime rate for all hours that an employee works

in excess of 40 a week, no matter how high the employee's regular hourly rate of pay.

This provision was inserted at the insistence of the unions. Its purpose was to make it so costly for the employer to work men overtime that he would be obliged to take on additional workers.

Experience shows that the provision has in fact had the effect of narrowly restricting the length of the working week. In the tenyear period, 1960 to 1969 inclusive, the average annual workweek in manufacturing varied only between a low of 39.7 hours in 1960 and a high of 41.3 hours in 1966. Even monthly changes do not show much variation. The lowest average working week in manufacturing in the fourteen months from June, 1969 to July, 1970 was 39.7 hours and the highest was 41 hours.

But it does not follow that the hour-restriction either created more long-term jobs or yielded higher total payrolls than would have existed without the compulsory 50 per cent overtime rate. No doubt in isolated cases more men have been employed than would otherwise have been. But the chief effect of the overtime law has been to raise production costs. Firms already working full standard time often have to refuse new orders because

² Gunnar Myrdal, The Challenge of World Poverty (Pantheon Books, 1970), pp. 400-401 and passim.

they cannot afford to pay the penalty overtime necessary to fill those orders. They cannot afford to take on new employees to meet what may be only a temporarily higher demand because they may also have to install an equivalent number of additional machines.

Higher production costs mean higher prices. They must therefore mean narrowed markets and smaller sales. They mean that fewer goods and services are produced. In the long run the interests of the whole body of workers must be adversely affected by compulsory overtime penalties.

All this is not to argue that there ought to be a longer work week, but rather that the length of the work week, and the scale of overtime rates, ought to be left to voluntary agreement between individual workers or unions and their employers. In any case, legal restrictions on the length of the working week cannot in the long run increase the number of jobs. To the extent that they can do that in the short run, it must necessarily be at the expense of production and of the real income of the whole body of workers.

Minimum Wage Laws

This brings us to the subject of minimum-wage laws. It is profoundly discouraging that in the second half of the twentieth century, in what is supposed to be an age of great economic sophistication, the United States should have such laws on its books, and that it should still be necessary to protest against a nostrum so futile and mischievous. It hurts most the very marginal workers it is designed to help.

I can only repeat what I have written in another place.3 When a law exists that no one is to be paid less than \$64 for a 40-hour week, then no one whose services are not worth \$64 a week to an employer will be employed at all. We cannot make a man worth a given amount by making it illegal for anyone to offer him less. We merely deprive him of the right to earn the amount that his abilities and opportunities would permit him to earn, while we deprive the community of the moderate services he is capable of rendering. In brief, for a low wage we substitute unemployment.

But I cannot devote more space to this subject here. I refer the reader to the careful reasoning and statistical studies of such eminent economists as Professors Yale Brozen, Arthur Burns, Milton Friedman, Gottfried Haberler, and James Tobin, who have emphasized, for example,

³ Man vs. the Welfare State (Arlington House, 1969), pp. 23-25.

how much our continually rising legal minimum wage requirements have increased unemployment in recent years, especially among teen-aged Negroes.

The Mounting Burden of Welfare Plans and Taxes

In the last generation there has been enacted in almost every major country of the world a whole sackful of "social" measures, most of them having the ostensible purpose of "helping the poor" in one respect or another. These include not only direct relief, but unemployment benefits, old-age benefits, sickness benefits, food subsidies, rent subsidies, farm subsidies, veterans' subsidies - in seemingly endless profusion. Many people receive not only one but many of these subsidies. The programs often overlap and duplicate each other.

What is their net effect? All of them must be paid for by that chronically forgotten man, the taxpayer. In perhaps half the cases, Paul is in effect taxed to pay for his own benefits, and gains nothing on net balance (except that he is forced to spend his earned money in other directions than he himself would have chosen). In the remaining cases, Peter is forced to pay for Paul's benefits. When any one of these schemes, or a further expansion

of it, is being proposed, its political sponsors always dwell on what a generous and compassionate government should pay to Paul; they neglect to mention that this additional money must be seized from Peter. In order that Paul may receive the equivalent of more than he earns, Peter must be allowed to keep less than he earns

The mounting burden of taxation not only undermines individual incentives to increased work and earnings, but in a score of ways discourages capital accumulation and distorts, unbalances, and shrinks production. Total real wealth and income is made smaller than it would otherwise be. On net balance there is more poverty rather than less.

But increased taxation is so unpopular that most of these "social" handout schemes are originally enacted without enough increased taxation to pay for them. The result is chronic government deficits, paid for by the issuance of additional paper money. And this has led in the last quartercentury to the constant depreciation of the purchasing power of practically every currency in the world. All creditors, including the buyers of government bonds, insurance policy holders, and the depositors in savings banks, are systematically cheated. Once more the chief victims are the working and saving families with moderate incomes.

Yet everywhere this monetary inflation, eventually so disruptive and ruinous to orderly balanced production, is rationalized by politicians and even by putative economists as necessary for "full employment" and "economic growth." The truth is that if this monetary inflation is persisted in, it can only lead to economic disaster.

Price and Wage Controls

Many of the very people who originally advocate inflation (or the policies which inevitably lead to it), when they see its consequences of raising prices and money wages, propose to cure the situation, not by halting the inflation, but by having the government impose price and wage controls. But all such attempts to suppress the symptoms enormously increase the harm done. Price and wage controls, to precisely the extent that they can be made temporarily effective, only distort, disrupt, and reduce production - again leading toward impoverishment.

Yet here again, as with the other false remedies for poverty, it would be an unjustifiable digression to spell out in detail all the fallacies and evil consequences

of special subsidies, improvident government spending, deficit financing, monetary inflation, and price-and-wage controls. I have myself dealt with these subjects in two previous books: The Failure of the New Economics⁴ and What You Should Know About Inflation;⁵ and there is, of course, an extensive literature on the subject. The chief point to be reiterated here is that these policies do not help to cure poverty.

Another false remedy for poverty is the progressive income tax, as well as a very heavy burden of capital-gains taxes, inheritance taxes, and corporate income taxes. All of these have the effect of discouraging production, investment, and capital accumulation. To that extent they must prolong rather than cure poverty.

Outright Socialism

We come now to the final false remedy for poverty to be considered in this article — outright socialism.

Now the word "socialism" is loosely used to refer to at least two distinct proposals, usually but not necessarily tied together in the minds of the proposers. One of these is the redistribution of wealth or income—if not to

^{4 (}Princeton: D. Van Nostrand, 1959.)
5 (Princeton: D. Van Nostrand, 1960, 1965.)

make incomes equal, at least to make them much more nearly equal than they are in a market economy. But the majority of those who propose this objective today think that it can be achieved by retaining the mechanisms of private enterprise and then taxing the bigger incomes to subsidize the smaller incomes.

By "outright socialism" I refer to the Marxist proposal for "the public ownership and control of the means of production."

Now one of the most striking differences between the 1970's and the 1950's, or even the 1920's, is the rise in the political popularity of Socialism Two - the redistribution of income - and the decline in the political popularity of Socialism One - government ownership and management. The reason is that the latter, in the last halfcentury, has been so widely tried. Particularly in Europe there is now a long history of government ownership and management such "public utilities" as the railroads, the electric light and power industries, the telegraph and telephone. And everywhere the history has been much the same deficits practically always, and in the main poor service compared with what private enterprise supplied. The mail service, a government monopoly nearly everywhere, is also nearly everywhere notorious for its deficits, inefficiency, and inertia. (The contrast with the performance of "private" industry is often blurred, however, in the United States, for example, by the slow strangulation of the railroads, telephone, and power companies by government regulation and harassment.)

As a result of this history, most of the socialist parties in Europe find that they can no longer attract votes by promising to nationalize even more industries. But what is still not recognized by the socialists, by the public, or even by more than a small minority of economists, is that present government ownership and management of industries, not only in "capitalist" Europe but even in Soviet Russia, works only as well as it does because it is parasitic for accounting on the world market prices established by private enterprise.

Too Much Taken for Granted

We are so accustomed to the miracle of private enterprise that we habitually take it for granted. But how does private industry solve the incredibly complex problem of turning out tens of thousands of different goods and services in the proportions in which they are wanted by the public? How does it decide how many loaves of bread to produce and

how many overcoats, how many hammers and how many houses, how many pins and how many Pontiacs, how many teaspoons and how many telephones? And how does it decide the no less difficult problem of which are the most economical and efficient methods of producing these goods?

It solves these problems through the institutions of private property, the free market, and the existence of money—through the interrelations of supply and demand, costs and prices, profits and losses.

When shoes are in deficient supply compared with the marginal cost of producing them, their price, and therefore the margin of profit in producing them, will increase in relation to the price and margin of profit in producing other things. Therefore, the existing producers will turn out more shoes, and perhaps new producers will order machinery to make them. When the new supply catches up with existing demand, the price of shoes, and the profit of making them, will fall; the supply will no longer be increased. When hats go out of fashion and fewer are worn, the price will decline, and some may remain unsalable. Fewer hats will be made. Some producers will go out of business, and the previous labor and salvageable capital devoted to producing hats will be forced into other lines. Thus, there will be a constant tendency toward equalization of profit margins (comparative risks considered) in all lines. These yearly, seasonal, or daily changes in supply and demand, cost and price, and comparative profit margins, will tend to maintain a delicate but constantly changing balance in the production of the tens of thousands of different services and commodities in the proportions in which consumers demand them

The Competitive Role

The same guide of comparative money prices and profits will also decide the kinds and proportions of capital goods that are turned out, as well as which one of hundreds of different possible methods of production is adopted in each case.

In addition, within each industry as well as between industries, competition will be taking place. Each producer will not only be trying to turn out a better product than his competitors, a product more likely to appeal to buyers, but he will also be trying to reduce his cost of production as low as he possibly can in order to increase his margin of profit — or perhaps even, if his costs are already higher than average, to meet his competition and stay in

business. This means that competition always tends to bring about the least-cost method of production—in other words, the most economical and efficient method of production.

Those who are most successful in this competition will acquire more capital to increase their production still further; those who are least successful will be forced out of the field. So capitalist production tends constantly to be drawn into the hands of the most efficient.

But how can this appallingly complex problem of supplying goods in the proportions in which consumers want them, and with the most economical production methods, be solved if the institutions of capitalism — private ownership, competition, free markets, money, prices, profits and losses — do not exist?

The Baffling Problem of Economic Calculation

Suppose that all property—at least in the means of production—is taken over by the state, and that banks and money and credit are abolished as vicious capitalist institutions; how is the government to solve the problem of what goods and services to produce, of what qualities, in what proportions, in what localities, and by what technological methods?

There cannot, let us keep in mind, be a hundred or a thousand different decisions by as many different bureaucrats, with each allowed to decide independently how much of one given product must be made. The available amount of land, capital, and labor is always limited. The factors of production needed to make A are therefore not available for B or C: and so on. So there must be a single unified over-all decision, with the relative amounts and proportions to be made of each commodity all planned in advance in relation to all the others, and with the factors of production all allocated in the corresponding proportions.

So there must be only one Master Production Plan. This could conceivably be adopted by a series of majority votes in a parliament, but in practice, to stop interminable debate and to get anything done, the broad decisions would be made by a small handful of men, and the detailed execution would probably be turned over to one Master Director who had the final word.

How would he go about solving his problem?

We must keep in mind that without free competitive markets, money, and money-prices, he would be helpless. He would know, of course (if the seizure of the means of production has only recently occurred), that people under a capitalist system lived in a certain number of houses of variqualities. wore a certain amount of clothing consisting of such and such items and qualities. ate a certain amount of food consisting of such and such meats. dairy products, grains, vegetables. nuts, fruits, and beverages. The director could simply try to continue this pre-existing mix indefinitely. But then his decisions would be completely parasitic on the previous capitalism, and he would produce and perpetuate a completely stationary or stagnant economy. If such an imitative socialism had been put into effect in, say, the France of 1870, or even of 1770, or 1670, and France had been cut off from foreign contacts, the economy of France would still be producing the same type and per capita quantity of goods and services, and by the same antiquated methods, as those that had existed in 1870, or even in 1770, or 1670, or whatever the initial year of socialization.

It is altogether probable that even if such a slavishly imitative production schedule were deliberately adopted it would overlook thousands of miscellaneous small items, many of them essential, because some bureaucrat had neglected to put them into the schedule. This has happened time and again in Soviet Russia.

What Shall Be Produced?

But let us assume that all these problems somehow solved are How would the socialist Planners go about trying to improve on capitalist production? Suppose they decided to increase the quantity and quality of family housing. As total production is necessarily limited by existing technological knowledge and capital equipment, they could transfer land, capital, and labor to the production of more such housing only at the cost of producing less food, or less clothing, or fewer hospitals, or schools, or cars, or roads, or less of something else. How could they decide what was to be sacrificed? How would they fix the new commodity proportions?

But putting aside even this formidable problem, how would the Planners decide what machines to design, what capital goods to make, what technological methods to use, and at what localities, to produce the consumers' goods they wanted and in the proportions they wanted them?

This is not primarily a technological question, but an economic one. The purpose of economic life, the purpose of producing anything, is to increase human satisfactions, to increase human well-

being. In a capitalist system, if people are not willing to pay at least as much for the consumer goods that have been produced as was paid for the labor, land, capital equipment, and raw materials that were used to produce them, it is a sign that production has been misdirected and that some of these productive factors have been wasted. There has been a net decrease in economic well-being instead of an increase.

There are many feasible methods—crucible, Bessemer, open hearth, electric furnace, basic oxygen process—of making steel from iron. In fact, there are today a thousand technically feasible ways of making almost anything out of almost anything. In a private enterprise system, what decides which method will be used at a given place and time is a comparison of prospective costs.

And this necessarily means costs in terms of money. In order to compare the economic efficiency of one productive method with another the methods must be reduced to some common denominator. Otherwise numerical comparison and calculation are impossible. In a market system this common denominator is achieved by comparisons in terms of money and of prices stated in money. It is only by this means that society can determine whether a given

commodity is being produced at a profit or a loss, or at what comparative profits or losses any number of different commodities are being produced.

"Playing" Capitalism

In recent years even the most doctrinaire communist countries have become aware of this. They are going to be guided hereafter, they say, by profit and loss. An industry must be profitable to justify itself. So they fix moneyprices for everything and measure profit and loss in monetary terms.

But this is merely "playing" free markets. This is "playing" capitalism. This imitation is the unintended flattery that the communists now pay to the system they still ostensibly reject and denounce.

But the reason why this mockmarket system has so far proved so disappointing is that the communist governments do not know how to fix prices. They have achieved whatever success they have had when they have simply used the quotations they found already existing for international commodities in the speculative markets - i.e., in the capitalist markets - in the Western world. But there are a limited number of such grains and raw materials with international markets. In any case, their prices change daily,

and are always for specific grades at specific locations.

In trying to fix prices for commodities and the multitudinous objects not quoted on these international markets the communist countries are at sea. The Marxist labor theory of value is false and therefore useless to them. We cannot measure the value of anything by the number of hours of "labortime" put into it. There are enormous differences in the skill, quality, and productivity of different people's labor. Nor can we, as suggested by some Soviet economists, base prices on "actual costs of production." Costs of production are themselves prices - the prices of raw materials, of factories and machinery, rent, interest, the wages of labor, and so on.

Our Differences Guide Us

And nowhere, in a free market, are prices for long exactly equal to costs of production. It is precisely the differences between prices and costs of production that are constantly, in a free market economy, redirecting and changing the balance of production as among thousands of different commodities and services. In industries where prices are well above marginal costs of production, there will be a great incentive to increase output, as well as increased means to do it. In indus-

tries where prices fall below marginal costs of production, output must shrink. Everywhere supply will keep adjusting itself to demand.

Where prices have been set arbitrarily, real profits and losses cannot be determined. If I am a commissar in charge of an automobile factory, and do not own the money I pay out, and you are a commissar in charge of a steel plant, and do not own the steel you sell or retain the money you sell it for, and we are each ordered to show a profit, the first thing each of us will do is to appeal to the Central Planning Board to set an advantageous price (to him) for steel and for automobiles. As an automobile commissar, I will want the price of the cars I sell to be set as high as possible, and the price of the steel I buy to be set as low as possible, so that my own "profit" record will look good or my bonus will be fixed high. But as a steel commissar, you will want the selling price of your steel to be fixed as high as possible, and your own cost prices to be fixed low, for the same reason. But when prices are thus fixed blindly, politically, and arbitrarily, who will know what any industry's real profits or losses (as distinguished from its nominal bookkeeping profits or losses) have been?

Decentralized Chaos

The problems of centralized direction of an economy are so insuperable that in socialist countries there are periodically experiments in decentralization. But in an economy only half free - that is, in an economy in which every factory is free to decide how much to produce of what, but in which the basic prices, wages, rents, and interest rates are blindly fixed or guessed at by the sole ultimate owner of the means of production. the state - a decentralized system could quickly become even more chaotic than a centralized one. If finished products m, n, o, p, and so on are made from raw materials a, b, c, d, and so on in various combinations and proportions, how can the individual producers of the raw materials know how much of each to produce, and at what rate, unless they know how much the producers of the finished products plan to produce of the latter, how much raw materials they are going to need, and just when they are going to need them? And how can the individual producer of raw material a or of finished product m know how much of it to produce unless he knows how much of that raw material or finished product others in his line

are planning to produce, as well as relatively how much ultimate consumers are going to want or demand?

An economic system without private property and free-market price guides must be chaotic. In a communistic system, centralized or decentralized, there will always be unbalanced and unmatched production, shortages of this and unusable surpluses of that, duplications, bottlenecks, time lags, inefficiency, and appalling waste.

In brief, socialism is incapable of solving the incredibly complicated problem of economic calculation. That problem can be solved only by capitalism.

⁶ For a fuller discussion of the problem of economic calculation, see my novel, Time Will Run Back (originally published by Appleton-Century-Crofts in 1951 as The Great Idea, and republished under the new title by Arlington House in 1966). And see especially the discussion by the great seminal thinker who has done more than any other to make other economists aware of the existence, nature, and extent of the problem, Ludwig von Mises, in his Socialism: An Analysis (London: Jonathan Cape, 1936. 1951, 1953, 1969), and in his Human Action (Chicago: Henry Regnery, third revised edition, 1963), pp. 200-231 and 698-715. See also Collectivist Economic Planning, edited by F. A. Hayek (London: George Routledge, 1935), and Economic Calculation in the Socialist Society, by T. J. B. Hoff (London: William Hodge, 1949).



WHO

SHOULD VOIE?

PAUL L. POIROT

WHEN a majority seems determined to do foolish things, a reformer might try to fool them into passing a prohibition law. But the majority will neither accept nor respect a law it fails to understand. If the better idea were widely understood, political reform would be quite easy—and quite unnecessary. Advocating a law, as a short cut to understanding, wastes precious time and energy that might have been used to explain and justify the better idea.

An excellent example of such patient explanation is afforded by the 85 Federalist Papers offered by Alexander Hamilton, John Jay, and James Madison during 1787 and 1788 to bring understanding and popular acceptance of the new Constitution. To be sure, they wanted "to pass a law"; but their approach was to help the people

see the wisdom of the Federal Constitution, to enable them to live within the spirit as well as the letter of the law.

In view of the great interest today in who should be allowed to vote, one is surprised to find only two or three brief references in The Federalist to the matter of suffrage. Hamilton, Madison, and Jay were content, it seemed, to rely on the laws of the various states to determine who might vote. And they could foresee no problems arising, no incentive for any state to manipulate its voting requirements in a manner detrimental to the national interest. They could never have believed that Congress (in 1913) would be granted power to tax incomes "without apportionment the several States, and without regard to any census or enumeration." Nor could those men of 1787 have conceived of the Federal government as a gigantic gravy bowl to be dipped into and drained by hungry blocs of voters.

A Modern View of Government

In the United States, at least. the Federal welfare state is primarily a development of the twentieth century. Governmental welfare measures, if any, before World War I were handled largely at the local level: there had been no substantial use of Federal funds to buy votes, no reason for states to modify their voting laws and practices to gain special privileges in Washington, Now, we know. And it is conceivable that the authors of the Federalist Papers might have given more attention to voting requirements had they imagined how far we might stretch the use of the ballot. There simply was no call to explain the limitations of balloting to Americans of 1787 who understood why government should be limited. And until Americans of our time understand the case for limited government, there is no way to fool them into passing a law to limit the franchise.

Meanwhile, debate rages endlessly over who is to be allowed to vote — whether the franchise should be extended to teen-agers — and about the inequities of this or that particular form of taxation. But seldom, if ever, does such debate get down to basic principles, that is, the discussion of voting and taxation in terms of what government is for and what it ought to be doing.

If one believes, for instance, that a major purpose of government is to bring about a more distribution of wealth egual taking from the rich to give to the poor - then it would seem entirely logical to confine the franchise to the "deserving poor" and to levy the costs of governing against the rich who supposedly have conspired to build up private fortunes. Teen-agers, in that case. presumably would fall generally among the poor, who "deserve" to vote and to enjoy tax-exemption.

But, sharing the wealth is not quite so peaceful and simple as some advocates seem to believe. Someone always winds up with more than "his fair share," and coercion inevitably is required to get it away from him again. Advocates of force always have fought, and always will, over who should exercise the coercive power.

The Role of Force

It is by no means clear to great numbers of Americans what they want their government to do. On the one hand, they are quite willing to tax up to 70 per cent or more of a person's livelihood, year after year, especially if he is relatively productive. Yet, these very same persons will "stand on principle" against the draft of a young man for 2 years at soldier's pay.

If citizens of the United States do not volunteer in sufficient force to carry out government commitments, say in Vietnam, then the government will draft them and their property. "Unfair," cry many of the citizens. "These young men are needed for a domestic peace corps. The property taken by taxation is needed in the domestic war on poverty, aid to the cities, aid to education, aid to agriculture, aid to the unemployed—to each according to need."

These "friends of the poor" in the United States who advocate the use of government force to accomplish their domestic programs are logical, at least; they have no ideological quarrel with the communists in North Vietnam or anywhere else. Their quarrel, rather, is with the idea of limited government and with their "old-fashioned" neighbors who believe that government's only function is to protect life and property and to keep the peace.

Respect for life and property does not originate among men as a fear of reprisal by force in case of trespass but as a sense of propriety, a conscience, a capacity to distinguish right from wrong.

Such a distinction is not determined by voting or by tossing a coin. It is a moral decision an individual can and must make for himself only, with such guidance as he may derive from his own experience and thought and from the shared experience and wisdom of others. If it is right to defend one's own life or property, then it cannot at the same time or by the same reasoning be right to take the life or property of another by force. Those who can understand such reasoning and control their accordingly actions are ready for the idea of limited government - a policing agency of society to preserve the peace, to protect the life and property of every peaceful person against threatened or actual violence by any other person or group.

A Question of Responsibility

In a sense, each human being ought to be in charge of his own life—a self-reliant, self-responsible, peaceful, mature individual. And in that case the principle of one-man-one-vote seems reasonable. But few, if any, of us ever quite measure up to the persons we ought to be. And it would, therefore, seem advisable to limit the franchise, or refuse it altogether to those who clearly fail to behave responsibly.

Youth, to be sure, is not an in-

fallible sign of immaturity and irresponsibility. But no one expects a year-old baby to vote for President. There's no magic in any number, but it probably is just as well to withhold voting rights from all persons under 21 years of age. Automobile liability insurance companies, for instance, consider all young men under 25 to be more or less irresponsible.

Buying votes is generally frowned upon as a reprehensible practice. And if it is bad practice, then it would seem reasonable to withhold the franchise from any person the livelihood of whom is derived primarily from government, say more than 50 per cent, and in any case if he receives more than \$10,000 a year from tax-collected sources. This would include, among others, most public officials, government employees, welfare clients, teachers in public schools, employees of firms largely dependent on government contracts, inmates of prisons and other governmental institutions.

With reference to criminals and others of proven irresponsibility, the franchise probably should be withheld for a certain period of probation, say for two years following release from any penal institution; or, for at least two years following conviction on any criminal charge even if no fine or other sentence were assessed.

The recent public clamor about the poverty level, and the very idea that families with less than \$3,000 of annual earnings would be eligible for subsidy suggests that every member of such a family should be ineligible to vote as long as that family condition of poverty persists.

Furthermore, in view of the heavy burden of taxes in the United States, it would seem advisable to withhold the voting privilege from all members of any family group that pays less than a nominal figure of say \$300 a year in Federal, state, and local direct tax levies.

Bankruptcy, whether voluntary or at the insistence of creditors, should be sufficient cause to relieve any person of the voting privilege for a reasonable period of time, such as ten years.

The Practice of Freedom Hinges on Education and Understanding

The foregoing is not intended to cover all cases of irresponsible action, but to suggest some of the more flagrant examples that might well be considered by those who want a government primarily for the protection of life and property and the preservation of peaceful conditions in the community. If a person is able to show that he is self-reliant and has not behaved irresponsibly toward others, let

him vote in elections and other governmental decisions that ought to be reached democratically.

In the final analysis, however, an individual will tend to look upon this limitation of voting rights through the same eyes by which he views the purpose of government. If he wants to protect property, he'll leave the decisions to the owners; but if he wants to confiscate property and is not concerned about such waste of scarce resources, he'll do everything he can to enfranchise the non-owners and herd them to the polling booth. In any case, the practice of freedom, today as in 1787, is entirely a matter of education and understanding.

Trampling Justice

IDEAS ON

LIBERTY

No man is allowed to be a judge in his own cause, because his interest would certainly bias his judgment, and, not improbably, corrupt his integrity. With equal, nay with greater reason, a body of men are unfit to be both judges and parties at the same time; yet what are many of the most important acts of legislation but so many judicial determinations, not indeed concerning the rights of single persons, but concerning the rights of large bodies of citizens? And what are the different classes of legislators but advocates and parties to the causes which they determine? . . . The apportionment of taxes on the various descriptions of property is an act which seems to require the most exact impartiality: yet there is, perhaps, no legislative act in which greater opportunity and temptation are given to a predominant party to trample on the rules of justice. Every shilling with which they overburden the inferior number is a shilling saved to their own pockets.

JAMES MADISON, from The Federalist Papers, No. 10

THE TRADITION

WILLIAM F. BUCKLEY, Jr. has a genius for provocative titles. The label on the cover of his anthology of American conservative thought in the twentieth century, Did You Ever See a Dream Walking? (Bobbs-Merrill, \$8.50), comes from a half-forgotten popular song. For me, the Buckley choice is absolutely delicious, for I recall from some thirty years ago that the Chicago political scientist, Charles Merriam, used the same rhetorical query from the same song to introduce a profile of the old curmudgeon of New Deal days, Harold Ickes, whose political thought Bill Buckley would surely describe as a nightmare.

Buckley's answer to the ritualistic "liberalism" which has, in the course of forty years, seeped out of the intellectual weeklies to become the conventional wisdom of our mass magazines is a highly personal one, even though it is here expressed through the choice of twenty-three separate contributors. The point to be made about the Buckley anthology is that it represents for the most part the flowering of a tradition, with most of the essays coming from the

nineteen fifties and the nineteen Albert Jav Nock and sixties. Henry Hazlitt are among the few older hands. Because this book is a flowering, it has a mellowness, a suavity of articulation, an urbanity, and a tolerance for eclecticism within a general scheme that would have been broken if the editor had ranged backwards in time to the earlier years of the century, when much of our conservatism - or libertarianism had a desperate tone. Bill Buckley's conservatism is enormously civilized, which means that it demands certain standards of debate, certain stylistic qualities, a rejection of the type of polemicist that Emerson must have had in mind when he asked, "Why so hot, little man?"

The Buckley taste for polemicism that is good literature is almost flawless. The first figure to walk in his dream-become-actual is Garry Wills, who has the leading position in the section called "The Historical and Intellectual Background." Mr. Wills here exhibits a nineteenth century Whiggish—or maybe it is mild Tory—view of the state, which is to say

that he is determinedly nonideological but generally in favor of less government action rather than more. It is not the business of the state to provide ideal justice, says Mr. Wills, for that would require marshaling too much force in the hands of fallible men. Nor should the state try to compensate men for their failings. Equity and order come before abstract equality and abstract justice, with "convenience" playing the mediating role. Men, in general, must have scope to exercise their wills.

One would have predicted from his tone in "The Convenient State" that Garry Wills would have been happy to accept the sort of giveat-the-edges interventionism that marks the Richard Nixon conception of the state. The Nixon view, which reminds one of Disraeli, is at least an improvement over the harsher will to ideal justice that dictated the leveling efforts of the Great Society and really "polarized" our society. But no, the present-day Garry Wills has taken to assailing with an unholy passion the Nixon-type "convenience" which accepts the free market with minor reservations. Could it be that if Garry Wills had been a little more rigorous in "The Convenient State," he would have avoided becoming something of a doctrinaire antilibertarian? Mr. Buckley does not say. But it could have been with a tacit urge toward balance that the second section called "The Limitations of the State" includes sterner libertarians Henry Hazlitt, Milton Friedman, Max Eastman—and even Albert Jay Nock, who is admitted for brilliance of style despite a "merry anarchism" that Mr. Buckley rejects for himself.

Mr. Buckley despairs of giving any exact definition to "conservatism"; he prefers to make what he calls an "empirical probe." His empiricism accepts people who think of conservatism variously as a position and an attitude, with religion sometimes entering the equation and sometimes not.

Whittaker Chamber's "The Direct Glance" pleads for a fundamentally religious opposition to communism; the Max Eastman of "Freedom and the Planned Economy" would settle for some simple common sense about keeping economic power diffused.

Willmoore Kendall, though he was a religious man at bottom, leaves other-worldly considerations out of his politics; he accepts the Madisonian balance as a basis for what he calls "The Two Majorities" — meaning the concurrent majority that sets Congress up as a watchdog on the President, and vice versa.

Brent Bozell, who in his later career has been moving toward

theocracy, is presented here in an earlier guise. Not quite a strict constructionist. Bozell thinks it proper for judges to push the Constitution in an "unwritten direction" if a big consensus favors it. He does not, however, think the Supreme Court should "make law" by its decisions at a time when the nation is still unable to decide between two possible interpretations of Constitutional language. If the Court moves faster than public opinion, as it did on the integration issue, it produces a chaotic period in society.

Sometimes the Buckley apercus, which are plentiful as blackberries in the separate introductions which he contributes to the various sections of his anthology, are more piercing than the essays that follow. Thus, in the section that is titled "The Relevance of Social Science," which contains selections from Leo Strauss, Jeffrey Hart, Eric Voegelin, and Christopher Dawson (one of two Englishmen in an American anthology), the Buckley remarks on the "limits of empiricism" come through with sharpness and clarity where and Voegelin, though Strauss worthy scholars and able teachers, spin things out. Strauss muffles his originality with a sing-song tone, and Voegelin uses an absolutely barbarous academic language, "immanentizing the eschaton" all over the lot. Jeffrey Hart, whose style is clean and brisk in his essay on Edmund Burke, could tell Voegelin that you do not make converts to a point of view by writing for Divinity Ph.D.'s who already agree with you.

There isn't room in this space to deal adequately with Mortimer Smith on schools, or Jane Jacobs on city renewal, or Harry Jaffa on the ticklish subject of giving free speech to communists, or Ernest van Den Haag on the claims and rights of race, or Russell Kirk on the need for rewards, or Frederick Wilhelmsen on the origins of Christmas, or Hugh Kenner on the "new scholarship," or Michael Oakeshott on the rise of the masses, or Frank Meyer and James Burnham, both of whom I have reviewed in these pages before. Besides. I wish to lament Mr. Buckley's failure to include some older, admittedly less urbane libertarians to his gallery who had a lot to do with preparing the ground for the flowering that is presented in the anthology. I miss such things as Isabel Paterson's sharp analysis of the totalitarian potential of a public school system, and Peter Drucker's description of the Founding Fathers as "conservative counterrevolutionists." and Garet Garrett on the economics of the first Henry Ford, and Rose Wilder Lane on the rebirth of freedom. Frank Chodorov should be here to join his master, Albert Jay Nock, and we could have welcomed something from John Dos Passos's explorations in early American history. Moreover, Ludwig von Mises has lived in America for a long time, and Hayek was at the University of Chicago for a number of years. They were part of the dream that began to walk here in the nineteen forties.

However, all anthologies are necessarily personal, and Mr. Buckley is entitled to his own. He is himself a most valiant part of the flowering of the mid-century which he has so discerningly presented.

► THE CONSERVATIVE TRA-DITION IN EUROPEAN THOUGHT, Selected and edited by Robert Schuettinger (New York: G. P. Putnam's Sons, 1970) 385 pp. \$6.95.

Reviewed by Edmund A. Opitz

THE PHILOSOPHY of conservatism stems mainly from Edmund Burke, and it is fitting, therefore, that the opening sections of this fine anthology should be drawn from his works. The classical world is represented by Plato, Aristotle, and Cicero; Hegel tries to tell us what he understands by the state as "the realized substantive will"; and the judicious

Richard Hooker expounds the idea of the natural law. Tocqueville warns us of the despotic tendencies that come masked in democratic forms, and Disraeli outlines the answer of Tory Democracy to this danger. The case for monarchy is presented by the Archduke Otto. On more congenial ground, so far as modern readers are concerned, there is Roepke, Jewkes, Oakeshott, and Hayek.

The rich diversity of views in this anthology serve to make conservatism's major point; men are various, and their manifest individuality must be reflected in social arrangements aimed at maximizing freedom. The believer in liberty, label him as you please, is one who respects human differences as somehow part of the cosmic scheme; he does not feel called upon to correct God or Nature by uniformitarian politics imposed on unwilling subjects. He works toward a better society meaning one that is freer and more just - but he knows that a perfect society is a chimera and the effort to achieve one leads to new excuses for tyranny. He is against social engineering because he wants each person to work out his own social destiny.

The book has an enlightening Introduction by Professor Schuettinger, and ample suggestions for further reading.

Freeman

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The Kingdom on Earth

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

Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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The Kingdom on Earth



LEONARD E. READ

MARCH 1971 – the 25th Anniversary of The Foundation for Economic Education!

"Well, what on earth have you accomplished in a quarter century?"

That is a valid question which, alas, cannot be answered with a Victory salute. Indeed, surface appearances point to nothing but losses, the broad social practice of freedom having steadily waned through the years since FEE began. In the light of such evidence, why keep trying?

There is reason aplenty for persistent effort, not only on our part but on yours, whoever you are.

The private ownership, free exchange, limited government way of life, more stumbled upon than brought about by any precise design, has no long-range survival value except as a supporting ra-

tionality comes to the rescue.¹ This remarkable politico-economic arrangement cannot last without intellectual, moral, and spiritual underpinnings, many of which have yet to be discovered, understood, explained. In the absence of understanding, coercive collectivism—statism—spills in to occupy the vacuum. Witness what's happening!

In a sense, then, these 25 years have been a period of probing beneath our waywardness to solid foundations upon which to erect and refine a rationale that will make a free society possible.

Do our troubles stem from economic illiteracy? We thought so in the beginning. Without discount-

¹ For a development of this point, see "A Role for Rationality" in my Let Freedom Reign (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, 1969), pp. 9-24.

ing the need for economic understanding, we no longer view it as the bedrock on which to build. For were everyone lacking in moral scruples, the mastery of economics would not make a whit of difference. Fundamentally, ours is a moral problem.

What Accounts for the Rises and Declines of Society?

All history attests to the rise and decline of nations, societies, civilizations. And any thoughtful person, when his own society appears to be on the wane, will try to get at the root of the matter. What is the unique strength of an emerging society or the peculiar weakness that leads toward social decline? What accentuates these ups and downs? Why this monotonous evolutionary-devolutionary sequence?

If there were a simple and obvious explanation, it long since would have been brought into the open for all to see and, hopefully, bent to our purpose.

I believe that this obscure force, or the lack of it, must be identified with the human psyche; it is a quality that develops or deteriorates in the minds of men. The cause of these ups and downs occurs within each individual. Contagious, yes, for like begets like; but this would be the only sense in which the force might be con-

strued as social. Unquestionably, this is a personal problem.

What, then, can it be? I suggest that it has to do with the rise and decline of integrity: the accurate reflection in word and deed of whatever one's highest conscience dictates as Truth. Such dictates of conscience may not in fact be Truth but they are the nearest approximation possible for any human being—the closest he can ever come to The Kingdom.

What is to be inferred from "The Kingdom"? If one posits, as I do, an Infinite Consciousness, an out-of-reach Ideal — Creation — then Infinite Truth is The Kingdom. And the eternal challenge to imperfect man is that he bring himself into as much possession of Truth as he can.

The key is familiar, though rarely understood as related to the ups and downs of societies: "Seek ye first the Kingdom of God and his Righteousness, and these things will be added unto you." This admonition is being ignored and thus lies in near obscurity.

In other words, if one will first and foremost seek Truth (The Kingdom) and Righteousness (integrity), then these things—a societal rise being one of "these things"—will be the dividend. But, seek first the dividend, thereby relegating Truth and Righteousness to an inferior position,

then the result surely will be a society in decline. In the words of C. S. Lewis, "Aim at Heaven and you get earth thrown in. Aim at earth and you will get neither."²

Truth Is Righteousness

Now to my point: Truth and Righteousness cannot asunder without obliterating Truth: these are two sides of the same moral coin, that is, they are the inseparable components of The Kingdom on earth! To illustrate: It is a sin to feather my own nest at the expense of others. My highest conscience pronounces this as a Truth. For me to speak or write or act in a contrary manner is to indulge in dissimulation, to flout Righteousness, to live a lie, to deny the Truth that is within me.

With reference to the rise and decline of integrity, it is necessary, at the outset, to re-emphasize that whatever any individual's conscience dictates as Truth may not in fact be Truth but here, and here alone, reside such Truths as mankind possesses. One's highest conscience not only can but often does hold fallacies and errors to be Truths. No human being is or ever has been free from this flaw. Thus, even our most accurate reflections—integrity—pronounce—fallacies

and errors, perhaps more often than not.

Reflect on the millions of people who make perfectly honest pronouncements on subjects about which they know little, if anything at all. For instance, according to the tenets I hold to be Truths, Karl Marx expounded numerous errors. Yet, he was—at some points—a man of integrity and in 1848 proudly claimed this virtue for himself and his kind: "The communists disdain to conceal their views and aims." I like the young Marx for that!

And I admire integrity in everyone despite the fact that accurate reflection in word and deed projects an enormous amount of nonsense.

Consider those who speak or write or act contrary to what they believe to be Truth, those who practice dissimulation. Is nonsense thereby curbed? Indeed, it is not; it is multiplied. Were everyone to behave in this manner, Truth would have no way of coming to light—mankind confronted entirely with falsehood!

There are Truths and many are known, else we would not be here. But we must look upon man-perceived Truths as extreme rarities when compared to Infinite Truth. These rare and precious gems of Truth, like diamonds, are mined — brought to the surface — for

² See Mere Christianity by C. S. Lewis. (London: Goeffrey Bles, Ltd., 1953), p. 106.

man's use in company with inordinate amounts of useless residue.

When integrity is the rule, fallacies and errors are brought honestly into the open, where they can be seen and discarded. Precisely as in mining, the waste is relegated to the slag pile!

"We are all dwarfs mounted upon the shoulders of giants." Who are the giants, the ones on whose shoulders all of us are mounted? *Exclusively* the ones who have, over the ages, combined Righteousness with such Truths as they apprehended — men of integrity! Civilization, indeed the very existence of mankind, rests on integrity! Civilizations can rise only as that virtue is practiced and held sacred; they must decline when dissimulation is the mood and the mode.

Wrong Procedures

What of those who seek first the dividends rather than the Kingdom? What are "these things"? One need not look into the behavior of others in order to find this reversal of emphasis. I can look into the mirror and there are plenty of examples. True, some of these desires for "things" have been overcome, disciplined out of practice, but the scars remain and the memories persist as tempta-

tions. However, they must be recognized for what they are — "these things" or dividends — if I am not to yield to them.

For instance, I wish to be favorably received by a certain scholarly, affluent individual who believes in the essentially free society - except tariffs. Shall I conceal from him my belief in free exchange, thus trying to win his approbation, or shall I reveal what my conscience dictates as Truth. inviting his enmity? This is a considerable temptation. But if I were to yield, and everyone else did the same, freedom in transactions would be an unknown concept. To yield is dissimulation; not to yield is integrity.

Or, take the thesis I'm propounding here. Suppose "The Kingdom" were positively scorned by everyone else rather than simply ignored as it is today by those who proclaim that God is dead. Shall I reveal, or conceal, what my conscience dictates as Truth? One is tempted to "go along" with the crowd, rather than risk abuse and disgrace.

"I must be practical" is among the most forbidding obstacles to Righteousness. When socialism is rampant, as now, there is the temptation to weasel, to compromise or, at best, to counsel a cautious and gradual retreat, thus condoning by implication the so-

³ Fulbert of Chartres (Eleventh Century)

cialistic thesis. I once asked a distinguished economist why he inserted one socialistic chapter in an otherwise excellent book. He thought it would save him from excessive condemnation by the academic fraternity. There is the temptation not to stand alone with conscience; one fears being regarded as "a nut."

Fame, fortune, acclaim, popularity, and the like are "these things." And to seek them first is to risk a substitution of dissimulation for integrity. Seek Truth, then "these things" come along as the dividend.

Admittedly, this basic admonition calls for faith in something beyond the obvious. Why my faith?

Not Dangerous to Be Honest

Twenty-six years ago, I came to New York City as the Executive Vice-President of the National Industrial Conference Board. Shortly after arrival, I was invited to meet with a dozen top corporate executives, an ad hoc affair unrelated to the NICB. Following dinner, the purpose of the meeting was revealed: "We are here not to discuss the merits or demerits of the Full Employment Act: we are all opposed to it. The question is, what shall we do about it?" Immediately. I resolved to be a listener only. For how these men might

appraise the newcomer would have much to do with my career.

For two hours I listened: "We must not reveal our position; instead, we shall hire college professors to appear before the Congressional Committee and speak our piece." And so on.

Finally, one of them asked my views. The thoughts that raced through my mind! If I tell these men what I really think, I am a goner. Not to tell them is to live a lie, to seek approval before men rather than God. I told them! There was dead silence, my fate seemingly sealed. Then one of them exclaimed, "Read is right!"

As it turned out, their views were presented openly to the Congress by one of them. As for me, this was among the most rewarding and instructive experiences of my life. Every one of that group welcomed me as a friend, often seeking my counsel. Why? Each felt certain that I would tell him the truth as I saw it.

Experience tells me it is not dangerous to be honest, to practice integrity. Indeed, accurate reflection of what one believes to be Truth engenders respect, trust, friendliness—assuming, of course, that one is not argumentative, abusive, cantankerous. And why should one be? I have no call to compel anyone to accept my views; my moral obligation is to express

my thoughts honestly for whatever others may wish to make of them.

Truth for Its Own Sake

While it is true that integrity breeds respect, trust, friendliness, and other desiderata, it is well to keep in mind that these are only dividends. Therefore, it is not for these that one is righteous but for Truth's sake, and that alone. It is simply a matter of getting the priorities in proper order.

Finally, the individual who practices integrity is teachable for, by definition, he is a Truth seeker. The dissimulator, on the other hand is, at best, no more

than a dividend seeker. He has torn Truth and Righteousness apart and, thus, has alienated himself from such Truth as is within him. Until he reverses the priorities, he is not educable.

As one reflects on this subject, it becomes obvious that when dissimulation is widespread, as it seems to be now, nations, societies, civilizations suffer decline. To reverse the direction requires only that integrity become the way, the mode, the style. Then Truth will out — not all at once, never fully to any man or any generation or even during any century, but bit by bit to those who persist in the eternal search.

To Reverse the Direction

IDEAS ON

ДД LIBERTY ONE FREE MAN says frankly what he thinks and feels in the midst of thousands who by their actions and words maintain just the opposite. It might be supposed that the man who has frankly expressed his thought would remain isolated, yet in most cases it happens that all, or the majority, of the others have long thought and felt the same as he, only they have not expressed it. And what yesterday was the novel opinion of one man becomes to-day the general opinion of the majority. And as soon as this opinion is established, at once by imperceptible degrees but irresistibly, the conduct of mankind begins to alter.



The Poor Laws of England

(Bettmann Archive)

ONE WOULD GET the impression, reading most of the discussions in today's American newspapers and magazines, that no one had ever thought of doing anything for the poor until Franklin Roosevelt's New Deal in the 1930's, or even until President Johnson's "war on poverty" in the 1960's. Yet private charity is as old as mankind; and the history of governmental poor relief, even if we ignore the ancient world, can be traced back more than four centuries.

In England the first poor law was enacted in 1536. In 1547 the city of London levied compulsory taxes for the support of the poor. In 1572, under Elizabeth, a compulsory rate was imposed on a national scale. In 1576 the compulsion was imposed on local authorities to provide raw materials to give work to the unemployed. The Statute of 1601 compelled the Overseers of the Poor in every parish to buy "a convenient stock of flax, hemp, wool, thread, iron and other stuff to set the poor to work."

It was not compassion alone, or perhaps even mainly, that led to these enactments. During the reign of Henry VIII, bands of "sturdy beggars" were robbing and terrorizing the countryside, and it was hoped that the relief or the provision of work would mitigate this evil.

Poor relief, once started, kept growing. According to the early statistician, Gregory King. (1648-1712), toward the end of the sev-

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enteenth century over one million persons, nearly a fifth of the whole English nation, were in occasional receipt of alms, mostly in the form of public relief paid by the parish. The poor rate was a charge of nearly £800,000 a year on the country and rose to a million in the reign of Anne.

"There was seldom any shame felt in receiving outdoor relief, and it was said to be given with a mischievous profusion. Richard Dunning declared that in 1698 the parish dole was often three times as much as a common laborer, having to maintain a wife and three children, could afford to expend upon himself: and that persons once receiving outdoor relief refuse ever to work, and 'seldom drink other than the strongest alehouse beer, or eat any bread save what is made of the finest wheat flour.' The statement must be received with caution, but such was the nature of the complaint of some rate-payers and employers about the poor law."1

Guaranteed Income

In 1795 a momentous step was taken that enormously aggravated the whole relief problem. The justices of Berkshire, meeting at Speenhamland, decided that wages below what they considered an absolute minimum should be supplemented by the parish in accordance with the price of bread and the number of dependents a man had. Their decision received parliamentary confirmation the next year. In the succeeding 35 years this system (apparently the first "guaranteed minimum income") brought a train of evils.

The most obvious to the taxpayers was a geometric rise in the cost of relief. In 1785 the total cost of poor law administration was a little less than £2 million; by 1803 it had increased to a little more than £4 million; and by 1817 it had reached almost £8 million. This final figure was about onesixth of total public expenditure. Some parishes were particularly hard hit. One Buckinghamshire village reported in 1832 that its expenditure on poor relief was eight times what it had been in 1795 and more than the rental of the whole parish had been in that year.2 One village, Cholesbury, became bankrupt altogether, and others were within measurable distance of it.

But even the public expense was not the worst of the evil. Much greater was the increasing demoralization of labor, culminating in the riots and fires of 1830 and 1831.

¹ G. M. Trevelyan, English Social History (David McKay, 1942), p. 278.

² Encyclopaedia Britannica, 1965. Article, "Poor Law." Vol. 18, p. 218.

It was in the face of this situation that the Whig government decided to intervene. In 1832 a royal commission was appointed to inquire into the whole system. It sat for two years. The report and recommendations it brought in became the basis of the reforms adopted in Parliament by a heavy majority (319 to 20 on the second reading) and embodied in the Poor Law Amendment Act of 1834.

The report was signed by the nine commissioners. The secretary was Edwin Chadwick; one of the commissioners was the eminent economist, Nassau W. Senior, The text of the report itself ran to 362 pages: together with its appendices it came to several bulky volumes. It was widely regarded as a "masterly example of a thorough. comprehensive, and unbiased inquiry." As late as 1906, one British writer, W. A. Bailward, described it as a "Blue-book which, as a study of social conditions, has become a classic."3

Repeating Ancient Errors

But today the report is just as if it had never existed. Schemes are being proposed on all sides, which their sponsors assume to be brilliantly original, but which would restore the very relief and income-guarantee systems that failed so miserably in the late eighteenth and early nineteenth centuries, and which the report of 1834 so devastatingly analyzed.

The Speenhamland plan, and schemes like it, endeavored to insure that people were paid, not in accordance with the going rate of wages, or the market value of their services, but in accordance with their "needs," based on the size of their families. A married man was paid more than a single man, and paid still more on a scale upward in accordance with the number of his children. The government i.e., the taxpavers - paid the difference between his market rate of wages and this scale of minimums.

One effect, of course, was to depress the market rate of wages, because the employer found he could reduce the wages he offered and let the taxpayers make up the deficiency. It made no difference to the worker himself who paid him how much of the fixed total that he got. Another effect was to demoralize the efficiency of labor, because a man was paid in accordance with the size of his family and not in accordance with the worth of his efforts. The average unskilled laborer had nothing to gain by improving his efforts and efficiency, and nothing to lose by relaxing them.

³ J. St. Loe Strachey (ed.), The Manufacture of Paupers (London: John Murray, 1907), p. 108.

Conditions in 1834

But let us turn to the text of the Commission's report, and let the following excerpts speak for themselves. They are taken almost at random:

"The laborer under the existing system need not bestir himself to seek work; he need not study to please his master; he need not put any restraint upon his temper: he need not ask relief as a favor. He has all a slave's security for subsistence, without his liability to punishment. As a single man, indeed, his income does not exceed a bare subsistence; but he has only to marry, and it increases. Even then it is unequal to the support of a family; but it rises on the birth of each child. If his family is numerous, the parish becomes his principal paymaster; but small as the usual allowance of 2s. a head may be, yet when there are more than three children, it generally exceeds the average wages given in a pauperized district. A man with a wife and six children, entitled, according to the scale, to have his wages made up to 16s. a week, in a parish where the wages paid by individuals do not exceed 10s. or 12s., is almost an irresponsible being. All the other classes of society are exposed to the vicissitudes of hope and fear; he alone has nothing to lose or to gain. . . .

"The answer given by the mag-

istrates, when a man's conduct is urged by the overseer against his relief, is: 'We cannot help that; his wife and family are not to suffer because the man has done wrong.'...

"Too frequently petty thieving, drunkenness, or impertinence to a master, throw able-bodied laborers, perhaps with large families, on the parish funds, when relief is demanded as a right, and if refused, enforced by a magistrate's order, without reference to the cause which produced his distress, viz., his own misconduct, which remains as a barrier to his obtaining any fresh situation, and leaves him a dead weight upon the honesty and industry of his parish....

"It appears to the pauper that the government has undertaken to repeal, in his favor, the ordinary laws of nature; to enact that the children shall not suffer from the misconduct of their parents - the wife for that of the husband, or the husband for that of the wife: that no one shall lose the means of comfortable subsistence, whatever be his indolence, prodigality, or vice: in short, that the penalty which, after all, must be paid by some one for idleness and improvidence, is to fall, not on the guilty person or on his family, but on the proprietors of the lands and houses encumbered by his settlement....

"'In the rape of Hastings,' says Mr. Majendie, 'the assistant overseers are reluctant to make complaints for neglect of work, lest they should become marked men and their lives rendered uncomfortable or even unsafe. Farmers permit their laborers to receive relief, founded on a calculation of a rate of wages lower than that actually paid: they are unwilling to put themselves in collision with the laborers, and will not give an account of earnings, or if they do, beg that their names not be mentioned. . . . Farmers are afraid to express their opinions against a pauper who applies for relief, for fear their premises should be set fire to. . . .

"'In Brede, the rates continue at an enormous amount. The overseer says much of the relief is altogether unnecessary; but he is convinced that if an abatement was attempted, his life would not be safe.' . . . 'I found in Cambridgeshire,' says Mr. Power, 'that the apprehension of this dreadful and easily perpetrated mischief [fire] has very generally affected the minds of the rural parish officers of this country, making the power of the paupers over the funds provided for their relief almost absolute, as regards any discretion on the part of the overseer.' . . .

"Mr. Thorn, assistant overseer

of the parish of Saint Giles, Cripplegate, London, says -

"The out-door relief [i. e., relief given outside of a poorhouse] in the city of London would require almost one man to look after every half dozen of able-bodied men, and then he would only succeed imperfectly in preventing fraud. They cheat us on all hands....

"'By far the greater proportion of our new paupers are persons brought upon the parish by habits of intemperance. . . . After relief has been received at our board, a great portion of them proceed with the money to the palaces of ginshops, which abound in the neighborhood. However diligent an assistant overseer, or an officer for inquiry, may be, there are numerous cases which will baffle his utmost diligence and sagacity. . . .

"'It is the study of bad paupers to deceive you all they can, and as they study their own cases more than any inquirer can study each of the whole mass of different cases which he has to inquire into, they are sure to be successful in a great many instances. The only protection for the parish is to make the parish the hardest taskmaster and the worst paymaster than can be applied to."

To economize space, my remaining quotations from the Commissioners' criticisms of the condi-

tions they found must be few and brief.

In many parishes, "the pressure of the poor-rate [i. e., taxes on property] has reduced the rent to half, or to less than half, of what it would have been if the land had been situated in an unpauperized district, and some in which it has been impossible for the owner to find a tenant..."

"Says Mr. Cowell: "The acquaintance I had with the practical operation of the Poor Laws led me to suppose that the pressure of the sum annually raised upon the ratepayers, and its progressive increase, constituted the main inconvenience of the Poor Law system. The experience of a few weeks served to convince me that this evil, however great, sinks into insignificance when compared with the dreadful effects which the system produces on the morals and happiness of the lower orders...."

The relief system was found to encourage "bastardy." "To the woman, a single illegitimate child is seldom any expense, and two or three are a source of positive profit.... The money she receives is more than sufficient to repay her for the loss her misconduct has occasioned her, and it really becomes a source of emolument....

"The sum allowed to the mother of a bastard is generally greater than that given to the mother of a legitimate child; indeed the whole treatment of the former is a direct encouragement to vice. . . .

"Witness mentioned a case within his own personal cognizance, of a young woman of four-and-twenty, with four bastard children; she is receiving 1s.6d. weekly for each of them. She told him herself, that if she had one more she should be very comfortable. Witness added, "They don't in reality keep the children; they let them run wild, and enjoy themselves with the money."

Much Like Today

Given a modernization of phraseology and an appropriate change in the monetary amounts mentioned, this description of relief conditions and consequences in the early years of the nineteenth century could easily pass as a description of such conditions in, say, New York City in 1971.

What, then, in the face of these results of the prior Poor Law, were the recommendations of the commission? It desired to assure "that no one need perish from want"; but at the same time it suggested imposing conditions to prevent the abuse of this assurance.

"It may be assumed, that in the administration of relief, the public is warranted in imposing such conditions on the individual relieved as are conducive to the benefit either of the individual himself, or of the country at large, at whose expense he is to be relieved.

"The first and most essential of all conditions . . . is that his situation on the whole shall not be made really or apparently so eligible [i. e., attractive] as the situation of the independent laborer of the lowest class. Throughout the evidence it is shown, that in proportion as the condition of any pauper class is elevated above the condition of independent laborers. the condition of the independent class is depressed; their industry is impaired, their employment becomes unsteady, and its remuneration in wages is diminished. Such persons, therefore, are under the strongest inducements to guit the less eligible class of laborers and enter the more eligible class of paupers. . . . Every penny bestowed, that tends to render the condition of the pauper more eligible than that of the independent laborer, is a bounty on indolence and vice...

"We do not believe that a country in which . . . every man, whatever his conduct or his character [is] ensured a *comfortable* subsistence, can retain its prosperity, or even its civilization.

"The main principle of a good Poor-Law administration [is] the restoration of the pauper to a position below that of the independent laborer."

The report then followed with its detailed recommendations, which involve many administrative complexities.

The Workhouse System

In 1841, seven years after the enactment of the new Poor Law, when a whole series of amendments were being proposed to it by various members of Parliament, Nassau Senior, in an anonymous pamphlet signed merely "A Guardian," came to the defense of the original act, and explained its rationale perhaps in some ways better than did the original report.

"In the first place," he wrote, "it was necessary to get rid of the allowance system — the system under which relief and wages were blended into one sum, the laborer was left without motive to industry, frugality, or good conduct, and the employer was forced, by the competition of those around him, to reduce the wages which came exclusively from his own pocket, and increase the allowance to which his neighbors contributed.

"Supposing this deep and widely extended evil to be extirpated, and the poorer classes to be divided into two marked portions — independent laborers supported by wages and paupers supported by

relief — there appeared to be only three modes by which the situation of the pauper could be rendered the less attractive.

"First, by giving to the pauper an inferior supply of the necessaries of life, by giving him worse food, worse clothing, and worse lodging than he could have obtained from the average wages of his labor....

"A second mode is to require from the applicant for relief, toil more severe or more irksome than that endured by the independent laborer....

"The third mode is, to a certain degree, a combination of the two others, avoiding their defects. It is to require the man who demands to be supported by the industry and frugality of others to enter an abode provided for him by the public, where all the necessaries of life are amply provided, but excitement and mere amusement are excluded - an abode where he is better lodged, better clothed, and more healthily fed than he would be in his own cottage, but is deprived of beer, tobacco, and spirits - is forced to submit to habits of order and cleanliness - is separated from his usual associates and his usual pastimes, and is subject to labor, monotonous and uninteresting. This is the workhouse system."

The Royal Commission, in de-

fending that system, had argued that even if "relief in a well-regulated workhouse" might be, "in some rare cases, a hardship, it appears from the evidence that it is a hardship to which the good of society requires the applicant to submit. The express or implied ground of his application is, that he is in danger of perishing from want. Requesting to be rescued from that danger out of the property of others, he must accept assistance on the terms, whatever they may be, which the common welfare requires. The bane of all pauper legislation has been the legislation for extreme cases. Every exception, every violation of the general rule to meet a real case of unusual hardship, lets in a whole class of fraudulent cases. by which that rule must in time be destroyed. Where cases of real hardship occur, the remedy must be applied by individual charity, a virtue for which no system of compulsory relief can be or ought to be a substitute."

Destroying the Beneficiary

To later generations the reforms introduced by the Poor Law Amendments of 1834 came to seem needlessly harsh and even heartless. But the Poor Law Commissioners did courageously try to face up to a two-sided problem that the generation before them

had ignored and many of the present generation seem once more to ignore - "the difficult problem" as Nassau Senior put it, "how to afford to the poorer classes adequate relief without material injury to their diligence or their providence." In his 1841 pamphlet we find him rebuking "the persons who would legislate for extreme cases - who would rather encourage any amount of debauchery, idleness, improvidence, or imposture, than suffer a single applicant to be relieved in a manner which they think harsh.... [They] would reward the laborer for throwing himself out of work, by giving him food better, and more abundant, than he obtained in independence. . . . They are governed by what they call their feelings, and those feelings are all on one side. Their pity for the pauper excludes any for the laborer, or for the rate-payer. They sympathize with idleness and improvidence, not with industry, frugality, and independence. . . . It is scarcely necessary to remind the reader of the well-known principle, that if relief be afforded on terms which do not render it less eligible than independent labor, the demand for it will increase, while there is a particle of property left to appease it."

However the Poor Law reform of 1834 may be considered by many

today, it proved sufficiently satisfactory to successive British governments to be retained with only minor changes until the end of the nineteenth century. But there was mounting sentiment against it as the years wore on. Much of this was stirred up by the novels of Charles Dickens and others, with their lurid pictures of conditions in the workhouses. Toward the end of the century the more stringent regulations were gradually relaxed. In 1891 supplies of tovs and books were permitted in the workhouses. In 1892 tobacco and snuff could be provided. In 1900 a government circular recommended the grant of outdoor relief (i. e., relief outside of the workhouses) for the aged of good character.

A 1905 War on Poverty

A new Royal Commission on the Poor Laws was set up in 1905. (One member was Beatrice Webb.) It brought in a report in 1909, but as the report was not unanimous, the Government took no action on it. However, new "social legislation" continued to be enacted. An Old Age Pensions Act was passed in 1908. And in 1909 David Lloyd George, the radical chancellor of the exchequer, anticipating President Lyndon Johnson's "war on poverty" by more than half a century, exclaimed in

introducing his new budget: "This is a war budget for raising money to wage implacable warfare against poverty and squalidness."

Finally, the National Insurance Act of 1911, providing sickness and unemployment benefits on a contributory basis to a selected group of industrial workers, marked the birth of the modern Welfare State in England, which reached maturity with the enactment of the Beveridge reforms in 1944.

But the Poor Law Commissioners of 1834, and the Parliament that enacted their recommendations, had frankly recognized and faced a problem that their political successors seem, as I have said, almost systematically to ignore—"the difficult problem," to quote once more the words in which Nassau Senior stated it, "how to afford to the poorer classes adequate relief without material injury to their diligence or their providence."

How to Afford Relief Without Destroying Incentives

Is this problem soluble? Or does it present an inescapable dilemma? Can the state undertake to provide adequate relief to everybody who really needs and deserves it without finding itself supporting

the idle, the improvident, and the swindlers? And can it frame rigid rules that would adequately protect it against fraud and imposture without as a result denving help to some of those really in need? Can the state, again, provide really "adequate" relief for any extended period even to the originally "deserving" without undermining or destroying their incentives to industry, frugality, and self-support? If people can get an adequate living without working, why work? Can the state, finally, provide "adequate" relief to all the unemployed, or, even more, guaranteed incomes for all, without undermining by excessive taxation the incentives of the working population that is forced to provide this support? Can the state, in sum, provide "adequate" relief to all without gravely discouraging and inhibiting the production out of which all relief must come? - without letting loose a runaway inflation? - without going bankrupt?

This apparent dilemma may be surmountable. But no relief system or welfare-state system so far embarked upon has satisfactorily surmounted it; and the problem certainly cannot be solved until the alternatives it presents are candidly recognized and examined.

RADICAL ECONOMICS OLD AND NEW

Most modern economists openly profess disinterest in ideological and political matters. They go about their studies, proclaiming ethical neutrality and freedom from bias, to specialize in a great many details of economic phenomena. The profession is more and more divided into groups specializing in diverse kinds of research so that few members are able to understand the whole field or relate to it the work done in these specialties. The writing of comprehensive treatises on "principles of economics" has virtually ceased and few students are ever introduced to the eternal principles of human action.

Yet, these same economists who claim the scientific dignity of ethical neutrality readily pass judgment on social and political affairs. In fact, they are busily un-

dermining the classical economics that believed in the harmony of interests and social beneficence of the competitive private-property economy. Espousing the theory of "monopolistic competition," they condemn the structure and working of the market system and the power of private firms which are said to administer their outputs and selling prices and fix their payments to labor. The main body of the profession embraces "Keynesian" doctrines and theories, which have dealt a severe blow to the economics of individual enterprise and promoted radical government intervention. Keynesians are convinced that the market economy fails to attain and maintain an appropriate flow of money through the system, or "effective demand" for all products, that it lacks over-all stability or steady growth. The system's grave liability, they proclaim, is its failure to automatically correct its own mal-

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adjustments which occur as depressions and inflations.

These modern developments of economic theory contributed to the growth of new attitudes among the electorate and clamor for new public policies. Hence, the ideological and political trends toward new-style liberalism and control-type socialism. And above all, a new radicalism bubbles through the profession.

The old radicalism consisted of a few Marxian professors who had the rare courage to openly confess allegiance to the concepts and doctrines of their master. But while there are few professed Marxians in the American economic profession, a great deal of Marxism has swaved the thinking of countless economists. Marxian surplus value theory, commonly called "exploitation theory," has been widely accepted in economic thought, in American legislation and labor policy. The Marxian theory of capital concentration and business monopoly is embraced by most Americans and is used as a guidepost by the Department of Justice in its antitrust activities. Finally. Lenin's doctrine of capitalist colonialism and imperialism is widely accepted as the explanation of foreign affairs, causing our government to help purge European colonialism from all corners of the world.

The new radicalism represented by an organization of younger economists in the Union for Radical Political Economics, with counterparts in most other social sciences, demands drastic domestic reforms and an end to the war in Vietnam.

The private-property-individualenterprise order is summarily condemned in terms of Marxian analysis. In addition, it is criticized for its tendency to create such problems as inflation, urban decay, pollution, racial conflict, and many other ills of contemporary society.

Even economists schooled in the classical tradition are joining the chorus of vocal critics. The private enterprise system, they contend, does not lead to maximum welfare because many social costs are ignored in the calculation of welfare. Large blocs of externalities, which are social costs not included in private costs, are characteristic of the enterprise system. These externalities are destroying our physical environment and precipitating disaster for the human race.

Robert U. Ayres and Allen V. Kneese make such charges in an essay on "Production, Consumption and Externalities." (American Economic Review, June, 1969, pp. 282-297). Private businessmen are discharging wastes into the atmosphere and water courses

without cost to themselves. And consumers do not fully use up. through the act of economic consumption, the material elements that enter production. Almost 3 billion tons of residue are going back annually into our environment. This is becoming unbearable, especially in mass urban societies with growing populations and rising material output. Ad hoc taxes and government restrictions are not sufficient to cope with the growing problem. Central, or at least regional, control is needed; and above all, a new economics must be devised that considers waste disposal an integral part of the production and consumption process, and places it within the framework of general equilibrium analysis. "Under conditions of intensive economic and population development the environmental media which can receive and assimilate residual wastes are not free goods but natural resources of great value with respect to which voluntary exchange cannot operate because of their common property characteristics."

Such observations reflect an unbounded faith in the political and bureaucratic process. No matter what the grievance may be, the blame is always laid on private property and individual enterprise, and the solution is always more government!

Who is Polluting?

Even some of the facts are grossly misstated. The worst offenders are not private businessmen in their search for profits, but government itself rendering economic services in a primitive manner. Urban communities are polluted by an increasingly formidable cascade of solid waste, such as garbage and trash, rubbish and debris. According to a preliminary report made in 1968 by the Bureau of Solid Waste Management in the U. S. Public Health Service, only 64 per cent of the nation's people lived in communities that had refuse collection systems. About half of household wastes were collected by public agencies, and one-third by private collectors: the rest was disposed by householders themselves. Most commercial and industrial wastes were handled by private collectors. And most of the dumps and incinerators were operated by public authorities or licensed contractors working for public authorities.

These facts primarily indict government rather than profitseeking enterprise for our environmental crisis.

Or take the pollution of our waterways. Who is discharging pollutants into streams and rivers, lakes and oceans? Lake Erie, the most polluted inland body of water, is an example. According to

independent surveys, the city of Cleveland is by far the worst offender, followed by Toledo and Buffalo and other cities. Numerous public sewer authorities discharge thousands of tons of waste into the lake every day. So filthy is Cleveland's Cuyahoga River that it catches fire occasionally and traps tugs and boats in its flames. Surely, Lake Erie would suffer no serious pollution were it not for sewer authorities established and operated by government.

Under common law, the beds of navigable bodies of water are government property. Can it be surprising then that government itself either is polluting the lakes and rivers or permits them to be polluted? To blame individual enterprise is an obvious distortion of facts.

It is true, public attitude toward government property usually differs from that toward private property. While the latter is generally respected and the owner protected in its use, government property is treated as a common good without an owner. Unless it is guarded by a host of inspectors and policemen, it is used and abused by the citizenry as if it were free. This common attitude can hardly be construed as recommendation for more government ownership or control over environmental resources.

The Air We Breathe

The third pollution that is often laid on the doorstep of profit-seeking enterprise is the contamination of the air we breathe. In a stinging criticism of the "conventional wisdom" of economics. E. J. Mishan of the London School of Economics and Political Science called the private automobile one of the great disasters of the human race. It pollutes the air, clogs city streets, and contributes to the destruction of natural beauty. The economic growth it represents conflicts with social welfare. ("Economic Priority: Growth or Welfare" in Political Quarterly. January, 1969).

Such a severe indictment of the automobile is tantamount to a rejection of one of the most splendid fruits of private enterprise. There are few, if any, private automobiles in collective economies, from Soviet Russia to Castro Cuba. The automobile means high standards of living, great individual mobility and productivity, and access to the countryside for recreation and enjoyment. In rural America it is the only means of transportation that assures employment and income. Without it, the countryside would surely be depopulated and our cities far more congested than now.

The air pollution in our cities, the smoke, haze, and smog, nevertheless present grave health hazards to millions of city dwellers. Is individual enterprise that manufactured those millions of automobiles not responsible for most of the city pollution?

Zoning and Other Intervention

Again, the blame for the intolerable pollution of city air rests mainly with government. In particular, three well-established political practices have contributed to the environmental dilemma. First, zoning has become a popular legislative method of government control over the use of land. Primarily applied in urban areas. zoning constitutes government planning along "orderly lines," to control congestion in houses and neighborhoods, height, size and appearance of buildings and their uses, density of population, and so on. Surely, zoning has shaped the growth of American cities ever since the 1920's when it became popular.

Take Los Angeles, for instance. Radical zoning ordinances made it the largest U.S. city in area, a vast sprawling metropolis of more than 455 square miles in which transportation is an absolute necessity. The resident of Los Angeles may travel a hundred miles every day to work, shop, eat, to attend school or church, or to seek recreation or entertainment. Pub-

lic transportation cannot possibly meet the millionfold needs of Los Angeles transportation; only the private automobile can.

Secondly, in nearly all American cities public transportation has deteriorated to disgraceful levels of inefficiency and discomfort. The private companies that first provided the service were regulated and taxed into losses, and finally replaced by public authorities. Under their control, mass transportation has generally deteriorated in quality and quantity while the costs have soared, as in the New York City subways, for example.

Public transport authorities are easy prey for militant unions. Politicians or their appointees cannot easily resist the demands of teamsters locals and their allies, despite the resultant inefficiency and high cost. The traveling public is frequently left stranded by organized work stoppages, slowdowns, and other union tactics. When public transportation is most urgently needed, in the vacation or holiday season, it is often struck by one of the unions.

The privately-owned mass transportation media are taxed by a host of government authorities until their services deteriorate or even sputter to a halt. The examples are legion. But the recent bankruptcy of the Penn Central

Railroad illustrates the point. Even in bankruptcy, public tax authorities are crowding the courts to force collection of their levies. While labor unions threaten nationwide walkouts, government tax collectors prey on railroad income and assets. And when a company finally petitions its regulatory authority to halt some lossinflicting service, it may be denied the right to do so. If permission is granted, local courts may order the company to continue the service and bear the losses. Can it be surprising, then, that service reluctantly rendered is minimal and poor?

When public transportation is dismal, undependable and inefficient, neglected and uncomfortable, primitive and costly, people naturally provide their own transportation. And millions of private automobiles are clogging the city streets adding their exhaust fumes to the city air.

Finally, there is the tendency to treat road and highway investments, no matter how huge, as "free goods" that are available to anyone without charge. City governments endeavor to provide adequate approach roads for unrestricted use of the automobile, continually constructing new expressways on the city's fringes. It is true, a great number of highway taxes are levied on those who

use the highways. The Federal government collects taxes on gasoline, lubricating oil, new automobiles, tires and tubes. A highway trust fund established by the Highway Revenue Act of 1956 receives and expends the excise taxes, which are the sole source of funds for the Federal aid highway systems. But as soon as an expressway is completed it is overcrowded with countless automobiles speeding or crawling to the city. No matter how many millions of dollars were expended on its construction, it is "free" to the user who simply does not relate the tax on his gasoline or tire to a particular trip to the city. But even if he were mindful of the tax costs to him, the use value of the expressway, its convenience, speed and safety, may exceed by far the tax cost. Thus, millions of suburban automobiles are rushing to or from the cities on billion-dollar highways, adding their exhaust fumes to our environment dilemma.

Ignoring Property Rights

The problems of smoke, soot, noise, waste, and water pollution reveal unfortunate legal deficiencies in the protection of private property. The law has always been and continues to be inadequate in its treatment of property rights, in particular, the liability and in-

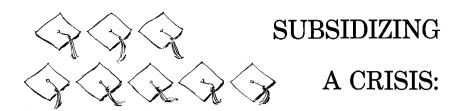
demnification for damages caused by the owner's use of property. Ideally, the right of property as a market phenomenon entitles the owner to all the advantages of a given good, and charges him with all the disadvantages which the good may entail.

Over the centuries governments have again and again restricted or even abolished the rights of private property. At other times the law, either by design or default, shielded the owner from some disadvantages of his property, and charged other people with some of the costs, the external costs. Obviously, if an owner does not reap all the benefits of his property, he will disregard such benefits in his actions; and if he is not charged with all its costs, he will ignore such costs.

During the nineteenth century, legislation and adjudication reflected enthusiasm for the rapid industrial and commercial development. Legislators and judges understood the great importance of capital investment for economic betterment. They favored investments in industry and transportation and the productive employment of property. Unfortunately, they decided to hasten the economic development through tariffs, subsidies, land grants, and relief

from some external costs. Thus, as the tariffs and subsidies encouraged some production, so did the relief from externalities. Some investments were made and some consumption took place just because part of the costs was shifted from the owners to other people and their property. The pollution of air and water was overlooked as a "public price" for economic progress, that is, some costs were shifted from one owner to another to encourage economic activity favored by government.

The growing awareness of environmental problems is laudable indeed. But the explanations given by "experts" today are taken straight from the armory of political and economic radicalism. The private property order is summarily condemned, and government is hailed as the only saviour from our self-destruction. More taxes and regulations, or better yet, comprehensive government planning and control, are to correct a deplorable situation. In reality, the no-man's-land of "public property" and government manipulation of private property constitute the pollution problem. Only sincere respect for private property and its unbiased protection by the law can alleviate a deplorable situation.



The shocked surprise in the spring of 1970, when the graduating class suddenly found out that they had to go out and look for jobs, may thus have been the first sign of a typical "inventory crisis" — which always takes everybody by surprise. Whatever the economic climate, the next few years will be years of sharp readjustment in the "careers market." The "career" boom of the 1960's is as much a thing of the past as the stock market boom in "takeovers," "conglomerates," and "growth ventures."

PETER F. DRUCKER

The Public Interest (Fall, 1970)

THE TEACHER GLUT, 1971

ADVOCATES of the free market as a tool for the efficient allocation of scarce resources have long been critical of the way in which education is financed in the United States. A host of studies are available that deal with the lowering of quality, the uncreative uniformity, and the spiraling costs of public education.1 Only in recent months have communities even contemplated the possibility of a system like Milton Friedman's voucher program, in which the parent would receive the educational subsidy rather than the local public school.2 The obvious

crises since 1965 in our public schools, coupled with the realization on the part of black militants that educational pluralism is advantageous, have led to at least some rethinking of the assumptions of American public education. With the realization that education is not neutral, some former advocates of racial, intellectual, and cultural integration have come to the conclusion that "democratic education" has pro-

¹ Cf. Benjamin A. Rogge, "Financing Higher Education in the United States," New Individualist Review, IV (Summer, 1965); available also from the Center for Independent Education, Wichita. E. G. West, Education and the State (London: Institute for Economic Affairs, 1967). Roger A. Freeman, "Crisis in American Education," Christian Economics (Sept., 1970).

Mr. North is Secretary of Chalcedon, Inc., a nonprofit Christian educational organization, and a Ph. D. candidate at the University of California, Riverside.

² Milton Friedman, Capitalism and Freedom (University of Chicago Press, 1962), ch. 6; Robert L. Cunningham, "Education: Free and Public." New Individualist Review, III (Summer, 1963). Governor Reagan of California mentioned the possibility of instituting a voucher system as an experiment; this, however, was in a campaign speech. The Center for the Study of Public Policy, located in Cambridge, Mass., has recommended the establishment of a 5-8 year experiment of 12,000 elementary students; the plan would cost \$6-8 million. This was the conclusion in the Office of Economic Opportunity-financed study. Education Vouchers.

duced a generation of uprooted graduates — drones and revolutionaries — who are not really very different from Dustin Hoffman's caricature.

This realization, however, has been a distinctly minority revelation. The message has not come to the institutions of higher learning in this country. They have gone on as before, tinkering occasionally with the curriculum. adding a handful of courses like Black Studies or Chicano Studies. but generally proceeding in a "business as usual" fashion. Nevertheless, the violation of supply and demand that is fundamental in any system of subsidized education has now resulted in something wholly unforeseen by the bulk of American educators: the perennial shortage of teachers came to an end, quite abruptly, in 1968. The shock waves of that event are only now registering on the bureaucratic structure of American higher education.

The Glut of the Degree Holders

For how many years were Americans subjected to the perpetual hand-wringing of professional educators over the teacher shortage? How many news releases from the National Education Association were printed, without any criticism, by the public news media? It was one of the favorite themes

of nearly everyone associated in any way with public educational institutions. Yet the myth was shattered in one academic year, 1968-69.3 The glut of teachers at all levels, from kindergarten to the graduate school, appeared almost overnight. The teacher-job "gap" simply was swallowed up in the outpouring of graduates in June of 1968; only in "special education" - the euphemism for the handicapped, the culturally deprived, and the retarded - is there a comparable gap, and the openings there are being depleted by falling school revenues.

This glut is not strictly an American phenomenon. It is as serious in the British Isles, perhaps worse. The British teaching certificate is just that, a license to teach; it is not easily transferred to any other occupation. The English have overbuilt their institutions of higher education, and the graduates are now reaping the whirlwind.

Previously sacrosanct fields like physics are now oversupplied. The post-Sputnik era saw a seemingly endless barrage of propaganda in favor of expanding our pool of available scientific talent. The

³ Newsweek (June 29, 1970) reports that the first year in which a surplus existed was 1967-68. This was not manifest at the time, however; it took a year for the glut to register as a permanent phenomenon.

"science fairs" in the high schools. the Federal scholarships, the televised miracles of space travel all combined to convince American students that the ticket to guaranteed security was the engineering degree and the Ph.D. in physics. Easy Street has once again turned into a dead end, as too many people crowded down its narrow path. Federal grants from such agencies as NASA have fallen dramatically: Federal loans to students have begun to dry up. Budget cutting has removed the fat from many Federal science programs, to the dismay of those scientists who have an ideological commitment to state-financed research.4

The extent of the glut in physics can be seen through a very specific case. Heidelberg College in Ohio last year had an opening for a teacher in physics. It received a total of 361 applications. Tiny Dayton High School, in Dayton, Texas, received applications from 15 Ph.D.'s in physics, yet the school has only 455 students, and it offers only a single course.⁵ Industry has been less and less willing to interview Ph.D.'s due

to the highly specialized, unflexible nature of Ph.D. training. The cut-backs in aerospace have hurt the market for these trained specialists. An astounding 40 per cent of the 1969 graduates in physics were on post-doctoral fellowships in 1970.6

In the Social Sciences

The situation in the humanities and social sciences is even worse. A fantastic 1,000 applicants applied for eight positions in the English Department of the University of Massachusetts.7 A total of 29,000 Ph.D.'s were turned out in 1969-70, perhaps double the number needed for college teaching posts. The Chronicle of Higher Education, a newspaper for college administrators, ran a series of articles on the crisis in late spring and early summer of 1970 dealing with the oversupply of teachers. It reported that the Cooperative College Registry, a nonprofit placement service for some 300 Protestant colleges, announced that in mid-May there were still 45 per cent of its 9,500 applicants without offers. Some 55 per cent of the applicants had the Ph.D.; prior to 1970, 45 per cent had been the maximum

The extent of the crisis may be

⁴ Cf. Michael D. Reagan, Science and the Federal Patron (New York: Oxford University Press, 1969). Reagan favors such patronage, but he shows the problems inherent in such a relationship. He also provides considerable economic data on the extent of the aid.

⁵ Time (June 29, 1970).

⁶ The Chronicle of Higher Education, IV (June 8, 1970), p. 8.

⁷ Time (June 29, 1970).

estimated by the fact that the Cooperative College Register is the "last chance" employer registry. The colleges tend to be small, low-prestige schools that can afford only below-average salaries. This normally makes them more flexible, however, since pay scales are more responsive to the conditions of supply and demand. A glut here indicates a crisis unrivaled since the mid-1950's.

Causes of the Crisis

A standard explanation offered by the educational establishment is that there really is no oversupply of teachers, and there still is a shortage. However, the demand has dried up, a direct consequence of short-sighted legislators and angry citizens who keep rejecting bond issues.8 In other words, the failure of the educational market to clear itself of all prospective teachers is in no way related to the excessive zeal of academic departments in expanding course offerings and graduate fellowships: it is due to the tight-fisted taxpayers who refuse to spend additional billions on educational facilities, programs, and salaries.

This makes for good propaganda; economically, it skirts the real issue. Naturally, there is a limited supply of teachers. There is a limited supply of automobiles, televisions, diamonds, clean air, pure water, tortilla chips, anything else that commands a price. We live in a world of scarcity. A scarce good, by definition, is one for which there is greater demand than supply at zero price. Imbalances in any market can be blamed on high or low demand. just as they can be blamed on high or low supply. The problem arises when prices are not flexible, thus creating permanent imbalances. If the phrase, "shortage of teachers," is to have any meaning at all, it must be qualified by the phrase, "at a particular wage level." There is no question about the fact that at present high wage levels, there is nothing resembling an undersupply of teachers. There is no question that there is an imbalance of supply and demand at present wage levels.

Educators need to ask themselves two crucial questions. First, why are wages so inflexible downward? Second, why were those whose task it is to forecast the needs in education so short-sighted? How did it happen, for example, that in 1963 the estimated need for new teachers at the college level in history was set

⁸ Cf. statements by Cleo Craig and H. R. Rouse of the Wilson Scholarship Foundation (whose Ford Foundation funds were recently cut off): Chronicle of Higher Education, IV (May 25, 1970), p. 7.

at 390 for 1969-70, whereas the actual need turned out to be 500, and the actual supply was 881? Why did so few graduate advisors take seriously the estimates presented by Clark Kerr, then President of the University of California (1966), that only two-thirds of the 1971 Ph.D.'s could be employed in the colleges? 10

Minimum Wage Floors

About 75 per cent of those attending institutions of higher learning are in tax-supported public schools. By their very financing structure, these institutions are notoriously unresponsive to market conditions of supply and demand. For many decades, legislatures have met the basic budget demands of the colleges in the United States, and this has tended to insolate the schools and scholars from external economic realities. They are not paid to forecast market conditions in the future, and they do not concern themselves with such matters, at least not at the graduate advisory level. The private schools, supported by foundations and government research grants, are frequently as lax as the public schools. They are, in every sense of the word, guilds.

Historically, guilds have resisted price and wage competition. They speak of themselves "quality-oriented," which implies an elitist perspective, since it is price competition which has always characterized production for a mass market. 11 Educational institutions have been caught in a dilemma: they are supposed to maintain quality without compromise, yet supply the needs of mass education. Schools are to be simultaneously democratic (supported by tax funds) and elitist (preserving quality, ignoring "crass" economic affairs). Higher education in America is institutionally schizophrenic.

A competitive market institution would respond rapidly to new conditions of oversupply of a factor of production by bidding down the price of the good. That is what faculties should do in the face of the Ph.D. glut. They should drop salaries at the starting level. It would enable schools to hire more people, and it would make very plain to prospective Ph.D. students just what the economic facts are in the employment market. But that is not the response of faculties. Faculties

⁹ Chronicle (June 8, 1970), p. 1.

¹⁰ Kerr's estimate was revealed at a meeting of California Club, the student advisory body in the University of California. He was simply reporting the data gleaned in a study which apparently was available to all college administrators.

¹¹ Max Weber, General Economic History (New York: Collier, [1920] 1961), p. 230.

like high salaries for all those employed; it supposedly is a sign of institutional prestige to pay high wages, and thus prestigious to be employed by such institutions

Faculties also have the ultimate job security: tenure. This protects those who have tenure from being fired. Thus, any drop in demand must be exercised at the level of the new professors, fresh out of graduate school. But if their salaries are lowered disproportionally, considerable institutional conflict may result. It may even lead to the decision by the administration to lower the salaries of those men whom it cannot dismiss. There is a built-in preference, therefore, for high wages and low competition on a semiclosed market. It is a guild-like attitude. Those outside the system have a hard time breaking in. Their chief economic weapon, namely, their willingness to take a lower wage, is not easily exercised.

This is especially true in state schools which have fixed wage floors set by the legislature or local junior college school district. The California junior colleges are the prime examples. Like the high schools from which they recruit their teachers, the junior colleges pay men in terms of formal educational achievement: so many units beyond the B.A. yields so

much extra pay. So much experience yields so much extra pay. The new Ph.D. has to be paid, in 1971, about \$13,000; there is no bargaining possible. Few districts want to pay that much to a man who (1) may quit and go to a four-year college, (2) may embarrass a local administrator who holds only an M.A. in education, (3) may not teach the junior college's substandard students well as a man who has taught high school for ten years. The Ph.D. is effectively locked out of junior college employment (unless he started as an M.A. and earned his degree while employed). There is simply no wage flexibility. As a result, junior college districts are permitting an opportunity to "upgrade" their faculties at less cost than before to slip through their administrative fingers.

Tenure

Tenure supposedly protects the professor from being fired for expressing opinions abhorrent to administrators, legislators, or local citizens (including students). This was a keystone in Prussia, where state-supported higher education was pioneered in the nineteenth century. It makes very little sense today. As Robert Nisbet has argued in his iconoclastic and reasonable essay on our Per-

manent Professors, no one is fired for mental or moral incompetence any longer, the two chief ways of dismissing tenured men. The exceptional mobility of modern teachers removes any serious threat to academic freedom, since institutions are varied enough to let men find a platform to teach almost anything. The very guild structure promotes a basic uniformity of methodology today, insuring general agreement within most academic departments - or so we found until the mid-1960's. Finally. Nisbet argues, if academic freedom is really the issue. why limit it? Why not let junior members have it? "On what logical grounds, then, do we claim exemption for age and rank, in certain respects the most feudal of all feudal qualities?"12

Tenure, far from protecting men in their expression of controversial opinions, has enabled men to express no opinions at all. Teaching has become lethargic as men pursue their academic careers in the academic journals (100,000 in the world today¹³) and their annual meetings. Tenure

protects the man without the flair for teaching, the man who has no controversial opinions to distinguish his lectures, the man whose very blandness insures his protection from "academic witchhunters," but who has never learned to compete in the world of student education. Tenure has turned the university over to the drone, the pedant, the writer of overfootnoted, mindless articles. It might even be true to say that the spirited junior teacher with controversial opinions has more to fear from his tenured, spineless, drab colleagues than from the outside public. And drones, it should be noted, are not known for their flexibility. Wage scales reflect this, especially when conditions dictate a downward revision. Institutional inflexibility rewards the inflexible. Nonmarket financing keeps the structures inflexible.

The Subsidized Product

The discussion above focused on the implications of the demand side of the equation. We must now turn to the supply side of the Ph.D. equation. Why are there so many of them being produced?

Many reasons exist. A primary factor was the existence, until 1968, of the graduate school military draft deferment. This functioned as an indirect subsidy to

¹² Robert A. Nisbet, "The Permanent Professors: A Modest Proposal," (1965) in Nisbet, Tradition and Revolt (New York: Random House, 1968), p. 241.

¹³ M. King Hubbert, "Are We Retrogressing in Science," Geological Society of America Bulletin, LXXIV (1963), p. 366.

graduate departments. "Canada" was as close as the nearest university. Another factor is the tendency of all bureaucracies to expand to the limits of their fiscal capabilities. For example, academic departments in most state schools are funded in terms of student enrollment: this figure establishes the so-called FTE rating: Full Time Employees. In California, a fixed formula is used. A 28-students-to-one-faculty-member ratio operates, with lower division students rated 1, upper division students at 1.5. Master's Degree candidates at 2.5, and Ph.D. candidates at the maximum weighting, 3.5. As David Breneman comments: "Note that each advanced doctoral student enrolled brings the campus 1/8 FTE faculty position."14 He adds that no strict mechanical relationship exists at the departmental level, but faculty appointments relate closely weighted student enrollments. Furthermore, once the number of faculty appointments is established, "other resources such as office space and nonacademic personnel can be functionally related to the faculty members."15 It pays a department to expand graduate programs.

This does not mean that it pays departments to actually award a large percentage of degrees. On the contrary, departments must limit such awards to those students who will produce the greatest prestige for the department in the academic community. Also, some science departments must provide access to sophisticated experimental equipment to Ph.D. students, so some attempt will be made to flunk out inferior students at an earlier stage. This is not true, however, in the humanities. Breneman's comments are illuminating:

From the perspective of the French faculty, then, the graduate student must be viewed as a very valuable member of the department's economy. Not only does the graduate student teach the dull introductory courses, but he is a source of student credit hours and demand for advanced instruction. Departmental technology is such that having graduate students in residence for several years is costless to the faculty, and not without certain advantages.... Consequently, in this type of department faculty members have no incentives to make rapid decisions to terminate Ph.D. aspirants.16

The taxpayers, of course, bear the major costs of this decision. The student may drop out for

¹⁴ David W. Breneman, An Economic Theory of Ph.D. Production: The Case at Berkeley, mimeographed, June, 1970, a study sponsored by the Ford Foundation, p. 49.

¹⁵ Ibid., p. 50.

¹⁶ Ibid., pp. 67-68.

many reasons, but the longer he stays in, the closer he believes himself to be at the pay-off point, the granting of the degree. In the humanities, the degree is all-important, since it is the union card for college level teaching, and industry has little need for highly specialized humanities students. Thus, departments get bloated with graduate students, and while the percentage of those who are awarded the degree may stay low, the absolute number of awards increases. Jobs open up in other universities which are also expanding their graduate programs, thus creating demand for more Ph.D.'s. The entire structure is geared to the growth of graduate enrollments.

Colleges gain greater prestige by becoming full universities. If they do, they can gain access to Federal research funds, and these have expanded exponentially since 1950 (the cut-off came in 1968). Fellowships and teaching assistantships were multiplied, while loan programs at low interest were made available to those students who did not become part-time emplovees of departments. These loans, especially under the National Defense [the magic budgetary word in the mid-1950's Education Act, could be canceled after five vears of teaching of the recipient.

Graduate students in the hu-

manities do not generally understand economics. They are not so aware of the employment situation, and as Breneman shows, departments are often rewarded by keeping their students in the dark on this issue, thus encouraging them to stay in the program. Students without the Ph.D. have few college teaching employment opportunities, so the opportunity costs of staying in the program are lower than, say, an engineer who can take his M.A. and get a good job in industry (again, before 1968). So the main concern for the student in a state university is the size of his state-supported subsidy: the number of campus jobs, the size of tuition costs, the availability of loans.

Graduate education is costly. Obviously, in terms of faculty members employed, the Ph.D. student is around three times as costly, especially if he does not assume any teaching load as an assistant. There is simply no way of estimating the cost per student per year, or so I am told by the university budget department. French students cost less than physics students in applied physics, and possibly more than those in theoretical physics or mathematics. But it is possible to estimate in a crude fashion that it costs, at an average, \$3,500 per student in the University of California; graduate students are more costly, though by how much it is difficult to say. But tuition, until 1970, covered at best less than 10 per cent of this, or \$300. For the graduate student, the subsidy would be even greater.

Subsidies Have Consequences

Subsidize the production of a scarce economic good, and there will be an oversupply of that good in terms of true market demand. That law is as applicable in the Ph.D. market as in that for surplus wheat or Army fatigues. This is the fundamental cause of the oversupply of Ph.D.'s: planning was not made in terms of an unhampered market but rather in terms of a government-subsidized market. Demand was cut off sharply by falling school budgets, but candidates for the Ph.D. degree are not rapidly responsive to this contraction: the other man may not be able to find a job, but each candidate believes that he will finish his dissertation and get the available position. A market geared to the dream of continual expansion has been cut short, and few persons within the structure are economically oriented enough to respond as rapidly as free market participants are forced to do. Like the civilized Eskimos who have forgotten how to build an igloo, those supplying Ph.D.'s have forgotten the hard realities of a market characterized by uncertainty. The result has been the teacher glut.

Market Forces

This market, like all markets, will eventually respond to the conditions of supply and demand. Departments will cut back on enrollments, especially as budgets are trimmed during a time of inflation. Fellowships will shrink in number. Federal grants to the scientists will not increase exponentially any longer. In time, teaching loads will be increased in many universities: wage inflexibility downward will be compensated for through these increased teaching responsibilities. But it is unlikely that these changes will come overnight. It is likely that the glut will continue for some time. New graduates will find it very difficult to break into their first jobs: professors' mobility will drop, the inevitable result of wage inflexibility. One rigidity creates others. Inflation will continue to eat away at teachers' salaries, thus bringing real wages into line with the conditions of supply and demand, and the oversupply of available talent will thwart attempts to unionize the profession - attempts which are on the increase now, as the Ph.D., in and of itself, no longer functions as an effective barrier to entry into the guild.

What we are witnessing is a major transformation of the function of the Ph.D. degree itself. Once a prestige indicator and a monopolistic grant to the holder, today it is faltering in both capacities. In the long run, this development may be for the best. The mystique of the Ph.D. has for too long been unchallenged. It has degenerated into little more than an official certification of intellectual drudgery. As E. Alden Dunham of the Carnegie Corporation of New York has written:

Every ill besetting our colleges and universities is related in one way or another to the Ph.D. degree - student alienation, irrelevant curricula, uninspired teaching, ironclad adherence to what may be outmoded traditions, absentee professors, extravagantly high costs of research and graduate education. . . . [It is] inappropriate for most college teaching jobs in this country, especially at the lower division level. Yet it remains the only respectable degree for college teachers as we move into an era of mass higher education. The percentage of Ph.D.'s on the faculty continues to be the index of quality. Our system makes no sense.17

Pluralistic Education

For too long, to paraphrase a generally accepted slogan when it applies to the military, education has been in the hands of the educators. Monopoly grants continuing over long periods of time tend to degenerate into less efficient units of service or production. Yet the crisis of the teacher glut is only one aspect of a major crisis in education. It is essentially a crisis of faith: relativism has led to irrelevance on the campus. Few students - few bright students are dazzled by the initials "Ph.D." after a name, at least not beyond the sophomore year. No one knows where the educational crisis will lead us by 1980, but this seems certain: any crisis in financing will produce radical changes in the operation of any bureaucracy. even the educational bureaucracy. Inflation will take its toll: so will the allocation problem with regard to the creation of Ph.D.'s. Radical students will strike the institution at a time of change, internal confusion, and financial contraction. Few schools that have been caught up in the race for academic prestige will escape the coming transformation.

There is cause for hope among people who have not clung to a philosophy of relativism as a means of academic salvation. If both public and private academic

¹⁷ Dunham, quoted in The Chronicle of Higher Education, IV (March 16, 1970), pp. 1, 5. Edmund Wilson, in his devastating essay, The Fruits of the M.L.A. [Modern Language Association] (New York Review of Books Publication, 1969), writes that we missed our chance to abolish the Ph.D. as a "German atrocity" during World War I.

institutions that have embraced relativism are now reaping the whirlwind, parents and students are going to be looking for alternative educational structures. Prospective teachers may not be able to compete in terms of price or academic degree on most academic markets, but they can compete in terms of both price and ideological commitment on those academic markets that are more openly committed to a particular view of the world. Pluralistic education has been stifled for almost a century by a philosophy of neutral education grounded in relativism and enforced by the various academic guilds. But the fruits of that view of education are exploding on those campuses that have been the formulators of the creed. Columbia, Harvard, Berkeley have all been hit precisely because the very bright students have seen through the myth of educational neutrality. Pluralistic education can conceivably be the ultimate beneficiary of the institutional crisis which we face

Since the vast majority of the people holding the Ph.D. and other higher degrees are not really committed to anything beyond the latest fad among the professorial guild, the serious man who holds a degree but who also holds a systematic philosophy of life now is in a position to distinguish him-

self from the hordes of other applicants for jobs. The savings in search costs that the Ph.D. once offered ("no non-Ph.D.'s need apply") no longer works in a glutted market. There is an oversupply of degree-holders, but not an oversupply of free market advocates holding the degree. If the swing away from the intellectually castrated philosophy of neutral education (the only kind legally permitted by state-financed schools) continues, there should be a new demand for men and women committed to a consistent view. Only with such a view can serious education that is content-oriented rather than mere technique-oriented, i.e., liberal education in the traditional meaning, be maintained. Only value-oriented teaching can pick up the institutional pieces. This should be the hope of those behind private educational institutions.

The Effect of Controls

There is one last consideration. The imposition of price and wage controls becomes more and more of a possibility. These controls have disastrous effects in the long run, but initially certain zones of the economy are favored.¹⁸ One of

¹⁸ Gary North, "Price-Wage Controls: Effects and Counter-Effects," Commercial and Financial Chronicle (Aug. 21, 1969).

these, as Prof. Hans Sennholz has pointed out, is private education. As money continues to be printed by the state and the state's central bank, it seeks markets. Controlled markets within the economy dry up, as capital and labor shift to the uncontrolled zones - collectors' markets, luxury goods, entertainment, travel, and education. Statefinanced educational institutions are caught in the wage-price squeeze: legislatures and bondvoters are tight-fisted (as their purchasing power continues to decline). But the private schools reap at least an initial subsidy. State schools limit or close enrollments, but people have money to spend, and these funds find their way increasingly into educational outlets. We should expect to see the expansion of private education of all kinds: high schools, colleges. night schools, cultural institutions. A true opportunity for the establishment of truly universal, pluralistic education would make itself available. The shift away from the public educational monopoly that is already showing signs of life would be subsidized by the very imposition of statist controls.

In the last analysis, the educational system has become overly dependent upon the state and the necessary educational philosophy of all state-financed education, i.e., the philosophy of neutral education. Today we see the erosion of the monopolistic foundation of the professorial elite, as the overproduction of members continues an overproduction financed through the taxation of the democratic masses. The masses are finally saving no with their funds. A glutted elite will feel the pinch, as only an elite which has never faced squarely the realities of supply and demand can feel an economic pinch. The facts of economic scarcity can no longer be avoided in the ivy-covered halls. And that very fact may herald a new day for the advocates of valueoriented education. Technocratic liberal arts departments are running out of funds.

John F. Kennedy

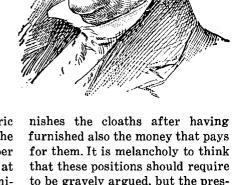
IDEAS ON

∆∏∆ LIBERTY THE FREE MARKET is not only a more efficient decision maker than even the wisest central planning body, but even more important, the free market keeps economic power widely dispersed.

Thomas Cooper:

EARLY LIBERTARIAN

OSCAR W. COOLEY



TWENTY YEARS before Frederic Bastiat wrote his parable of the broken window, Thomas Cooper was saying to his students at South Carolina College (now University of South Carolina):

"Suppose a tailor to get into a law suit and to pay a lawyer fifty dollars for successfully conducting his cause — or to break his leg and pay a surgeon fifty dollars for setting it; these payments are prudent, and the services rendered fully justify them; but is he the richer for these misfortunes? Even though the lawyer and the surgeon should lay out the fifty dollars with him for a suit of cloaths, it is no compensation, for he fur-

United States in 1793. A man of strong opinions, he expressed himself freely on current public questions and was so critical of the Adams Administration that he was arrested and tried under the Sedition Act (the Alien and Sedition acts are usually bracketed together). Cooper believed the act

was unconstitutional, and the

court so held. He later wrote a

book on freedom of speech.

ent state of public opinion requires

Oxford, Cooper emigrated to the

Born in London and educated at

it."

Mr. Cooley is Associate Professor of Economics, Ohio Northern University.

Cooper practiced law in Pennsylvania and became a judge. On recommendation of Thomas Jefferson, he was appointed professor of natural science and law at the University of Virginia. From there he went to South Carolina College, where he taught chemistry and political economy. A man of parts, he was made president of the institution, a post he held for 12 years.

Champion of Free Trade

While head of South Carolina College, Cooper published his Lectures on the Elements of Political Economy, a comprehensive treatise expounding the classical economics in a forthright manner. With especial vehemence, he championed free trade. One can imagine this did not detract from his popularity in a state that put great store upon the export of cotton to Great Britain and the import therefrom of manufactured goods, Indeed, Cooper appears to have been hardly less influential than John C. Calhoun in egging on the South Carolinians to declare, in 1832. that the Federal tariff laws were null and void in their state. On the basis of the theory of state nullification, the doctrine of interposition has been put forward in recent years by Southerners who resented Washington's efforts to enforce racial integration.

For the most part, Cooper took his economics straight from Adam Smith. The private enterpriser knows best — far better than any government official — how to use his resources. Let self-interest reign. "If every man in the country trades beneficially for himself, he trades beneficially for the community, which does not exist independently of the individuals who compose it."

Governments should be kept small. "The dreadful evil of all governments (I wish I could except our own) is the evil of governing too much."

All laws, suggested Cooper, should be reconsidered every ten years and, if found unnecessary, repealed. This recalls Jefferson's proposal that the Constitution should be reconsidered and overhauled every 20 years.

Cooper warned especially of the "general welfare" clause of the Constitution: "There is no tyranny that it will not authorize."

But it is against government strictures on foreign trade that he waxed most eloquent. "Shallow politicians have . . . acted on the shop-keeping maxim that what one nation gains by commerce, some other loses. The fact is otherwise; each gets its wants supplied and both are gainers."

¹ This and all other quotations in this article are from the *Lectures* (1826).

He attacked the "infant industry" argument for protective tariffs, saying that this theory seeks to justify injuring consumers in the present for the hypothetical benefit of producers that might be employed by the protected industry in future.

Friedrich List, then sojourning in America, took critical notice of Cooper and his free trade opinions, implying that he was little less than an anarchist. List himself, it will be remembered, was an early promoter of the customs union which established free trade between the German states — but definitely not with the outside world.

Champion of Foreign Trade

Cooper felt that even Adam Smith had conceded too much to the protectionists. Smith had held that it might be advisable to protect an industry whose product promised to be of strategic importance in war. Cooper held that such products would not be wanting for they would be stockpiled by a provident government, and in any case, wars seldom if ever completely isolated a country from foreign sources of strategic goods.

The great service of the science of Political Economy, he said, was to teach the importance of free world trade. The following are hardly the words of an anarchist:

"If Political Economy had ren-

dered no other service to mankind than to make them just and reasonable in this respect (in respect to foreign trade), it would be of incalculable benefit. It has taught us that human improvement and national prosperity are not promoted in any particular nation by depressing every other but by aiding, encouraging, and promoting the welfare of every nation around us: that we are all in turn customers to each other, and that no man or nation can become wealthy by impoverishing his customers; (that) the richer other nations are, the more they are enabled to purchase, the cheaper they can afford to sell, the more improved they become in all the arts of living, in all intellectual acquirement. in everything desirable for other nations to imitate or improve upon: that if other nations become powerful by our assistance, we also of necessity become wealthy and powerful by our intercourse with them; and that peace and good neighborhoods are the means of mutual happiness among nations as among individuals. . . . "

In the *Lectures* Cooper ranged over the whole area of economic theory. On many facets of the subject, he was far ahead of his time. For example, cost of production, he said, does not determine value of a product. It must be in demand. "No purchaser cares a cent

what the prime cost of an article is; that is not his lookout. His only enquiry can be, is it worth to me the price asked for it?"

He admitted that the introduction of machines might create unemployment but it would be temporary. (He was, of course, assuming a free labor market). When printing presses were first put into operation in Paris, he said, 6,000 copyists lost their jobs, but "in Paris there are now 60,000 persons who live by printing."

He attacked the policy of endowing corporations with limited liability, holding that since the stockholders are allowed to enjoy unlimited profit, they should also endure whatever losses may be incurred.

Champion of Private Spending Rather Than Government Spending

There were rudiments of a welfare state even then, but Cooper would have none of it. "All relief to persons in this country able to work is absolutely indefensible and wrong," he said. "Even cases of disability should be left to private charity..." To combat poverty, he urged the "modern remedy of Savings Banks," and suggested that the clergy teach people to save and accumulate deposits in such banks. He was, perhaps, aware that the first savings bank in the British Isles had been established

by a Scottish dominie and that the first such banks in the United States were founded, not for profit, but for a charitable purpose.

He condemned Sir Robert Peel's suggestion that a national debt might be a "national blessing" (Alexander Hamilton had averred as much) and argued that there was no merit in government spending as compared with private spending. To the extent that spending benefited the spender, it benefited society.

However, he was not averse to all public works. Whether government should undertake a public work or not, he held, depends on how great a public benefit it is and whether it is too costly for individuals. Then follows a statement which showed that he was quite familiar with the principle of cost-benefit analysis. "The guiding rule ought to be that an undertaking which is not likely at an early period of its completion to insure at least legal interest upon the capital expended after all deduction is not deserving of public encouragement. I think many of our canal schemes liable to this objection. Money can be laid out so as to produce this return. It is therefore misapplied when it does not. Wait until it will."

Lawyer, chemist, political philosopher, the versatile Cooper was pre-eminently an economist. He

saw the importance of "political economy" in determining the course of this country's history. Written at a time when texts in that subject were few, his *Lectures* must have made considerable impress on American thinking.

John Adams described him as "a learned, ingenious, scientific and talented madcap." Certainly he was outspoken. Unorthodox utterances regarding religion are said to have brought about an end to his career at South Carolina College. He died in 1839.

Common Sense

THE PERCENTAGE of correct decisions which individuals make is very high when they are risking their own money and their own future. The percentage of correct decisions is very low when made by politicians, so-called intellectuals, and others, regardless of their intelligence, who are not faced with the discipline of having to pay for their own mistakes with their own earnings.

IDEAS ON

-,-LIBERTY

This is a major reason for the success of free enterprise and the free market. The percentage of correct decisions made by individuals directly increases and is higher as they directly participate in the results of those decisions, whether good or bad. Individuals participating in this way quickly learn from their mistakes, and although they will make others, they will usually not make the same mistakes twice. This is common sense at work and only under the free enterprise system does common sense prevail.

A. W. STEWART

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ANTITRUST HISTORY:

The American Tobacco Case of 1911

D. T. ARMENTANO

A LONG ACCEPTED assumption in the area of government and business relations is that the "classic" monopoly cases of antitrust history clearly demonstrate the need for, and justify the existence of, the antitrust laws. The impression created by almost all the textbooks on this subject is that the business monopolies or "trusts" indicted in the past were - as the textbook theory suggests - actually raising prices, lowering outputs, exploiting suppliers, driving competitors from the market through predatory practices, and, generally, lowering consumer welfare. Ironically, few if any of these same texts provide the student of antitrust with the neces-

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sary empirical information that might allow an independent judgment as to the relative conduct and performance of these "monopolies." For the most part, the student is asked to accept the judgment of the author, without being permitted to scrutinize the "brief for the defendant." Such one-sidedness is the kind of poor economic history that leads, inevitably, to poor public policy.

The following is a brief history of the American tobacco industry, and particularly of the American Tobacco Company, prior to the famous antitrust decision of 1911. Unlike many previous accounts, this one will attempt to explain and evaluate the conduct and performance of the American Tobac-

¹ United States v. American Tobacco Company, 221 U.S. 105.

co Company in the full context of the tobacco industry between 1890 and 1907. While this history might be interesting for its own sake. the ultimate purpose is to demonstrate that the court decisions against the American Tobacco Company prior to 1911 did not turn on any sophisticated economic analysis of that firm's market conduct or performance. The firm was eventually found guilty of violating the Sherman Act, but the decision was not a consequence of any serious evaluation of the economic costs and benefits of the firm's activities in the market place.

Cigarettes in America

Although cigarettes appeared in America in the early 1850's, and were unpopular enough with the government to rate their own special penalty tax of up to \$5 per thousand by 1868, there was hardly what could be termed a cigarette manufacturing industry before the 1880 period.² Up to that

point, the cigarette business had been concentrated in the New York City area where many small firms employed cheap immigrant labor to "hand roll" mostly Turkish blends of tobacco. But the raw material was relatively expensive, and the hand rolling operation was relatively inefficient and costly. Besides, there appeared to be great popular reluctance to accept the small cigarettes. Consequently, the outputs and markets were severely limited. Total output of all "manufactured" cigarettes was never more than 500 million in any one year prior to 1880.

But the rather rapid shift in public taste to Virginia blends of tobacco, the slow adoption of machinery for manufacturing cigarettes, and the extensive use of advertising to popularize particular brands or "blends" of tobacco, changed the industry radically beginning in the 1880's.

The use of rapidly improving machines that manufactured cigarettes quickly drove down the costs of manufacture and placed a profit premium on mechanization. Labor costs alone were reduced from 85 cents per thousand without machines to 2 cents per thousand with machines. While an expert "hand roller" could make approximately 2,000 smokes a day, a

² For information concerning the cigarette industry prior to 1911, see Meyer Jacobstein, "The Tobacco Industry in the United States," Columbia University Studies, Vol. 26 (1907); Richard B. Tennant, The American Cigarette Industry, (New Haven: Yale University Press, 1950); William H. Nicholls, Price Policies in the Cigarette Industry, (Nash ville: The Vanderbilt University Press, 1951); John W. Jenkins. James B. Duke: Master Builder, (New York: George H. Doren Company, 1927).

³ Tennant, The American Cigarette Industry, pp. 17-18.

properly operating cigarette machine could make 100,000.4 A few leased cigarette machines - particularly the "Bonsack" machine -- could, in a matter of days, generate the entire vearly output of cigarettes. Thus, almost overnight, the optimum size of an efficient cigarette firm increased manyfold, and almost the entire industry emphasis shifted to creating or expanding demand for particular blends of "manufactured" cigarettes. Advertising and marketing expenditures began in earnest in the late 1880's, and it was not at all surprising to find only five large firms doing most of the trade in manufactured cigarettes by 1889. Though there were hundreds of small cigarette producers (mostly hand-rolled varieties) in that period, the firms of Goodwin and Company, William S. Kimball, Kinney Tobacco, Allen and Binter, and the W. Duke & Sons Company came to dominate the young industry and did an estimated 90 per cent of total domestic cigarette sales.5

The name of James B. Duke is almost synonymous with cigarettes and the rapid rise of the tobacco industry in this country. Though a relative newcomer to the cigarette industry (he entered in 1882), Duke quickly pushed his firm into industry leadership by rapid mechanization of all his operations and, accordingly, huge advertising schemes to increase demand for his increased outputs.6 He took huge newspaper ads and rented billboard display space to push "Duke of Durham" and "Cameo" brands; he placed redeemable coupons inside his new and improved cigarette boxes to popularize "Cross Cut" "Duke's Best"; and he enticed jobbers and retailers with special bonus plans and gimmicks if they would handle and stress his products. This unusual marketing approach was extremely successful, and by 1889 Duke's cigarette firm had over 30 per cent of industry output and was netting almost \$400,000 a year on gross sales of \$4.5 million. Duke's firm was the largest and most profitable firm in the manufactured cigarette industry, and appeared to be growing much more quickly than its rivals could or would.

Consolidation in 1890

In January of 1890, the five leading cigarette firms came together to form the American Tobacco Company and installed J. B. Duke as President. Although com-

⁴ Jenkins, James B. Duke: Master Builder, p. 66.

⁵ Tennant, The American Cigarette Industry, pp. 19-25.

⁶ Jenkins, James B. Duke: Master Builder, pp. 73-84.

petition between the leading firms had been severe in the late 1880's, there is little evidence that the combination was the direct consequence of a "destructive trade war" as some accounts relate. Rather, it was an almost inevitable consequence of the economics of the cigarette industry in 1890.

Potentially, the cigarette industry appeared immensely profitable. The price of leaf tobacco, the raw material, was historically very low (about 4 cents per pound); the cost of manufacture - even with less than optimal utilization of equipment - was extremely low: and the existing market prices for cigarettes were already high enough to allow adequate profits. Two things alone remained to cloud the potential profits picture of the industry: maximum utilization of the largest, most efficient machinery to drive the costs per unit down to an absolute minimum; and an elimination or severe reduction in total advertising expenditures as a per cent of total output or sales.

Merger provided both of the last-mentioned economies. Consolidation would allow concentration on those blends of tobacco that could be produced most efficiently. Consolidation would also allow great economies of scale to be realized in advertising expenditures. Thus, production and selling expenditures could be lowered per unit of output, and profits could grow accordingly. A combination or "trust" of small cigarette firms was, thus, a natural and predictable economic arrangement since it was clearly more efficient than a decentralized market structure.

Diversification

Between 1890 and 1907, American Tobacco or the "Tobacco Trust" diversified into a number of related industries. Diversification was to be expected since cigarettes, although extremely profitable, represented only 3 to 5 per cent of the entire tobacco industry in 1890.8 In addition, the public's changing tastes obsoleted particu-

⁷ Nicholls, Price Policies in the Cigarette Industry, states flatly that The American Tobacco Company was formed in 1890 following an expensive business war begun by James B. Duke (p. 26). But neither the Report of U.S. Commissioner of Corporations, Vol. I (Feb., 1909), which Nicholls indicates was his source, nor the lower court decision against American Tobacco in 1909, appeared to bear this out. See William Z. Ripley, Trusts, Pools and Corporations, revised edition (Boston: Ginn & Company, 1916), pp. 269-270; and, see 164 Fed. Reporter 722.

⁸ Even in the 1900-1904 period, cigarettes, by weight, represented only 2 per cent of all tobacco products consumed. See Nicholls, *Price Policies in the Cigarette Industry*, p. 7. Cigarettes did not achieve any sort of national popularity until after World War I.

lar brand names and even whole products rapidly and, thus, made any specialization extremely dangerous.9 Furthermore, there was a distinct prejudice against machine-made cigarettes and sales simply did not expand as rapidly as anticipated. While American Tobacco had produced slightly more than 3 billion cigarettes in 1893, they produced only 3.4 billion in 1899 and less than 3 billion annually between 1900 and 1905; American's production of cigarettes in 1907 was only 3.9 billion. Even more importantly. American's share of domestic cigarette sales declined from over 90 per cent when the firm was formed in 1890 to 74 per cent in 1907.10

For the most part, American Tobacco's diversification and growth in the tobacco industry was accomplished through the direct purchase of existing firms with cash or stock. It is estimated that American may have bought as many as 250 firms between 1890 and 1907.11 A very few of these

purchases were competitive cigarette manufacturers - though the bulk of them were not. Most of these cigarette purchases were made, apparently, to acquire a successful brand-name, since brand-name lovalty was the greatest asset of any tobacco firm. 12 The bulk of American Tobacco's purchases, however, were firms producing noncigarette tobacco products. For example, diversification into firms that made smoking tobacco, snuff, plug chewing tobacco, and cheroots was begun as early as 1891. These tobacco products were noncompetitive with cigarettes and with each other. and had their own particular markets and used their own particular kind of leaf tobacco.13

In 1898, after many years of competitive low-price rivalry, ¹⁴ American purchased the leading plug manufacturers, including, at a later date, the large and important Liggett & Myers Company. They were subsequently organized into the Continental Tobacco Company, partially owned and completely controlled by Duke and American Tobacco interests.

⁹ Jenkins, James B. Duke: Master Builder, pp. 91-92.

¹⁰ U.S. Research and Brief, 221 U.S. 106, Appendix "F", p. 318. Also see Jones, The Trust Problem in the United States, p. 140. Higher percentage figures in some accounts (83 per cent is a common figure for 1907; see Nicholls, Price Policies in the Cigarette Industry) measure American's share of total output rather than output for domestic consumption.

¹¹ Tennant, The American Cigarette Industry, p. 27.

¹² Jenkins, James B. Duke: Master Builder, p. 149.

¹³ Transcript of Record, 221 U.S. 106, Volume I, p. 254.

¹⁴ It was not established at court that American Tobacco started this price war; see 164 Fed. Reporter 723, and 221 U.S. 160.

Shortly after, in March, 1899, the Union Tobacco Company - manufacturer of the famous Bull Durham smoking tobacco - was purchased. The American Snuff Company was then organized March, 1901, with a paid in capital of 23 millions, and the stock was paid out to the three leading, formerly independent, snuff manufacturers. The American Cigar Company was also formed in 1901, and became the largest firm in that sector of the tobacco market. In addition, American purchased licorice firms, bag firms, box firms, firms that made cigarette machinery, tin foil, and processed scrap tobacco.

By 1902, American Tobacco was manufacturing and selling a complete line of tobacco and tobaccorelated products - including over 100 brands of cigarettes - and over 60 per cent of the nation's smoking and chewing tobacco. about 80 per cent of the nation's snuff, and 14 per cent of its cigars. And when the newly organized Consolidated Tobacco Company, Continental Tobacco Company, and the American Tobacco Company all merged in October, 1904, to form the new American Tobacco Company, the last phase of the diversification and consolidation of tobacco properties was complete. The American Tobacco Company was now a major factor in all phases of the tobacco industry domestically and internationally (although relatively weak in cigars), and its position would be maintained (and even increased in plug chewing tobacco) until dissolution by the courts in 1911.

The 1890-1910 Period: Acquisitions

Though American Tobacco did acquire many firms in all phases of the tobacco business between 1890 and 1911, the total number of their acquisitions must be put in perspective. While over 200 acquisitions appears high - and creates the impression that only a few independent tobacco firms remained—the tobacco industry contained thousands of independent firms in the period under consideration. While American Tobacco did the great bulk of much of the tobacco industry in a few large manufacturing plants, thousands of smaller independent firms sold their products at a profit in the open market in competition with the "Trust."

For example, as many as 300 independent cigarette manufacturers may have existed in 1910;¹⁵ similarly, while the Trust produced a great percentage of the nation's output of smoking tobac-

¹⁵ See Nicholls, Price Policies in the Cigarette Industry, p. 17. Jones mentions 528 independent plants in 1906; see Jones, The Trust Problem in the United States, p. 146.

co in fewer than 25 plants, there were as many as 3,000 plants manufacturing smoking tobacco in 1910.16 In addition, the Trust accounted for only about seven of the nation's estimated 70 snuff manufacturing plants.17 And finally, the American Cigar Company operated just 29 manufacturing operations in 1906, while the cigar industry contained upwards of 20,000 independent firms.18 Thus, the tobacco industry contained thousands of firms in spite of the acquisition activities of the "Trust."

Entry and Economies of Scale

The major reason for the numbers of rival sellers is not difficult to discover. With or without the "Trust," entry into tobacco manufacture was relatively easy. The raw material was available to all at the going market rates and the Trust itself owned no tobacco land whatsoever. Anyone who wanted to compete could purchase the available raw materials and attempt to sell his product in the open market. In addition, the Trust possessed neither discriminatory transportation rates or rebates¹⁹ nor any superior production method protected by patent.²⁰ Thus, it was not surprising to find many independent firms in an industry where neither the raw material nor the efficient means of production were, or could have been, "monopolized."

The major reason for the American Tobacco's policy of acquisitions is not difficult to discover either: it made economic sense. For example, much emotional nonsense has been made of the fact that American acquired firms and. subsequently, shut them down.21 The crucial point, of course, is that American concentrated tobacco production - and particularly cigarette production with only two large plants in New York and Richmond -- to achieve quite obvious and substantial scale economies.22 Most of the acquired facilities were mechanically inefficient, and had been acquired only to secure the immensely more valuable competitive brand name. Once acquired the product itself could be produced more efficiently in American's own modern and efficient facilities. Thus, it made

¹⁶ Nicholls, Price Policies in the Cigarette Industry, p. 15.

¹⁷ Ibid.

¹⁸ Ibid. p. 13. Also, see Ripley, Trusts, Pools, and Corporations, p. 295.

¹⁹ 221 U.S. 129.

²⁰ Jacobstein, "The Tobacco Industry in the United States," p. 101.

²¹ Wilcox, Public Policies Towards Business (Homewood, Illinois: Richard D. Irwin, 1966), says that one of the American's "unfair" methods of competition was buying plants to shut them down (p. 139).

²² Transcript of Record, 221 U.S. 106, Volume I. pp. 208-211.

good sense and good economics to close down marginal manufacturing operations, and no tears need be shed for the "dismantled factories." There is no evidence that any of the former owners shed such tears since American Tobacco's terms (stock in the Trust or cash) were admitted to be generous to all concerned. Thus, the plants were not acquired just to shut them down.

Other Economies Achieved

Other economies of the acquisition policy were achieved in important though not so obvious ways. For example, American's huge production made the ownership of its own foil, box, and bag firms almost mandatory, and the advantages and savings to be realized by accurate and continuous deliveries of these products made economic sense. Its acquisition of MacAndrews & Forbes and Mell & Rittenhouse, the two leading manufacturers of licorice paste. was predicated on possible economies and on the very real fact that the Japanese-Russian War threatened Near East licorice supplies and, consequently, American Tobacco's expansion of plug tobacco.23 Independent foil, box, and bag firms still remained in the market place, and at least 4 other manufacturers sold licorice paste independent of the American Tobacco firms. There is also no evidence that American's paste firms refused to sell to anyone who wanted licorice at the going market prices. Thus, this aspect of the vertical integration of American Tobacco was economically logical and certainly cannot be condemned as necessarily restraining trade.

American's integration into distribution also realized economies. With the virtual elimination of the middleman, the jobbers not unhealthy margin could be realized by the tobacco manufacturer.24 Wholly owned retail establishments could also push particular brands more effectively and become an important advertising and marketing innovation. American Tobacco's United Cigar Stores, the most famous and effective tobacco product's retail chain - with over 1,000 stores by 1910 and at least 300 in New York City alone were certainly important in this respect.

There were still other more subtle economies. A certain amount of inefficient cross-hauling or cross-freighting was automatically eliminated since American Tobacco could fill orders for finished tobacco products from a number of different manufacturing loca-

²³ Ibid., pp. 227-231.

²⁴ Tennant, The American Cigarette Industry, pp. 51-52.

tions.25 In those modernly equipped factories labored nonunion help, and this saved American from 10 to 20 per cent on its wage expenses vis-a-vis most of its competitors which employed Tobacco Workers Union labor.26 The Tobacco Trust could demand prompt settlement of all outstanding accounts (30 days), while it was quite common for smaller manufacturers to wait two to four months for payment.27 It could employ fewer salesmen per product since many of its brands were long established; orders could even be filled by mail without agents of any sort.28 And, lastly, it could employ, and did employ, some of the keenest managerial talent in the industry,29 and they proceeded to implement and extend the potential economies already discussed above.

Consumers and Competitors

But while the "Tobacco Trust" enjoyed "economies," what became of the tobacco consumer and of the "Trust's" competitors? Did American Tobacco simply act like a "classical" monopolist by restricting output and raising price? Or did American act like a "preda-

tory" monopolist and use its market power to lower prices, and, consequently, drive its competition from the market? Actually, there is little evidence that American Tobacco followed either monopolistic-like conduct: they neither restricted outputs nor raised prices, nor engaged - as a general rule - in predatory pricing practices designed to eliminate their competition.30 For example, American Tobacco's cigarettes (per thousand, less tax) sold for \$2.77 in 1895, \$2.29 in 1902, and \$2.20 in 1907; fine cut (per pound, less tax) sold for 27 cents in 1895, 33 cents in 1902, and 30 cents in 1907; smoking tobacco sold for 25 cents (per pound, less tax) in 1895, 26.7 cents in 1902, and 30.1 cents in 1907; plug sold for 15.5 cents (per pound, less tax) in 1895, 27.7 cents in 1902, and 30.4 cents in 1907; and little cigars sold for \$4.60 (per thousand, less tax) in 1895, \$4.37 in 1902, and $$3.60 \text{ in } 1907.^{31} \text{ In the same period}$ (1895-1907), the price of leaf tobacco per pound rose from 6 to 10.5 cents.³² Thus, the pricing record indicated above on tobacco products was accomplished during a period when the price of the es-

²⁵ Jacobstein, "The Tobacco Industry in the United States," p. 126.

²⁸ Ibid., pp. 125-126.

²⁷ Ibid., p. 127.

²⁸ Ibid., p. 128,

²⁹ Ibid., p. 123.

³⁰ Tennant, The American Cigarette Industry, pp. 49-57.

³¹ U.S. Research and Brief, 221 U.S. 106, Appendix "P," p. 329.

³² Tennant, The American Cigarette Industry, p. 53.

sential raw material had increased about 40 per cent.

Predatory practices are expensive, and it is not usually profitable to attempt to eliminate competition through this technique. This would be especially true in an industry where entry was relatively easy, where nonprice competitive factors were crucial, and where there were hundreds - even thousands - of competitive sellers already in existence. Such a general policy on the part of American Tobacco would have been foolish and foolhardy, and no such general policy was attempted. Although there may have been some isolated instances where price-cutting played an important part in merger or consolidation.33 such practices were not the rule.

The Lower Court Decision

The comments concerning American Tobacco's efficiency and price policy related above are certainly not original. Amazingly, the same sort of comments can be discovered in a reading of the Circuit Court decision (U.S. v. American Tobacco, 164 Federal Reporter, 1908) that first determined that Amercan Tobacco had violated the Sherman Act. Although Circuit Judge Lacombe found American guilty of violating the Sherman Act, he stated, with respect to the economic issues involved that:

"The record in this case does not indicate that there has been any increase in the price of tobacco products to the consumer. There is an absence of persuasive evidence that by unfair competition or improper practices independent dealers have been dragooned into giving up their individual enterprises and selling out to the principal defendant. . . . During the existence of the American Tobacco Company new enterprises have been started, some with small capital, in competition with it, and have thriven. The price of leaf tobacco - the raw material - except for one brief period of abnormal conditions, has steadily increased, until it has nearly doubled. while at the same time 150,000 additional acres have been devoted to tobacco crops and the consumption of leaf has greatly increased. Through the enterprise of defendant and at a large expense, new markets for Amer-

³³ The "plug war" (1894-1898) is probably the most famous example. During this "war," American sold plug at a loss until the large independent plug manufacturers defaulted. The "independents" came together to form the Continental Tobacco Company whose president was James B. Duke.

But some additional facts complicate an easy interpretation of this "war." In the first place, it was not established that American started the "plug war." Secondly, the price reductions were limited to only a few "fighting brands"; while American Tobacco lost money on plug, all the large independent plug manufacturers continued to earn a profit. Lastly, plug sales increased from 9 million pounds in 1894 to 38 million pounds in 1897. See Tennant, The American Cigarette Industry, p. 29.

ican tobacco have been opened or developed in India, China, and elsewhere." (Italics added.)³⁴

Circuit Court Judge Noyes, while concurring with Judge Lacombe in American Tobacco's guilt, also appeared to concur in the *economic* issues involved.

"Insofar as combinations result from the operation of economic principles, it may be doubtful whether they should be stayed at all by legislation.... It may be that the present anti-trust statute should be amended and made applicable only to those combinations which unreasonably restrain trade — that it should draw a line between those combinations which work for good and those which work for evil. But these are all legislative, and not judicial, questions." 35

It was Judge Ward (dissenting), however, who crystallized the economic issues in the case.

"So far as the volume of trade in tobacco is concerned, the proofs show that it has enormously increased from the raw material to the manufactured product since the combinations, and, so far as the price of the product is concerned, that it has not been increased to the consumer and has varied only as the price of the raw material of leaf tobacco has varied.

The purpose of the combination was not to restrain trade or present competition . . . but, by intelligent economies, to increase the volume and

the profits of the business in which the parties engaged." (Italics added.) 36

"A perusal of the record satisfied me that their [American Tobacco] purpose and conduct were not illegal or oppressive, but that they strove, as every businessman strives, to increase their business, and that their great success is a natural growth resulting from industry, intelligence, and economy, doubtless largely helped by the volume of business done and the great capital at command."³⁷

Yet, although three of the four Circuit Court judges admitted that there was evidence to indicate that American Tobacco was efficient, had not raised prices, had expanded outputs, had not depressed leaf prices, and had not "dragooned" competitors. Judge Coxe joined Judges Lacombe and Noves in concurring that American Tobacco violated the Sherman Act! Clearly the conduct and economic performance of the defendant had nothing to do with the decision. American Tobacco was convicted in spite of its economic record because its mergers and acquisitions inherently restrained trade between the now merged or acquired firms, and that violated the Sherman Act as interpreted in 1908. Judge Lacombe made the majority's position explicit:

^{34 164.} Fed. Reporter, pp. 702-703.

³⁵ Ibid., p. 712.

³⁶ Ibid., p. 726.

³⁷ Ibid., p. 728.

"... every aggregation of individuals or corporations, formerly independent, immediately upon its formation terminated an existing competition, whether or not some other competition may subsequently arise. The act as above construed Sherman Act prohibits every contract or combination in restraint of competition. Size is not made the test: two individuals who have been driving rival express wagons between villages in two contiguous states, who enter into a combination to join forces and operate a single line, restrain an existing competition

"Accepting this construction of the statute, as it would seem this Court must accept it, there can be little doubt that it has been violated in this case... the present American Tobacco Company was formed by subsequent merger of the original company with the Continental Tobacco Company and the Consolidated Tobacco Company, and when that merger became complete two of its existing competitors in the tobacco business were eliminated." (Italics added.)

It was irrelevant to inquire into the benefits of the combination, argued Judge Lacombe. It was "not material" to consider subsequent business methods or the effect of the combination on production or prices. The fact that American Tobacco had not abused competitors, tobacco growers, or consumers was "immaterial." The only issue that was material was that:

"Each one of these purchases of existing concerns complained of in the petition was a contract and combination in restraint of competition existing when it was entered into and that is sufficient to bring it within the ban of this drastic statute." (Italics added.)

And, thus, the three judges (with Judge Ward dissenting) ruled that the American Tobacco Company must be divested.

The Supreme Court Decision of 191140

The Supreme Court decision handed down in the American Tobacco case by Justice White in 1911 is a virtual replay of the Standard Oil decision of the same year. Again, White suggests that a "rule of reason" be applied to the undisputed facts concerning the activities of the American Tobacco Company.41 But, again, that "rule of reason" does not include a careful economic analysis of the Tobacco Trust's conduct-performance in the period under consideration. All the Supreme Court did (again) was to detail the history of the tobacco industry between 1890 and 1907,42 and infer

³⁸ Ibid., p. 702.

³⁹ *Ibid.*, p. 703.

⁴⁰ United States v. American Tobacco Company 221 U.S. 105.

⁴¹ Ibid., pp. 155, 178-179.

⁴² Ibid., pp. 155-175.

from these undisputed facts that the intent and "wrongful purpose" of American Tobacco must have been to acquire a monopolistic position in the tobacco industry.43 This conclusion was "inevitable," said White.44 and could be "overwhelmingly established" by reference to the following facts: (a) the original combination of cigarette firms in 1890 was "impelled" by a trade war; (b) an "intention existed to use the power of the combination as a vantage ground to further monopolize the trade in tobacco," and the power was used, i.e., the "plug and snuff wars"; (c) the Trust attempted to conceal the extent of its "control" with secret agreements and bogus independents; (d) American Tobacco's policy of vertical integration served as a "barrier to the entry of others into the tobacco trade": (e) American Tobacco expended millions of dollars to purchase plants, "not for the purpose of utilizing them, but in order to close them up and render them useless for the purposes of trade": (f) there were some agreements not to compete between American and some formerly independent tobacco manufacturers.45 With these "facts" in mind, the conclusion was inevitable:

"Indeed, when the results of the undisputed proof which we have stated are fully apprehended, and the wrongful acts which they exhibit are considered, there comes inevitably to the mind the conviction that it was the danger which it was deemed would arise to individual liberty and the public well-being from acts like those which this record exhibits, which led the legislative mind to conceive and enact the anti-trust act..." (Italics added.) 46

But, as has been demonstrated in our review of the American Tobacco Company, whether such "acts" are a danger to "individual liberty" and the "public wellbeing" is a matter of dispute. To inevitably infer, for example, that purchasing plants and closing them down endangers liberty or the public well-being, without an economic analysis of the costs and benefits of such an action, is an unwarranted and faulty inference. If the agreements to secure these "plants" were voluntarily arrived at, then "individual liberty" was not endangered; if the plants closed down by American Tobacco were inefficient, and if the products continued to be produced at larger, more efficient factories. then the danger to the public wellbeing is not obvious. The same kind of questions can be raised about the rest of the "undisputed

⁴³ Ibid., pp. 181-184.

⁴⁴ Ibid., p. 182.

⁴⁵ Ibid., pp. 182-183.

⁴⁶ Ibid., p. 183.

facts" and "inevitable inferences" in this case.

Conclusion

Unfortunately, the Supreme Court in the American Tobacco case did not choose to analyze the economic issues involved. choose to use the rule of reason as an economic standard to see whether the public well-being had been harmed. Such an analysis, if performed, would have involved a discussion of prices, outputs, economies associated with merger. growth of competitors (especially in cigarette manufacture), and a host of related issues; no such discussion is discovered in this case. American Tobacco was convicted of violating the Sherman Act because its acts, contracts, agreements, and combinations were of such "an unusual and wrongful character as to bring them within the prohibitions of the law."47 The Circuit Court was directed to devise a plan of dissolving the illegal combination, and "recreating" a new market structure that would not violate the antitrust law.

The fundamental purpose of this study has been to demonstrate that the famous American Tobacco decision of 1911 did not turn on any sort of sophisticated economic analysis of actual market conduct or performance. An even wider purpose, however, has been to suggest by example that structural changes a priori prove precious little about consumer welfare and that it is not always safe to assume that "bad" structure leads inevitably to "bad" conduct or "bad" performance. Since present trend in antitrust thinking appears to be moving toward an almost complete reliance on structural factors,48 the implicit danger of such an approach should be obvious.

Obstacle to Progress

IDEAS ON



THERE IS A NATURAL OBSTACLE to progress in abstract thought, which has often delayed rational inquiry; an erroneous concept or theory may be expressed in terms which embody the error, so that thinking is blocked until the misleading words are discarded from the given context.

⁴⁷ Ibid., p. 181. (Italics added.)

⁴⁸ Samuel A. Smith, "Antitrust and the Monopoly Problem: Towards a more Relevant Legal Analysis," Antitrust Law & Economics Review, Volume 2, No. 4 (Summer, 1969), pp. 19-58.

So Who Are You, Young Man?

Rebellious Youth with anger burdened, Cease awhile from protestations. Halt dissents and demonstrations. Stop and think.

Ponder on the fact that you, Like all your mentors, first to last, Are but an echo of the past And little more.

A heritage from Fate, you are A complex of regeneration, The old made new through reclamation. The fruit of salvage.

Your growing bones, and flesh, and brain Were all controlled by DNA With guiding genes that got away From predecessors.

All you've learned was known before you. All you know is what was taught you By your elders who have brought you Where you are.

To the stern world of Experience Where convictions are diluted And raw knowledge is transmuted Into wisdom. Where absolutes are stuff for dreams And almost never are attained While worthy ends are quickest gained Through compromise.

All you've angrily condemned All the grievances bewailed Have persistently prevailed Throughout the ages.

The System or Establishment, To you, a faceless monster who Forever stalls long over-due Utopia.

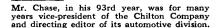
Assaying the Establishment, The seeker for the truth will find A fair cross-section of Mankind Like you and me.

Just Man with all his weaknesses, His greed, his fears, his self-concern, His strivings, with good deeds, to earn Some commendation.

So, Rebel Youth, when you commence Your crusade for the right and good, It seems the reformation should Begin with Man.

So may it be.

JULIAN CHASE



WE

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4-1

The Silent Revolution in England

The

11

THE MAIN POINT of John W. Osborne's The Silent Revolution: The Industrial Revolution in England as a Source of Social Change (Scribner's, \$7.95) is that if there hadn't been capitalism, there wouldn't be any funds for modern welfare. In many ways Professor Osborne's useful little book supplements and amplifies the papers read at the Mont Pelerin Society meeting held at Beauvallon in France in 1951, and subsequently published in a volume edited by Professor F. A. Havek, Capitalism and the Historians. With the same attention to detail that was supplied by T. S. Ashton and W. H. Hutt, two of Hayek's contributors, Professor Osborne makes a convincing case that the lot of man in England was considerably improved by the industrial revolution. Unfortunately, the Osborne book doesn't go on to the next question: just how far can the welfare state be pushed without milking the capitalist cow, the source of high modern productivity, to death? After a brave beginning, The Silent Revolution trails off; it is not governed by any rigorous economic thinking.

But before Professor Osborne comes to what amounts to a nonconclusion, there is much to support the Mises-Hayek-Ashton contention that our standard his-

torians of the industrial revolution failed to do their homework. It was Marx's collaborator, Friedrich Engels, who established the stereotype about the idyllic England of pre-capitalist times. Relying on government reports of a highly selective nature, Engels, along with J. L. and Barbara Hammond of The Town Labourer fame, contrasted the world of the early factories with the "merry England" of supposed tradition. The only trouble with the contrast is that pre-industrial England supported a small population of eight to ten million mostly at a poor subsistence level. Industrialism enabled the population to quadruple, and it was a more humane and better fed population than the pre-industrial age had ever known.

"Bucolic" England

It was a coarse and brutal England that existed in eighteenth century times. The roads were impassable for much of the year; people were bound by the village horizon. The criminal code was harsh; pickpockets could be punished by execution, and the crowds regarded a hanging as a sporting event. The ordinary Englishman, says Osborne, "was illiterate and uncouth . . . his conduct swayed between extremes of boisterous good nature or sullen vio-

lence. . . . Devoid of letters, with his body warped by hunger and illness and his spirit clouded by worry and personal tragedy, this ordinary Englishman was worse off than his counterparts either in Europe at the time or in Africa or Asia today." The ordinary Englishman was fatalistic about his politics, which gave a conservative tone to public life. In short, the picture of Merry England of the Greenwood was something that existed in Friedrich Engels' imagination; the reality of bucolic England was often the reality of scratching for a dole under the old poor laws. Children starved out of sight in rural hovels: and the pre-industrial towns, lacking gas lighting and a decent water supply, were at least as bad as anything that came with the factory system.

Like T. S. Ashton before him. Professor Osborne blames the crowded conditions of Manchester not on "capitalist greed" but on the Napoleonic wars. For a full generation very little housing was built: wartime interest rates were too high, window space and bricks and tiles were heavily taxed, iron had to be used for cannon instead of pipe, and the war inflation had made the purchase of oak and fir prohibitive. Yet even the crowded warrens of Manchester were preferable to life in the countryside;

if they hadn't been, people wouldn't have moved to take advantage of factory wages.

Enter: Industrial Capitalism

The great textile manufacturing inventions of Arkwright. Crompton, Cartwright, Kay, and Hargreaves, supporting each other as spinning caught up with weaving, combined with the Watt steam engine to give Britain a jump on the outer world. With affluence a possibility, people got the idea that their troubles could be ameliorated. This, says Professor Osborne, gave the reformers their cue. The new Factory Acts, the child labor laws, the extension of the franchise, the growth schools, the establishment of hospitals, and the very rise of Fabian socialism itself, were all possible because the wealth was there to pay the bills.

Professor Osborne's idea is that the moral climate changed from the coarseness and drunkenness of eighteenth century society to the regularity and prudery of Victorianism largely because industrialism and its superstructure of modern business demanded responsibility. The old spasmodic rhythm of working with the seasons gave way to a regularly spaced rhythm of working with the clock. Disciplined work was followed by disciplined sport. The

new capitalistic toll roads broke down the parochial England of the village, and the railroads, after the coaching age of Charles Dickens, completed the job.

Robert Owen — Capitalist Turned Reformer

If industrial capitalism was needed to support a new humanitarian England, one would think that Professor Osborne would be at pains to warn the socialists against putting too heavy charge on it. After all, there must be profits and a continued spirit of innovation to sustain the taxation that pays for welfare. Professor Osborne, however, doesn't seem particularly concerned with this problem. He misses the true significance of Robert Owen, the early nineteenth century capitalist of the New Lanark mills, Long before Henry Ford, Owen decided that a healthy, educated, and reasonably well-paid working force would improve both productivity and profits in his factory. And so it proved: Owen, by treating his workers well, became a rich man. Then, in one of the great social non sequiturs of his age, he turned collectivist reformer. His attempt to found a socialist community in America came to grief, and his pompous politicking in Britain got him nowhere. If he had spent his energies on converting other manufacturers to a Henry Ford view of economics, he would have done much more for England.

One wishes that Professor Osborne had made something of the regression in modern Britain that has accompanied the rejection of nineteenth century capitalist values. He says that "between 1700 and 1825, no less than one hundred and fifty-four hospitals and dispensaries were founded in the British Isles." Un-

der the modern British socialized medical schemes, the rate of hospital building has fallen to a whisper. Doesn't this convey something? Industrialism got its start in England, as Professor Osborne points out, because of the prior existence of English freedoms. The state hadn't become absolute as it had in France. But now the state grows. I wish Professor Osborne had drawn the proper conclusion.



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SOME THOUGHTS ON

VAOLENCE

EDMUND A. OPITZ

MOST HUMAN differences are settled peacefully. Collisions of interest occur sporadically, but when intelligence and good-will combine we work out a modus vivendi. Conflicting opinions are resolved by an appeal to reason: patience and persuasion ease the frictions arising out of personal encounters. Thus it is in most areas: we carve out survival patterns and get along with each other. But there are periods of history more violent than others when arbitration works poorly and conflict intensifies; we are living through one such.

Warfare of unusual ferocity has plagued the West for more than half a century — despite lip service to peace in the form of nominal pacifism and humanitari-

anism. But international strife is not the only plague: domestic tensions break out of bounds with increasing frequency; riots, demonstrations, assault, kidnappings. bombings, strikes, and acts of sabotage barely make the front pages, so commonplace have they become. Out of the woodwork come spellbinders to lecture university audiences on gunbarrel politics, revolution for its own sake, and the beauties of violence. Professors of philosophy are invoked to provide a specious rationale for destructionism. A cult of violence and systematic terror comes into being. There's no longer time to take thought, we are told; men must act. Incessant and strident calls to action are directed toward the base emotions of hatred and fear, drowning out quiet appeals to the mind. The demand that we do something re-

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education. This article, slightly abridged, appeared in *The Lutheran Scholar*, October, 1970.

sults in thoughtless action, and mindless violence breeds more of the same.

Violence Displaces Reason

What has brought about this state of affairs? How shall we account for the increased violence that mars our land? It is obvious that violence and the cult of violence expands as faith in reason declines - only when people are convinced that differences cannot be worked out intelligently do they resort to force. The restoration of reason to its proper role in human affairs is essential if we would live in peace, but first we must try to understand what has caused men of the modern era to distrust reason.

History is not simply what Gibbon called it, a catalogue of "the crimes, follies, and misfortunes of mankind"; but the human record is spotty and there has been violence in every era. People differ, and occasional conflict is thus a built-in feature of human action. The species could not have survived, of course, were there not a preponderance of cooperation and mutual aid in human affairs, but traces of friction remain even under the best of conditions. Abrasive contacts between men may be eased by good will plus a disposition to argue it out rather than fight it out, but when all stratagems fail and flight is impossible human beings do resort to force. Violence, in other words, is ancient in human experience — but as a last resort. It is today's *cult* of violence that needs diagnosing.

A collision of interests develops between two evenly matched men. Before any blows are struck one man says to his adversary. "Come let us reason together." or words to that effect. If this offer is accepted it is because both men hold certain assumptions in common. Each man takes it for granted that he is a finite and fallible human being; he entertains a set of convictions on grounds he deems reasonable, but he has no immediate access to Universal Reason which might assure certitude. It is assumed that men are gifted with a divine spark, reason - a valid instrument for getting at the truth when used properly, that is, with due regard for logic and in good faith. Finally, it is assumed that the universe is rationally structured, in the main. so that there is a correspondence between correct reasoning the nature of things, enabling men who start from different places to think their way through to common ground.

The human reason, employed within these rules, may thus reduce tensions and resolve conflict. It may firm up one's own convic-

tions, enhance appreciation of the opponent's views, and persuade a man to ponder the rich diversity of mankind. Admittedly, even under the best of conditions men may not find a reasonable modus vivendi; words may lead to blows. But violence, if it occurs, is at any rate postponed to the last stage. It is not condoned.

Imagine another encounter. The antagonists this time do not share a common faith in the efficacy of reason. Skeptical of reason as a useful means for thrashing out differences of opinion they are prepared to accept the alternative that differences can be settled only by the forced imposition of one man's or one party's will over the other. Everything that denies or diminishes Mind. everything that downgrades reason, transforms a point of view which is reasonable or amenable to reason - into a nonnegotiable demand for submission to superior force. Men have a condition rather than an opinion; two states of mind confront each other.

Slogans to Live By

The True Believer does not entertain conclusions arrived at by marshalling the relevant evidence and drawing from it the correct inferences; to the contrary, he has been programmed with a set of armed doctrines picked up ready

to use from the nearest intellectual arsenal — newspaper, TV, liberal journal, college, or whatever. Instead of ideas which might enlighten, there are slogans, catchwords, and labels — a new set every few years — that nerve both sides for combat. When the prevailing ideology deters men from ventilating their differences reasonably they fight about their differences, hence the depressing increase of violence in our time. And the proceedings are rationalized; hence the cult of violence.

Faith in reason is at a low ebb in modern man; Mind is bogged down in the snarled ideological skein of the twentieth century. The low estate of things mental is the consequence of a trend which has brought several sets of ideas together.

• Philosophical materialism and mechanism assumes that the ultimate reality is nonmental: only bits of matter or electrical charges or whatever are, in the final analysis, real. If so, then thought is but a reflex of neural events. "Our mental conditions." wrote T. H. Huxley, "are simply the symbols in consciousness of the changes which take place automatically in the organism." Farewell to free will, if "the brain secretes thought as the liver secretes bile," as one materialist put it.

- Evolutionism, popularly understood, conveys the idea that living things began as a stirring in the primeval ooze and became what they are now by random interaction with the physicochemical environment, moved by no purpose, aiming at no goal. "Darwin banished Mind from the universe," cried Samuel Butler. Man, wrote Bertrand Russell, is "but the outcome of accidental collocations of atoms."
- From popular psychology comes the notion that reason is but rationalization, that conscious mental processes are but a gloss for primitive and irrational impulses erupting from the unconscious mind. Psychoanalysis discredits mind by subordinating intellect to the Id.
- From Marxism comes the notion that class interest dictates a man's thinking. There is one logic for the proletariat and another for the bourgeoisie, and the mode of production governs the philosophical systems men erect, and their life goals as well. The unfortunately placed middle class forever gropes in darkness, unable to share the light revealed to Marx and his votaries.

These are some of the battle lines where men must fight to vindicate themselves as reasoning beings, possessed of free will, capable of guiding their lives with intelligence and idealism. The Mind must be restored to its rightful place in the total scheme of things, and that place is central for, if the Mind be deemed untrustworthy, who can then trust any conclusion? The centrality of Mind must be the keystone of any philosophy worth the allegiance of rational creatures, and this is the battle line behind all the others.

• Overarching all other causes for the flight from reason is the decline of theism—an interpretation of the cosmos which finds a mental or spiritual principle beyond nature. If there is no God the cosmos is only, in the final analysis, brute fact, and a man's thoughts are reduced to a bodily function. The thinking part of a man is validated ultimately by its kinship with the Divine Mind.

Theism contends, as a minimum, that a Conscious Intelligence sustains all things, working out its purposes through man, nature, and society. This is to say that the universe is rationally structured, and this is why correct reasoning pans a few precious nuggets of truth. Restoration of faith in the efficacy of reason and a revival of theism go hand in hand. But this is not all.

Acceptance of the Creator reminds men of their own finitude; no man can believe in his own om-

nipotence who has any sense of God's power. And finite men, aware of their limited vision, have a strong inducement to enrich their own outlook by cross fertilization from other points of view.

A revival of theism, in the third place, will curb utopianism. Men vainly dream that some combination of political and scientific expertise will usher in a heaven on earth, and they use this future possibility as an excuse for present tyranny. Under theism, they modestly seek to improve themselves and their grasp of truth, thus making the human situation more tolerable, confident that the final issue is in God's hands.

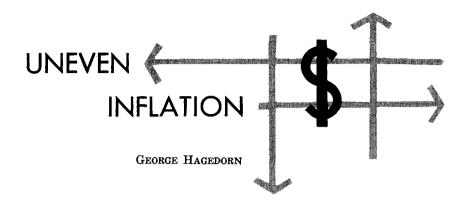
Civil Disobedience

WHILE THE IDEA of civil disobedience may evoke sympathy where the claim is made that the cause is just, once we accept such a doubtful doctrine we legitimatize it for other causes which we might reject. We must be even more careful in the sympathetic case because, in effect, that sets the standard of conduct which then becomes acceptable for cases not as appealing or for groups not as responsible. Thus, we substitute pressure for persuasion and squander the carefully nurtured value of self-restraint and jeopardize the system of law. . . .

The plain fact of human nature is that the organized disobedience of masses stirs up the primitive. This has been true of a soccer crowd and a lynch mob. Psychologically and psychiatrically it is very clear that no man — no matter how well intentioned — can keep group passions in control.

IDEAS ON

MORRIS I. LEIBMAN



IF, as of midnight on a certain date, every dollar were to count as two dollars, and every price, wage rate, etc. were doubled, the resulting "inflation" would make absolutely no difference to anybody. The only problem might be to adjust our financial arithmetic.

In practice, inflation does not, and cannot, ever happen that way. It occurs as a process spread out over time. And it affects incomes, prices, and the value of assets unevenly over the time scale. At any given stage of the process, some people are ahead of the game and some are behind. Even when the process is all over, some will still be behind and others still ahead.

This is an elementary and per-

Mr. Hagedorn is Vice-President and Chief Economist of the National Association of Manufacturers. This column appeared in NAM Reports, January 11, 1971. haps a rather pedantic line of thought. But it is often ignored in practice. Inflation is discussed as though its chief evil lay in the general rise in prices and incomes.

The real evil of inflation lies in the fact that it is not general enough. The uneven response of various prices and incomes introduces distortions and inequities into the economy. The position of various sectors of the economy relative to each other is changed. As the process proceeds the relative position of the goods sector vs. the service sector, of employers vs. employees, of organized labor vs. unorganized labor, of borrowers vs. lenders, of pensioners vs. active workers, etc., etc., keeps changing.

Naturally, as this goes on, it provokes strong feelings among those affected. The groups that fall behind, relatively, are embittered. But those who have gained ground are not likely to feel especially favored—they are more likely to conclude simply that at last they have got their due. Thus, the balance between satisfaction and dissatisfaction with the inflationary developments is not an even one.

The Function of Prices

But the effect of the inflation on intergroup equity, or subjective feelings of equity, is not the only problem involved. The relationship among various incomes and prices is the mechanism which keeps our economy going as an efficient producer of goods and services. Goods can't be produced if their costs exceed their market price. And if costs and prices are so related that a profit can be made on almost anything, no matter how inefficiently it is produced, manpower and capital are not allocated to the most useful purposes. The relationships among prices (in the broadest sense of the word) are more important in maintaining a workable economy than the absolute level of prices.

Thus, during the inflationary process, patterns of economic activity are distorted. This might not be too bad, but the temporary effect of changed price-income relationships is often interpreted as a permanent change in demand patterns. Capital is invested to supply goods that may not be wanted later — and is not invested where it will be needed. Workers are hired and trained for jobs that may not exist beyond the inflationary period.

This is not anyone's fault in particular. The price-income signal system which we rely on to control the economic traffic is thrown out of kilter by the uneven inflationary process.

When the inflation ends — as all inflations must — the process is thrown into reverse. Not that prices and incomes generally go down, but those which have been behind tend to catch up. This process, too, is a slow and uneven one. At the end it is usually incomplete.

Malinvestments During Boom

The process of "disinflation" is even more painful than the slow and uneven process of inflation. Those who may be catching up are still bitter because they were behind so long. Those who had gained ground begin to feel a vested right in their new position, and will resent losing their temporary relative advantage.

But the most unpleasant aspect of a disinflation period is that we are left with a heritage of the misdirected investment and manpower from the preceding inflation. It remains to be seen just how serious a problem this will be if, and as, we liquidate the inflation of the late 1960's. In the opinion of this writer it will not be catastrophic (although it could become so if the inflation is reactivated). But it is already a painful problem and we should not deceive ourselves on that score. The nation took an inflation "trip" and we are only now learning how bad a trip it was.

In pointing out that the real problem of inflation is not the general price-income increase, but its unevenness, we hope it is clear that we are not advocating an attitude of complacency toward inflation. We are not suggesting that inflation should be tolerated. and our efforts should be merely to insure that everything responds simultaneously and proportionately to it. Our economic institutions are not geared to perform in that way and it is hard to conceive of any set of institutions that would. Universal automatic escalation, if it were possible, would destroy the meaningfulness of our most basic institution — money. The only way to avoid the kind of distortions and inequities we have described is to avoid inflation.

Price Controls Assure ""Worst of Both Worlds"

Our theme does, however, have a bearing on an important national question. Those who believe that the evil of inflation lies in the general rise of prices and incomes have a simple solution. All you have to do, they say, is freeze all prices and incomes at their present levels by government decree.

The effect would be to freeze all the distortions and inequities produced by inflation permanently into the system. The temporary advantages of some groups over others would be preserved as long as the freeze endures. The process of unwinding the inflation, and restoring a more rational pattern of price and income relationships, would be stopped dead.

A price level which is kept from rising by jamming the internal mechanism of our economy is the real "worst of both worlds."

Stand-by Controls

IDEAS ON

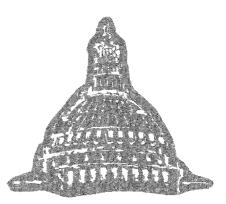
∆∏∆ LIBERTY To enact stand-by controls would mean putting into the law of the land a permanent endorsement of a basic tenet of socialism—the principle that control of the vital mainstreams of commerce and confiscation of the rights of private property are sound and just practices.

EVEN when government is limited to codifying the taboos, invoking a common justice, and keeping the peace, there is and has to be an operating staff: a bureaucracy, as we call it. Routine procedures of a bureaucracy offer a legal way to administer a police department, as distinguished from arbitrary rule.¹

Worrycrats, as I call them, are a special breed of totalitarian bureaucrats who spawn rapidly as society is socialized. These people concern themselves with our health, education, welfare, auto safety, drug intake, diet, and what have you. Worrycrats today outnumber any other professionals in history, so rapidly have they proliferated.

We might say that theirs is indeed big business, except that the activities of these worrycrats in no way resemble a free market operation. Freedom in transactions has no part in this political procedure. Citizens are coerced to pay these professional worriers whether they want their services or not. A nongovernmental operation of similar nature would be called a racket.

While the worrycrat has never ranked higher in my esteem than any other practitioner of chican-



THE WORRYCRATS

LEONARD E. READ

ery, it took two successive observations to "turn me on." Driving north on the Merritt Parkway, I observed a brilliantly painted roadway sign: ARE YOU DYING FOR A SMOKE? While designed to discourage smoking at the wheel, it brought to mind the recurrent messages beamed to us by worrycrats.

Perhaps I would have dismissed the thought had I not read in the next morning's paper about the World Health Organization, operating out of Geneva, announcing

¹ See Bureaucracy by Ludwig von Mises (New Rochelle, N. Y.: Arlington House, 1969).

its plans "to step up its campaign against cigarettes by reducing the world's production of tobacco." How? By getting farmers, the world over, to switch to other crops!

Mine is not an argument in favor of smoking or against anyone quitting; whether you smoke or not is none of my business. Rather, I question the propriety of our being coerced to pay worrycrats to worry about us. We worry enough on our own without paying to have our worries multiplied. George Robert Sims wrote a truism:

For one that big misfortunes slay, Ten die of little worries.

An experience comes to mind. In 1947 I visited Houston for the first time. There were fifty VIP's at the dinner. Seated next to me was an elderly gentleman. The next noon, he remarked, "Leonard, you were nervous before you spoke and you drank far too much coffee. That's not good for you."

Admitting to both the nervousness and excessive coffee, I suggested—perhaps incorrectly—that, short of accidents, we are born, more or less, with our time tags; that my excesses might make a year or two difference, but why fret about that!

"I never thought of it that way

before," said he, "but now that you mention it, here's a piece of evidence in your support. Fifty-some years ago sixteen couples, all in our early twenties, arrived in Houston. We became close friends, and I confess we smoked, drank a lot of coffee, and even some alcohol. We worked hard but we had fun. Then, when we reached forty or thereabouts, all, except myself and one other, began worrying about when they were going to die. Having a fretful eye on reaching a ripe old age, they guit these things, watched their diet, and otherwise prepared for longevity. You know, all except that other fellow and me have gone to their reward!"

The Competence of Worriers

Observe the massive outpourings of the worrycrats - over TV, radio, and in the press - about lung cancer, heart failure, mercurv. cranberries, cyclomates, seat belts, groceries, and so on. Unless one sees through all of these unsolicited oral and verbal counsels, he is going to be unnecessarily concerned. It is my contention that tens of millions have had their ordinary fears and worries substantially multiplied by reason of these professional do-gooders. Millions of people who never gave longevity more than a second thought are now worrying about it. Fear and

² See New York Times, January 31, 1971, First Section, p. 12.

worry are far deadlier menaces than all the things the worrycrats pretend to protect us from. But before trying to substantiate this point, let us raise a few pertinent questions.

Are these political saviors really concerned about your welfare and mine? Actually, they do not know that you or I exist. Nor will they know when we cease to exist. What, then, is their motivation? The truth is that I know as little about their motivations as they know about what is good or bad for me.

But let us suppose that they are worried about you and me. Who are they and what is their competence? Certainly, lovely ladies serve a purpose, but they are not experts when it comes to your welfare or mine. Nor are publicists, propagandists, the folks of Madison Avenue—all of these people who prepare the worry words we hear and read.

Or, let us further suppose that these worrycrats are the world's most advanced physicians and scientists. Would they know enough of what is injurious or helpful to you or me to justify forcing this information upon us or frightening us about it? You and I are in no way alike; each individual is unique, extraordinary, different. Were this not the case, my doctor could examine me and apply the

same findings to you and all others. Examination of one would suffice for everyone.

No Two the Same

As a matter of fact, individuals vary widely. For instance, an associate of mine must strenuously exercise to live. The same exertion by most people would do them in. A late friend of mine passed on at 95. He had observed a rule all his life: never move except when necessary. Similar inactivity for most of us would bring about an early demise. There are drugs which can save your life but would kill me. This is why pharmaceutical houses publish long lists of contraindications for each drug they manufacture.

Dr. Roger Williams, a noted biochemist at the University of Texas, blamed a physician for the death of a patient because he treated her as an average person—when there is no average person! This led Dr. Williams into the study of human variation and resulted in three remarkable books: Free and Unequal (1953), The Biochemical Basis of Individuality (1956), and You Are Extraordinary (1967). For a striking ex-

You Are Extraordinary, New York: Random House.

³ Free and Unequal, Austin: University of Texas Press.

The Biochemical Basis of Individuality, Austin: University of Texas Press.

ample among his findings: some persons can imbibe twenty times as much alcohol as can certain others, and be no more inebriated! A later study of his revealed that even "identical twins" are far from identical.

I care not who sits behind the worrycratic desk, whether a dullard or an Aristotle. When anyone thus tries to fathom our ills, deficiencies, excesses, he is staring into absolute darkness. Prescribing for and presiding over 200 million distinctive, unique individuals is no more within man's competence than sitting atop the Cosmos and directing the Universe. Contrary to socialist doctrine, we are discrete beings — not a mass, a collective, a lump of dough to be kneaded, baked, and consumed!

Death Hastened by Fears of Psychosomatic Origin

Now, what about fears, anxieties, worries? Are they killers? One scarcely needs modern science to find support for the idea that most ills are psychosomatic in origin. Go back well over two millennia and there it is: "As a man thinketh in his heart, so is he."

Here is modern support:

For instance, a patient whose parents have both died of heart disease will be anxious about his own heart.

When then a normal diencephalic response to an emotion causes the heart to beat faster or when gastric distension pushes his heart out of its usual position, he will be inclined to interpret what he feels as the beginning of the disease which killed his parents, thinking that he has inherited a weak heart. At once all his fears cluster like a swarm of angry bees on his heart, a vicious cycle is established and thus anxious cortical supervision may eventually lead to organic lesions. He and his family will then be convinced that he did indeed inherit a weak heart, yet this is not at all true.

The above is taken from Man's Presumptuous Brain by A. T. W. Simeons, M.D.⁵ This is but one of many illustrations of how death is hastened through fears, anxieties, rage, worries, a physiologic and pathologic process set in motion by a psychosomatic origin. In brief, unless one would speed the process, let him not fear death.

I repeat, the outpourings of the worrycrats tend to multiply our stresses, anxieties, worries; instead of rescuing us from our waywardness, they are literally scaring us to death.

Ideally, there is a role for gov-

⁴ Proverbs 23:7.

⁵ First published in 1961 by E. P. Dutton & Co., New York.

See also:

The Stress of Life by Hans Seyle, M.D. (New York: McGraw-Hill Co., 1956).

The Myth of Mental Illness by Thomas S. Szasz, M.D. (London: Martin Secker & Warburg, Ltd., 1962).

ernment with respect to health, education, welfare. That role is to inhibit misrepresentation, fraud, violence, predation, whether by doctors, educators, restaurateurs, pharmaceutical manufacturers, labor unions, or others. No false labels; no coercive impositions on anyone! This is to say that all of us should be prohibited from injuring others. Actions that harm others — not what one does to self

- define the limits of the social problem and of governmental scope.

You know yourself better than anyone else does. Better that you turn yourself toward what you think is your advantage than be turned by a worrycrat toward what he thinks is your advantage. You at least know something, whereas he knows nothing of you as an individual.

The Reform Process

MEN LIVE their lives within a framework of customary relations and patterns for achieving their ends and solving their problems. In the absence of positive force, they have worked out and accepted these patterns voluntarily, or they submit to them willingly. Any alteration of these by government involves the use or threat of force, for that is how governments operate. The old order must be replaced by a new order for the reform to be achieved. The result of the forceful effort to do this is disorder. . . .

IDEAS ON

Men may adjust to the new disorder, resume the course of their lives as best they can, and submit more or less to conditions. In time, they may even forget that the system is maintained by force, or that things could be otherwise. After all, most peoples at most times have lived under varying degrees of oppression. Nonetheless, ameliorative reform introduces violence into life. The force charged with keeping the peace becomes the disturber of the peace. Traditional relationships are disrupted. Liberty is restricted and reduced.

"Thou Shalt Not Drink"

MARY BENNETT PETERSON

FIFTY-ONE years ago the United States embarked upon a Noble Experiment: a millennium of social betterment could be brought about by Constitutional amendment and repeal of the law of supply and demand. It was the time the Eighteenth Amendment began, and Prohibition became the law of the land.

The late newspapers of January 16, 1920—the very day Prohibition went into effect—reported that trucks loaded with contraband liquor had been seized in Peoria, Illinois, and New York City by Federalagents. Other first-day accounts told of clandestine stills being raided in Indiana and Michigan, and the issuance of warrants for arrest of violators of the liquor law throughout New York State.

Mrs. Peterson is a free lance author and reviewer. This article is an abstract of a chapter from her forthcoming book, *The Regulated Consumer*, Nash Publishing Company.

The Prohibition movement began in earnest around the turn of the century. Hatchet-wielding Carry Nation, with public prayers and condemnations of Demon Rum, set out with her pre-Women's Lib disciples on a whiskey-bottle beerkeg smashing crusade through the nation's saloons. Other Drys, led by two powerful lobbies—the Anti-Saloon League and the Woman's Christian Temperance Union—steadily built up political power in Congress and state legislatures.

The movement was ready for a show of strength when President Wilson in 1919 vetoed the Volstead National Prohibition bill, originally a World War I food conservation measure. Congress promptly overrode the veto, rejecting the President's forebodings of national scandals and Federal en-

forcement fiascos. Later the requisite 26 states ratified the new law, which read simply enough:

"The manufacture, sale, or transportation of intoxicating liquors within, the importation thereof into, or the exportation thereof from the United States and all territory subject to the jurisdiction thereof for beverage purposes is hereby prohibited."

Prohibition was hailed by the triumphant Drys as the dawn of a new era, a time of a new moral code of decency and sobriety. "The reign of tears is over," declared the nation's No. 1 evangelist, Dr. Billy Sunday, and added: "The slums will soon be only a memory. We will turn our prisons into factories and our jails into storehouses and corncribs. Men will walk upright now, women will smile and the children will laugh. Hell will be forever for rent."

The Age of the Gangster

But somehow experience did not follow this happy prognosis nor the jubilant prediction of the Anti-Saloon League of New York that America was about to enter an age of "clear thinking and clean living." Instead it became an age of the gangster and the rum-runner, the bootlegger and the hijacker, the bathtub gin artist and the crooked judge.

Millions drank who never drank

before. Alcholism, always a problem, became practically a national disease—and a national killer. Of 480,000 gallons of booze confiscated in New York in one "dry" year and subjected to chemical analysis, 98 per cent was found to contain poison.

A vast illicit industry on land and sea arose as supply attempted to meet demand. The Coast Guard became known as "Carry Nation's Navy" as it pursued the sleek and swift, armed and armoured craft of Rum Row inside the 12-mile limit. Corruption and scandal dogged politician and policeman alike. During the first four dry years, some 140 Prohibition agents were jailed. In April 1925, a Federal jury in Cincinnati convicted 58 agents and policemen (two Pullman cars were needed to haul the miscreants to the Atlanta Penitentiary), and in the same month the Prohibition director for Ohio was found guilty of conspiracy with the underworld.

Underworld figures became national celebrities. Just about everyone knew about Waxey Gordon, Dutch Schultz, Lucky Luciano, and Al Capone. Capone, not always enjoying his fame, complained: "I call myself a businessman. I make money by supplying a popular demand. If I break the law, my customers are as guilty as I am. When I sell liquor, it's bootlegging. When

my patrons serve it on silver trays on Lake Shore Drive, it's hospitality."

Eventual Repeal

As lawlessness came to characterize the Roaring Twenties, the army of Wets and Prohibition's disaffected grew. Ardent Prohibitionists joined the Association Against the Prohibition Amendment and the Women's Organization for National Prohibition Reform (known among the Drys as the Bacchantian Maidens).

And, if war paved the way into Prohibition, depression paved its exit. The Wets, displaying not exactly sound economic thinking, blamed the Great Depression on the Noble Experiment, arguing, among other things, that Prohibition was foreclosing thousands of jobs and costing the taxpayer millions of dollars in fruitless enforcement and lost liquor taxes.

In 1932 both Presidential candidates Roosevelt and Hoover called for repeal. In April 1933, beer of not more than 3.2 per cent alcohol was authorized by Congress and later that year the Twenty-first Repeal Amendment became law. Prohibition was dead.

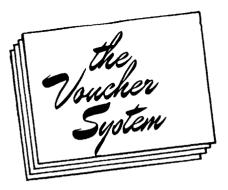
If any lessons can be drawn from Prohibition, it may be that the easy call to "pass a law" to bring about a millennium does not always work, that the supposed cure can be worse than the disease, and that the economic law of supply and demand can be a lot more pervasive than the countervailing legislated law of the land.

Dependence or Liberty

IDEAS ON

LIBERTY

THE TWO NOTIONS — one to regulate things by a committee of control, and the other to let things regulate themselves by the conflict of interests between free men — are diametrically opposed; and the former is corrupting to free institutions, because men who are taught to expect Government inspectors to come and take care of them lose all true education in liberty. If we have been all wrong for the last three hundred years in aiming at a fuller realization of individual liberty, as a condition of general and widely-diffused happiness, then we must turn back to paternalism, discipline, and authority; but to have a combination of liberty and dependence is impossible.



TRAP FOR THE UNWARY

ROBERT PATTON

lic education. Public schools.

MANY ADVOCATES of liberty have recently responded with enthusiasm to the proposal of a voucher plan for primary and secondary education. Under this proposal, parents of school-age children would be given vouchers which could be redeemed at local public schools or be used as part or full payment of tuition at a private or parochial school. When used to pay for private education, the vouchers would have a specific cash value.

Proponents of the plan argue that it would offer several advantages over the existing system of tax-supported education in the United States. Parents would be free to enroll their children in a private school without the burden of paying tuition over and above the taxes they pay to support pub-

forced to compete for the tax dollars they now receive automatically, would be under pressure to improve their services. Furthermore, once the state educational monopoly had been broken, the "private sector," infused with the vitality of a free market, would begin to perform minor miracles in attending to the educational needs of America. So say proponents.

On the other hand, some say that, if implemented, the voucher plan would virtually eliminate public elementary and secondary education; public schools would be at a serious disadvantage if forced to compete with private institutions for tax dollars since their rigid bureaucratic structure would not permit them to respond to the demands of a free market in education. No less an advocate of public education than Albert Shanker has predicted that "the adoption

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of such a plan would lead to the end of public education."

A strong opponent of the youcher plan. Shanker bases his opposition on allegations that support for such a system comes only from parochial school interests making a grab for public funds, from those who wish to put their hands in the public till to send their children to segregated schools, from various revolutionary groups who hope to disseminate their ideas in tax-supported institutions, and from selfish taxpavers who believe that the implementation of a voucher system would result in a cutback in future allocations of Federal and state funds to education.

Those who oppose the use of the coercive power of the state for so-called social purposes are conspicuously omitted from Shanker's analysis. One cannot resist pointing out that Shanker himself is the representative of an extremely powerful special interest group that has a strong vested interest in the continuance of the present system of public education.

The Promise Is Illusory

Given the apparent advantages of the voucher proposal and the nature of the opposition, it is tempting for those who favor liberty to rush into the breach and support it with unrestrained enthusiasm. Unfortunately, the promise that some see in the voucher system is illusory.

If such a plan were ever adopted, powerful interests would immediately begin lobbying in support of restrictive legislation that would undercut the element of free choice in the plan as it now stands. Under pressure from strong special interest groups such as Shanker's United Federation of Teachers, laws might be passed to require that teachers in private schools meet standardized licensing requirements and that the physical plant of private schools meet arbitrary standards established by the government. Laws could (and would) follow laws, self-proclaimed reformers would come to advocate the imposition, on private schools, of what they would term "academic standards"; and, just as we now have a costly system of public education that wears the label "free." we may easily end up with a system of state education that bears the appellation "private."

There is a descriptive term that applies to an economic system in which business is nominally under private ownership while the state maintains an absolute control over "private" business activities; that term is fascist. Is this what we want for American education?

Why, then, have many advocates of liberty supported the voucher proposal? The magic word here seems to be "choice." But if the possible consequences of the voucher system that I have outlined ever were to become a reality, the parent who wished to send his child to a school free of government control would have a smaller choice than he has at present — or no choice at all.

The Unseen Coercion Behind the Good Intentions

At this point, many readers will remain unconvinced that the voucher system is a step in the wrong direction, that is, away from liberty. They might argue that the dismal possibilities I have cited are simply potential pitfalls, not necessary consequences: if we anticipate these statist measures, they can be fought and defeated. Therefore, they might conclude, the voucher system can be a constructive step toward the elimination of coercive government control of our pocketbooks and of our children's minds.

To answer this argument, let us examine the nature of the "choice" that the proponents of the voucher system offer. In blunt terms the so-called element of choice amounts to offering the parents of school-age children options in how they may spend the money

of others that has been expropriated by the state.

In principle, the freedom of choice offered by the voucher system is no different from the "freedom" demanded by some welfare recipients to spend public monies on such things as liquor as well as on the necessities of life. The unfortunate fact is that when the state takes over any market function, its citizens soon come to regard this as a natural and proper state of affairs: "conservative" citizens are no more immunized against this syndrome than any others. Just as the liberal may seek an expansion of welfare services on the grounds that present programs fail to meet the full needs of the people, so many "conservatives" are falling into the trap of advocating an expansion of the state's role in education because their needs are not satisfied by the present system.

Those proponents of liberty who advocate the voucher system fail to recognize that, in so doing, they are giving an implicit endorsement to a principle that they profess to oppose. The fundamental premise of the voucher plan is identical to that underlying the present system of state education. The coercive power of the state (which in the final analysis means the threat or use of the gun) will still be used to seize the property

of private individuals in the name of an undefinable public good.

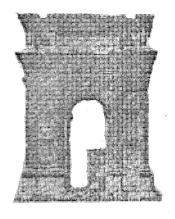
Those who support the voucher proposal are playing the game that, in freshman political science courses, is called "democratic pluralism." In plain language, this term describes a society composed of rival gangs — each fighting the others for a bigger cut of the tax collector's booty.

Subsidies Are Not a Stepping-Stone to Editorial Freedom

There is one more argument advanced in support of vouchers that has not vet been answered. If liberty is ever to be regained in the field of education, runs the argument, it will not come overnight. If the present coercive system of primary and secondary education were abolished on the first of next month, many think the result would be chaos. Private schools are just not capable of taking over the massive job of educating all of our children on 30-days' notice. Moreover, parents who have been complacently letting Brother bear the burden of seeing to the education of their children are ill-prepared to accept that responsibility themselves. What is needed, according to such an appraisal, is some sort of transition plan whereby education can be taken out of the hands of the state and responsibility placed where it belongs — with the parents.

Many voucher advocates see the plan as playing just this sort of role: they view it as a steppingstone to educational freedom. But here too, they have allowed themselves to be deceived. We have seen how any build-up in the private sector of education fostered by the voucher plan will almost certainly be accompanied by an equal or greater build-up of state control over nominally private educational institutions. This is hardly the type of "transition" that a libertarian would knowingly advocate. Furthermore, rather than shifting the financial burden of education to the consumers of this service, the plan will remove some of the responsibility from those who have already shouldered it. And finally, the voucher system fails utterly to challenge the premise that the ultimate responsibility for education rests with the state. If education is ever to be truly free, it is this premise that must be overturned.





Poor Relief in Ancient Rome

HENRY HAZLITT

INSTANCES of government relief to the poor can be found from the earliest times. Though the records are vague in important particulars, we do know a good deal about what happened in ancient Rome. A study of that case may enable us to draw a few lessons for our own day.

Roman "social reform" appears to have begun in the period of the Republic, under the rule of the Gracchi. Tiberius Gracchus (c. 163-133 B.C.) brought forward an agrarian law providing that no person should own more than 500 jugera of land (about 300 acres), except the father of two sons, who might hold an additional 250 jugera for each. At about the same

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time that this bill was passed, Attalus III of Pergamum bequeathed his kingdom and all his property to the Roman people. On the proposal of Gracchus, part of this legacy was divided among the poor, to help them buy farm implements and the like. The new agrarian law was popular, and even survived Tiberius's public assassination.

He was succeeded by his younger brother Gaius Gracchus (158-122 B.C.). In the ancient world transport difficulties were responsible for famines and for wild fluctuations in wheat prices. Among the reforms that Gaius proposed was that the government procure an adequate supply of wheat to be sold at a low and fixed price to everyone who was willing to stand in line for his allotment once a month at one of the public

granaries that Gaius had ordered to be built. The wheat was sold below the normal price — historians have rather generally guessed at about half-price.

The record is not clear concerning precisely who paid for this generosity, but the burden was apparently shifted as time went on. Part of the cost seems to have been borne by Rome's richer citizens, more of it seems to have been raised by taxes levied in kind on the provinces, or by forced sales to the state at the lower prices, or eventually by outright seizures.

Though Gaius Gracchus met a fate similar to his brother's — he was slain in a riot with 3,000 of his followers — "the custom of feeding the Roman mob at the cost of the provinces," as the historian Rostovtzeff sums it up, "survived not only Gracchus but the Republic itself, though," as he adds ironically, "perhaps Gracchus himself looked upon the law as a temporary weapon in the strife, which would secure him the support of the lower classes, his main source of strength." 1

Bread and Circuses: The New Deal in Old Rome

An excellent account of the subsequent history of the grain dole can be found in H. J. Haskell's book, The New Deal in Old Rome.² I summarize this history here:

There was no means test. Anvone willing to stand in the bread line could take advantage of the low prices. Perhaps 50,000 applied at first, but the number kept increasing. The senate, although it had been responsible for the death of Gaius Gracchus, did not dare abolish the sale of cheap wheat. A conservative government Sulla did withdraw the cheap wheat, but shortly afterward, in a period of great unrest, restored it, and 200,000 persons appeared as purchasers. Then a politician named Claudius ran for tribune on a free-wheat platform, and won.

A decade later, when Julius Caesar came to power, he found 320,000 persons on grain relief. He succeeded in having the relief rolls cut to 150,000 by applying a means test. After his death the rolls climbed once again to 320,000. Augustus once more introduced a means test and reduced the number to 200,000.

Thereafter during the Imperial prosperity the numbers on relief continued at about this figure. Nearly 300 years later, under the Emperor Aurelian, the dole was extended and made hereditary. Two pounds of bread were issued daily to all registered citizens who applied. In addition, pork, olive

¹ History of the Ancient World, Vol. 2, p. 112.

² New York: Knopf, 1939.

oil, and salt were distributed free at regular intervals. When Constantinople was founded, the right to relief was attached to new houses in order to encourage building.

The Right to a Handout

The political lesson was plain. Mass relief, once granted, created a political pressure group that nobody dared to oppose. The long-run tendency of relief was to grow and grow. The historian Rostovtzeff explains how the process worked:

"The administration of the city of Rome was a heavy burden on the Roman state. Besides the necessity of making Rome a beautiful city, worthy of its position as the capital of the world . . . there was the enormous expense of feeding and amusing the population of Rome. The hundreds of thousands of Roman citizens who lived in Rome cared little for political rights. They readily acquiesced in the gradual reduction of the popular assembly under Augustus to a pure formality, they offered no protest when Tiberius suppressed even this formality, but they insisted on their right, acquired during the civil war, to be fed and amused by the government.

"None of the emperors, not even Caesar or Augustus, dared to encroach on this sacred right of the

Roman proletariate. They limited themselves to reducing and fixing the numbers of the participants in the distribution of corn and to organizing an efficient system of distribution. They fixed also the number of days on which the population of Rome was entitled to a good spectacle in the theaters, circuses, and amphitheaters. But they never attacked the institution itself. Not that they were afraid of the Roman rabble; they had at hand their praetorian guard to quell any rebellion that might arise. But they preferred to keep the population of Rome in good humour. By having among the Roman citizens a large group of privileged pensioners of the state numbering about 200,000 men, members of the ancient Roman tribes, the emperors secured for themselves an enthusiastic reception on the days when they appeared among the crowd celebrating a triumph, performing sacrifices, presiding over the circus races or over the gladiatorial games. From time to time, however, it was necessary to have a specially enthusiastic reception. and for this purpose they organized extraordinary shows, supplementary largesses of corn and money, banquets for hundreds of thousands, and distributions of various articles. By such devices the population was kept in good

temper and the 'public opinion' of the city of Rome was 'organized.' "3

The Dole, Among Other Causes of the Fall of the Empire

The decline and fall of the Roman Empire has been attributed by historians to a bewildering variety of causes, from the rise of Christianity to luxurious living. We must avoid any temptation to attribute all of it to the dole. There were too many other factors at work - among them, most notably, the institution of slavery. The Roman armies freely made slaves of the peoples they conquered. The economy was at length based on slave labor. Estimates of the slave population in Rome itself range all the way from one in five to three to one in the period between the conquest of Greece (146 B.C.) and the reign of Alexander Severus (A.D. 222-235).

The abundance of slaves created great and continuing unemployment. It checked the demand for free labor and for labor-saving devices. Independent farmers could not compete with the big slave-operated estates. In practically all productive lines, slave competition kept wages close to the subsistence level.

Yet the dole became an integral part of the whole complex of economic causes that brought the eventual collapse of Roman civilization. It undermined the old Roman virtues of self-reliance. It schooled people to expect something for nothing. "The creation of new cities," writes Rostovtzeff, "meant the creation of new hives of drones." The necessity of feeding the soldiers and the idlers in the cities led to strangling and destructive taxation. Because of the lethargy of slaves and undernourished free workmen, industrial progress ceased.

April

There were periodic exactions from the rich and frequent confiscations of property. The better-off inhabitants of the towns were forced to provide food, lodging, and transport for the troops. Soldiers were allowed to loot the districts through which they passed. Production was everywhere discouraged and in some places brought to a halt.

Ruinous taxation eventually destroyed the sources of revenue. It could no longer cover the state's huge expenditures, and a raging inflation set in. There are no consumer-price indexes by which we can measure this, but we can get some rough notion from the price of wheat in Egypt. This was surprisingly steady, Rostovtzeff tells us, in the first and second cen-

³ M. Rostovtzeff, The Social and Economic History of the Roman Empire (Oxford: Clarendon Press, second edition, 1957), pp. 81-2.

turies, especially in the second: it amounted to 7 or 8 drachmae for one artaba (about a bushel). In the difficult times at the end of the second century it was 17 or 18 drachmae, almost a famine price, and in the first half of the third it varied between 12 and 20 drachmae. The depreciation of money and the rise in prices continued. with the result that in the time of the Emperor Diocletian one artaba cost 120,000 drachmae. This means that the price was about 15,000 times as high as in the second century.

In 301 Diocletian compounded the evil by his price-fixing edict, which punished evasion with death. Out of fear, nothing was offered for sale and the scarcity grew much worse. After a dozen years and many executions, the law was repealed.

The growing burden of the dole was obviously responsible for a great part of this chain of evils, and at least two lessons can be drawn. The first, which we meet again and again in history, is that once the dole or similar relief programs are introduced, they seem almost inevitably - unless surrounded by the most rigid restrictions - to get out of hand. The second lesson is that once this happens, the poor become more numerous and worse off than they were before, not only because they have lost self-reliance, but because the sources of wealth and production on which they depended for either doles or jobs are diminished or destroyed.

Calvin Coolidge

IDEAS ON

A REVOLUTION is taking place which will leave the people dependent upon the government and place the government where it must decide questions that are far better left to the people to decide for themselves. Finding markets will develop into fixing prices, and finding employment will develop into fixing wages. The next step will be to furnish markets and employment, or in default pay a bounty and dole. Those who look with apprehension on these tendencies do not lack humanity, but are influenced by the belief that the result of such measures will be to deprive the people of character and liberty.



MARTEN TEN HOOR

IN VIEW of the hundreds of conferences which have been held on liberal education, it would seem to be impossible to say anything new on the subject. Since there seems to be nothing new to say, one must, in order to be original, be contrary, eccentric, or partisan. I have chosen to be partisan. The proposition to be defended is, frankly, a half-truth. If it can be established, there will be some cause for satisfaction: for the establishment of a half-truth is not a bad average in this complex and confused world. There is the justification, moreover, that the other, and possibly the better, half has in our day had practically all of the attention.

Stated concretely, the proposition is this: Never in the history

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of the world have there been so many people occupied with the improvement of so few. To sharpen the point by a specific example: Never have there been so many people making a good living by showing the other fellow how to make a better one. If you are skeptical, I recommend that you try this exercise - add up, as of the current date, the social workers, planners, and reformers; the college presidents, deans, and professors; the editors of magazines, journals, and newspapers (not forgetting college newspapers); almost everybody in Washington, D. C., during recent years; and the tens of thousands of miscellaneous social-minded folks who attend conferences, workshops, and institutes organized for the improvement of the human race. Subtract that figure from the total population of this country, and compare this figure with a corresponding figure for, say, the year 1900. You will then see what I mean when I say that this is the era of undiscriminating allegiance to good causes. To come nearer home, compute the sum of all college and university presidents, deans, and professors who have in the last five years attended meetings devoted to the improvement of education. Compare that figure with the number of those who remained on the campus working, and you will find proof even in academia.

What Is an Expert?

As further evidence, and as a striking symptom, there is the recent popularity of educational surveys. Most states and many institutions have experienced several. I have lived through eleven, without noticeable improvement in myself or my neighbors. Note the procedure and the technique, for there you will find the moral. The surveyors are always from another state or another institution. This is in accordance with the well-known principle that an expert is an ordinary person who is away from home. These outsiders are brought in because of their objectivity, objectivity being the capacity for discovering faults abroad which you cannot recognize at home. To be a good educational surveyor - or any kind of

social analyst, for that matter—you must have a sharp eye for foreign motes but a dull one for domestic beams. You must be a contented extrovert, so that, after diagnosing the faults of others, you can continue to live in perfect comfort with your own.

Too Few Followers

I must confess that I view all this indiscriminate altruism with a jaundiced eye. It does seem to me that these days there are too many leaders and too few followers; too many preachers and too few sinners - self-conscious sinners, that is, If this were an illustrated article, I would insert at this point a wonderful cartoon I saw not long ago. A little boy was asking an obviously astounded and embarrassed father, "But if we're here to help others, what are the others here for?" Nobody has time these days to improve himself, so busy is he with attempts to improve his neighbor. There is something wrong with that equation. It seems to me that it is time to try to balance it. I suggest that this can be done by shifting some weight from one side to the other. by shifting the emphasis from social improvement to self-improvement. I suggest that over the door of every academic cubicle there should hang the sign which Thoreau had over the door of his but:

"My destiny mended here, not yours." In short, I propose to make a plea for education for privacy.

How to Feel Virtuous

Before undertaking to identify some of the elements of this type of education. I should like to offer some justification of my skepticism concerning the present emphasis on social-mindedness in education. To begin with, it is so easy to assume that your neighbor is much worse off than yourself. The universality of this tendency is undoubtedly accounted for psychologically by its attractive by-products. The assumption produces a feeling of comfort. If there is some slight suspicion that all is not well within, it is compensating to concentrate on the plight of one's neighbor. Since attention to him is distracting, it keeps the individual from worrying about himself. To do something about a neighbor's ignorance also makes one feel virtuous. This absorbing concern for the improvement of one's neighbor is undoubtedly a product of civilization. It is doubtful if primitive man worried much about it. The cannibal, in fact, represents the other extreme: he uses his neighbor solely for his own improvement.

In the second place, I doubt if the reformer always has the wisdom necessary to direct the lives of so many people - but this is certainly assumed. How many people are there who have demonstrated the capacity to prescribe for others? If an individual makes a mistake in trying to improve himself, this is not so serious: but consider the consequences if he has induced all his neighbors to do the same thing. History is filled with examples of self-confident leaders who led their followers straight to a common catastrophe. The fact is that we still know so little about human personality in the concrete. To be sure, there are excellent textbook pictures, with revealing analytical tables and graphs. But this is personality in the abstract. Any physician will tell you that he rarely finds a textbook picture in a patient. Not only is every human being a complex with variations, but there are the environment in which that complex functions and the accidental circumstances which confuse the vision and disrupt life.

Nor has the reformer too much reason for assuming that he has discerned the good life for his neighbors. Let us take as a familiar example the characteristic projection by parents into the lives of their children. This is something we can readily understand and, because it is suffused with parental affection, forgive. But

how many parents are there who realize that each child is to some extent a new complex of elements and who can bring themselves to substitute that confounding reality for the fond subjective creation? Too often the recommendation of a way of life is nothing more than the advocacy of a personal preference.

From subjectivism in this sense of the term there is no complete escape. Even leadership is personalized in an individual. Hitler was an individual: he spun his fantastic and criminal notions out of his own warped private personality. It is, therefore, terribly important that everything shall be right in the reformer before he undertakes to reform others. "Nobody." says a character in Norman Douglas' South Wind, "has the right to call himself well disposed towards society until he has grasped the elementary fact that the only way to improve society is to improve oneself." And may I suggest in this connection that a major in the social sciences does not automatically qualify a student for social leadership?

Selfish Unselfishness

Further reason for doubt is to be found in the characteristic reactions of the hypersocial-minded. They become so indignant when people resist their ministrations.

They are so determinedly selfish in their unselfishness. Ideas, particularly ideas designed for the improvement of others, so quickly become inflated. In extreme cases they devour themselves. How antagonistic even educators become over professional differences as to how the ignorant should be rendered less so! Note the bitterness between rival reform groups. Let us not forget that human beings have killed one another in the mass even on the authority of their religions. Note how political leaders fall out, quarrel, conspire, injure one another in their unselfish efforts to save the country. In the absence of sophistication and modesty, reform notions grow into delusions: their advocates become more and more autocratic: leadership becomes pathological: the desire to help one's fellow men is transformed into fanaticism and tyranny - and societies become authoritarian.

Everybody Is an Individual

Here lies the explanation of the tendency of hypersocial-mindedness to suppress individualism and to produce too much uniformity. There are good reasons for doubting the wisdom of this lack of interest in the individual as a unique personality. There is, to begin with, the obvious and inescapable fact that everybody is an individ-

ual. The higher the scale of life, the more individuals differ and the greater their potentialities for differing. Society must make provision for individual differences.

Authoritarianisms of the type of national socialism and communism are primitivistic: for they propose to turn back the course of social change and to establish societies in which individuals shall have a status more closely resembling that of ants, bees, or even of atoms or electrons than of human personalities. They have forgotten, or propose to ignore, the incontrovertible fact that the great works of art, literature, music, philosophy, religion, and science - that is, the world's great manifestations of excellence and leadership - were the products of intensely individual persons. Indeed. some of the world's great geniuses have been self-centered, unsocial and iconoclastic, with little or no interest in the improvement of their fellow men.

But society can well afford that. A regimented society will not only suppress and possibly ultimately breed out these "exaggerated" individuals, but will generally discourage the manifestations of the adventurous and original spirit. Government and education designed to do this will bring about a tragic cultural impoverishment in human life; for individual dif-

ferences enrich life, they stimulate the intelligence and the imagination, and they invite comparison and criticism. They keep the individual alive as an individual, and not merely as a bearer of the racial genius or a servant of the state.

Some Laws Necessary

It is true that modern life requires a certain amount of regimentation. Individuals obviously cannot be permitted to run amuck. At least the great majority of persons must adapt themselves to other persons. Mechanical contrivances, such as traffic lights, must replace individual judgment: laws are to some extent substitutes for individual choice. But let us not forget that it is not the basic purpose of these substitutes to repress individuality, but rather to make possible a more general and richer realization of individuality. It is not the purpose of social organization to reduce man to the subhuman, but to create more favorable opportunities for the realization of what is uniquely human.

The need of complex societies for a high degree of organization is one reason why so much attention is focused on the improvement of the other fellow. Especially in a democracy, where everyone is more or less free to advocate schemes for the improvement of

society, lively and self-confident minds are inclined to expend their intellectual and emotional potential on reform movements. The attention of the reformer is consequently drawn away from contemplation of the state of his own soul. Since he is so happily exercised in improving others, the habit of self-examination gradually atrophies. How then can he be sure that he is the right person to prescribe for his neighbors? Should he not stop now and then to take an inventory of his resources? Does he in fact have these resources? It is because I have serious doubts of this sort. and because of the increasing neglect in education of attention to the accumulation of these resources, that I feel it time to make a plea for education for privacy.

A Plea for Privacy

What now are the essential elements of this education for privacy? In speaking of elements it is, of course, implied that the ideal construct of these elements constitutes an organized whole, a personality. It is this ideal at which we aim, though we know full well that in any concrete individual, no matter how well educated after the formula which we shall propose, one or the other desirable characteristic is certain to be under- or over-emphasized.

The first requirement, clearly, is to learn how to think - not out loud or in print, but privately. The thinker himself, not his neighbor, is to be the beneficiary. To think does not mean to spend hours in idle daydreaming or in vagrant imaginings, or to make occasional impulsive sallies at ideas which happen to appear before the attention. The reference is certainly not to the semi-somnolent and comfortable ruminations which go on in the wandering mind of an inattentive student in the classroom. What is meant is systematic reflection, the constant purpose of which is to bring order out of the multiplicity and variety of things in which the human being is immersed.

Experience Without Understanding

To be sure, many people go through life with their senses alert, observing and savoring in generous measure the richness of the world about them. But what they experience they retain only in the form of materials for recollection. The mind gradually accumulates a rich inventory of goods, which can be brought out on display when there is socal opportunity for it. But the relationship of these resources in the mind is one of mere contiguity, like that of goods in a department store. Experience has not resulted in an

over-all understanding because it has not been systematically thought about. Such individuals

... see all sights from pole to pole,
And glance, and nod, and bustle by,
And never once possess (their) soul
Before (they) die.

To possess one's soul in an intellectual sense means to have found some answer, or partial answer, to the questions: What is the nature of this world in which I find myself, what is my place in it, and what must be my attitude toward it? The problem is one of intellectual and spiritual orientation.

A Disorganized Mind

The benefits of such intellectual and spiritual adaption have been extolled by the wise men of all ages and all countries. A "view of life" prepares us for what life brings us, for what happens to us in our physical environment, and most important of all, for what people turn out to be and for what they do. To be spiritually and intellectually lost in the world, on the contrary, is to be unarmed and helpless.

A disorganized mind is unprepared for reality and easily frustrated. The fate that awaits the individual so afflicted is to be always a stranger and a wanderer in the world. The "lost soul" of literature, the ultimate in tragic creation, suffers from this great spiritual illness.

It may be unfortunate, but it is a fact that the sharper and livelier the intelligence and the more sensitive the spirit, the more serious the danger of disorientation. The simple-minded find life simple. Plants find themselves easy to live with, no doubt; for it cannot be difficult to vegetate successfully. It is not likely that the cow's ruminations are philosophical.

Man, for better or worse, is a rational animal. The more he thinks, the greater the need of organization among his ideas. The more subjects a student studies in college, the more extensive the potential disorder of his mind. It is not surprising that the scholarly mind, lost in a Babel of learning, seeks escape into a clearly defined specialty, and the practical mind, as soon as its owner has permission, into the comforts of a business, a profession, or domesticity. To be sure, we must integrate the curriculum. But what good is this if the professor's mind remains perched on its gaunt pinnacle or secluded in the laboratory?

The systematic way to the attainment of the organization of ideas is through philosophy and religion. It is true that the great intellectual constructions of the metaphysicians are not available

to all men, and that even to the initiated they sometimes offer but poor comfort. Moreover, all of us have known individuals of great simplicity and humbleness of mind, quite untutored in dialectic, who somehow and in the simplest terms have securely located themselves in the cosmos.

Especially in the realm of religious experience do we find examples of this. The spirit seems to have found peace in terms of some all-embracing conviction or great renunciation. But this is not often possible for the inquisitive and analytical mind.

Need for Philosophy

To cast all burdens upon the Lord in one grand resolve sometimes implies ignorance of the nature of those burdens. There is only consciousness of their oppressive weight, but no understanding of their nature or causes. To be sure, the critical intelligence may also come ultimately to make this renunciation: but it will not feel justified in doing so until it has reflected upon causes and relationships and seen the problem of human trouble and sorrow whole. The solution must be a conquest, not an escape.

For this, the mind certainly needs philosophy, sacred or secular. No learned profession, however, can offer the inquiring mind an official formula which every man need only apply in order to be permanently on understanding terms with the world. To be sure, there are systems of metaphysics. sacred and secular, from which the troubled spirit can choose a readymade synthesis. But this does not make the chosen system of ideas an integral part of the inner personality. Intellectual orientation to the world must be something more than an acquisition; it must be an organic growth. The student should by all means seek out the great religious and philosophical thinkers, study their systems, and add their insights to his own. But in the last analysis he must work out his own solution, for such a solution must be the end product of his own reflection in the context of his own experience. Only through the alchemy of private reflection do philosophical ideas become private resources. Only then will they be available in time of crisis. When the normal course of existence is interrupted by conflict and frustration, it is a bit late to begin developing fundamental guiding ideas: that is the time to apply them.

Admiral Byrd Alone

A dramatic example of the saving grace of such resources is related by Admiral Byrd in his book on his expedition to the South Pole, entitled *Alone*. He had been left behind by the expedition in a dugout located several feet below the surface of the icecap. From this he periodically emerged through a vertical tunnel to make scientific observations. It happened that the heater in his subterranean shelter developed a leak of which he was not aware. Before he realized it, he had been dangerously poisoned, and he became seriously ill.

During his convalescence he found himself struggling to overcome not only the physical damage done to his body, but also a deep spiritual depression, an obstinate conviction of the meaninglessness of life, which threatened to overwhelm him. There was no physician or psychoanalyst or cleric available. His fellow-explorers would not return for months. He was absolutely alone. He had to guide himself out of this slough of despair. This he did, after many agonizing days, by steady thinking, by "digging down into" his intellectual resources. And it was then, to use his own homely but vivid phrase, that he "uncovered the pay-dirt of philosophy." He did not then collect the materials of his readjustment; he used them to recover his sanity. In this crisis, what would he have done without these resources?

But periods of crisis are not the

only time when man needs an orderly mind. If a ship is to hold its course, it needs a steady helm in good weather as well as in bad. I hasten to remark that this figure of speech has serious limitations. for a navigator has his chart prepared when he begins his voyage. Man, on the contrary, is faced with the problem of making a chart as he goes along. As a matter of fact, the plan of life is, for every man to some extent, an unconscious precipitate of his experience. We are not completely free agents; compulsion and fate, in the form of the physical world, our fellow men and social institutions, push the individual this way and that. What happens to him and what he becomes are clearly the result of a complex of inner and outer compulsions, over many of which he has no control.

The Greek Chorus

We are not here primarily concerned with action, however, but with interpretation. In philosophical reflection, the individual to some extent plays the part of the Greek chorus. He observes himself as actor in a cosmic setting. If he does so systematically, he will gradually discern not only his own role, but the direction of the whole drama. Only when he understands the meaning of the play can he orient himself in it. Such

an understanding, vague and in-complete though it may be, will enable him to achieve his own view of life. If he is so fortunate as to see (what seems to him) the truth and to see it whole, he will thenceforth have a vision of the future as well as an understanding of the present and the past. If a rational man does not do that, why should he consider himself the crown of creation? If he does accomplish this, he can exult with the poet Dyer:

My mind to me a kingdom is; Such present joys therein I find As far exceeds all earthly bliss

Look, what I lack my mind supplies.
Lo, thus I triumph like a king,
Content with that my mind
doth bring.

The Uneasy Conscience

In education for privacy, however, more is involved than philosophical orientation to the cosmos. There is equally urgent need for education in the establishment and maintenance of moral harmony. From the days of primitive religion, through Greek tragedy, the Christian epic of sin and salvation, and modern psychology, Freudian and non-Freudian, to contemporary existentialism, there runs the theme of the uneasy conscience. The dramatic specter of moral guilt is the principal character in

many of the greatest creations of literary genius.

No matter what the learned explanation, the psychological state is one of inner moral disharmony. Though it may have outer causes. it is a private affliction and must be cured privately. In moments of despair or periods of cynicism we may doubt the existence or discernibility of moral meaning in the universe: but such a conclusion does not relieve the individual of the necessity for solving his personal moral problem. Even complete moral negativism, if not itself a moral philosophy, leaves the individual no recourse but to establish a private moral order in his life of action and reflection.

Moral Resources

Here again, the more sensitive the individual, the greater the potentiality for disorganization. It is the sensitive who are the most deeply wounded by moral indifference, disorder, and brutality. The predisposing causes of moral disorganization may be in the people and the things we love, in the institutions which demand that we conform to their customs and taboos, in the great world which so often mocks our need for moral significance and order. But a vision of the good life, the spirit must have; for devoid of it, the imagination is without moral perspective, conduct without guiding principles, and action without trustworthy habits.

For an individual so unprepared for life, confusion will efface meaning and create frustration, with the onset in the case of the unusually sensitive spirit of pathological disturbances which may for a period or for a lifetime destroy happiness. Education for privacy must therefore include the education of the moral personality, the gradual acquisition by the self of moral resources. Here, too, there are available to the student in generous measure the works of the great philosophical and religious thinkers; for probably no one of the persistent problems of life has had more of their systematic and concentrated attention. It is relevant here to note that the previously discussed philosophical orientation to the world is sometimes the foundation for moral orientation.

Emotional Stability

A third requirement in the education of the personality is the development of emotional stability. Of all the immediate causes of unhappiness, emotional disorder is unquestionably the most serious and the most common. Currently there is a feeling that under the pressures of modern life its incidence is steadily increas-

ing. Unfortunately, emotions are the component of the personality about which we know the least, as modern science has come to realize. Our ignorance is largely a consequence of the fact that traditionally the emotions have been considered to be effects rather than causes.

Preoccupation with the flattering conviction that man is a rational animal has been attended with the assumption that therefore our emotions are under the domination of the reason. This assumption has been one of the basic tenets of formal education, though puzzled parents and selfconscious adults no doubt have all along had their suspicions. In our day, educators are being enlightened by psychology and the medical sciences on the subject of the devastating power of the emotions. Moreover, the modern conception of the integrated personality has redirected our approach to this subject, so that now we hypothesize and investigate in terms of interrelations and interactions. The simple classical vision of the reason enthroned in the psyche, making judgments, issuing commands, and directing the conscious life of the individual, is difficult to maintain in the face of the past record and the current spectacle of human behavior.

Let us grant that the contem-

porary individual lives in an age in which as Goethe nut it. "humanity twists and turns like a person on a sickbed trying to find a comfortable position." To offset this, however, he has the advantage of a better understanding of the compulsive and disruptive power of the emotions. He is aware of their insidious tendency to direct his thinking and affect his judgment. He knows that they feed on themselves and that, if they are of the destructive kind. they can bring him to the verge of despair. He knows that they can completely disorient him, isolating him from the friendship and sympathy of his fellow men, and estranging him from the beauty and utility of the world. He must learn that there is little he can do to remove the external causes, the irritants in his social and physical environment. In order to maintain or restore emotional stability within himself, he must learn to control the effects of these irritants on himself. Education of the emotions is education in self-control, in equanimity and serenity.

Live with Yourself

To these three objectives of education for privacy—the attainment of a philosophical point of view, a steady vision of the good life, and serenity of spirit—I should like to add one more: the

individual should be able to live entertainingly with himself. He should accumulate resources on which he can draw when he is at leisure. The universal symptom of the absence of such resources is the homely but hapless state of boredom. It is an anomalous condition of the spirit, a state of indifference lying between pain and pleasure. Neither the mind nor the hands can find anything interesting to do. In contrast with the other troubles of the spirit which have been mentioned, there is little excuse for this great emptiness. For there is a marvelous cure for boredom, universally available. readily tapped, and virtually inexhaustible: the fine arts.

This claim hardly needs defense. Nor is it necessary to enumerate the arts and to identify their respective potentialities for beguiling the mind and the heart. For illustrative purposes, however, let us consider one form of art enjoyment which is available to virtually every normal human being. young or old, learned or simple, saint or sinner - reading. Its great virtue for education for privacy is that it is a strictly private experience. No other human being is necessary to the reader at the moment of reading. He can take his book with him to the jungle or the desert, on the ocean, or the mountaintop. He can select his

company at will, and rid himself of it by a turn of the hand. It is potentially an inexhaustible resource: all ages of history; all countries; all varieties of human beings, and even of animals and plants and physical things; the entire range of human thoughts and feelings, hopes and fears, conquests and failures, victories and defeats; the real and the ideal—all are available at the turn of a page for the reader's contemplation and understanding.

The Arts

When we measure the impoverishment of him to whom this world is literally and figuratively a closed book, whose ear is deaf to music and whose eye blind to the glories of painting and sculpture, we come to realize the responsibility of liberal education for instruction in the arts. I say instruction purposely, because I believe that the presentation of opportunities for enjoyment and training in appreciation are not enough: there should also be instruction and encouragement in the production of art. As even the bungling amateur knows, there is no greater source of pleasure than creative activity.

The training of the most modest talent is an enrichment of a personality and develops another private resource for leisure hours. Even the unsuccessful attempt to create art, moreover, clarifies the understanding of art. To be sure, just as it is not necessary to trouble our friends with our thoughts, so it is not necessary to bore our friends with our productions. It is, after all, not the improvement of the neighbor but the improvement of oneself that is the immediate object of education for privacy.

An understanding of the world, a vision of the good life, serenity of spirit, appreciation and practice of the fine arts - these, then, are the elements of the integrated personality, the development of which is the immediate object of liberal education. These are the resources which are accumulated in the course of education for privacy. Why, now, is it so important for every individual to possess these resources? In the first place, simply because he is going to need them. We never know when we are going to lose our external resources, our public possessions.

Without private resources the individual has nothing to turn to when disappointment, frustration, or misfortune become his lot. In the great depression which is still vivid in our memories, there were many individuals who possessed only external resources. When they lost these, life was over for them. They could not go on living

with themselves because of their intellectual, maral, amotional, and artistic poverty. He who possessed these resources, however, could exclaim with Thoreau: "Oh, how I laugh when I think of my vague, indefinite riches! No run on the bank can drain it, for my wealth is not possession but enjoyment."

Resources of the spirit are like savings: they must be accumulated before they are needed. When they are needed, there is no substitute for them. Sooner or later, the individual faces the world alone, and that moment may overwhelm him if he has no resources within himself.

Distraction helps but little and betrays us when we least expect it. We can escape our physical environment and our neighbors, but we cannot escape ourselves. Everyone with any maturity of experience and self-knowledge knows that the loneliest moments are experienced sometimes in the midst of the greatest crowds and the most elaborate entertainments. "The man at war with himself is at war, though he sits in a garden surrounded by flowers and singing birds," says the novelist Cloete in Congo Song.

The Psychopathic Leader

And now, in conclusion, I wish again to pay my respects to the other half-truth, the improve-

ment of others, which was so cavalierly dismissed in the beginning of this essay. That objective, together with the other objective. self-improvement, compose whole truth, which is the grand objective of liberal education. Education for privacy and education for public service constitute eduation of the whole personality. He who is not educated for privacy is hardly fit to educate others. The blind cannot lead the blind. The man who is not at peace with himself cannot be trusted to lead his fellow men in the ways of peace.

The unbalanced leader is certain to unbalance the society in which he functions. Even the leader who is intent on the side of the good but who is a fanatic will stimulate fanaticism in his followers, arouse dogmatism and bigotry, and induce oppression and cruelty. When he is on the side of evil. he will lead his followers into such excesses and wickedness as will shame all humanity, and which even the innocent will wish to forget as soon as possible. Social pathology must in the last analysis be focused on the sickness of the individuals who compose the society. It is pure imagination, if not nonsense, to ascribe the ignorance, unbalance, and wickedness of a collection of human beings to a mysterious social entity such as the group mind or the social organism. We might as well divorce the concept of an epidemic from the notion of the individuals who are ill, or ascribe hunger to a societal stomach. People mislead one another exactly as they infect one another. The psychopathic leader is potentially as dangerous as the carrier of an infectious disease.

The Safe Leader

The safe leader, in terms of the elements of education for privacy, is one who understands his place in the world and can thus envisage the place of his fellow men; who can morally respect himself and can thus be respected by others; who has learned to control his emotions and can thus be trusted to exert control over others; who has learned to live in peace and contentment with himself and can thus with propriety urge others to do likewise.

We are living in a world and in a time when powerful leaders with millions of fanatical followers are committed to the forcible regimentation of their fellow men, according to formulas which have no initial authority but that of their own private dogmatism. They not only refuse to recognize the right of private thought and personal conscience to be considered in the management of public affairs,

but they have abolished the concept of the individual as a private personality and have reduced him to the level of the bee in the hive. To restore the individual to his former dignity as a human being is the urgent need of the day. This, in my opinion, should be the special objective of contemporary education.

But liberal education must so educate the individual that he is manifestly worthy of having his dignity recognized. If he wishes to lead his fellows, he must first learn to lead himself. Without education for privacy he will neither merit leadership nor learn to recognize it in others. He will strive in vain for happiness and success in private or public life until he has achieved understanding, goodness, serenity, and contentment within himself. That, according to my exegesis, is in this connection the meaning of the Biblical text: "For what is a man profited, if he shall gain the whole world, and lose his own soul?" It is surely what Thomas Hardy meant when he wrote:

He who is with himself dissatisfied,
Though all the world find
satisfaction in him,
Is like a rainbow-coloured bird
gone blind,
That gives delight it shares not.



Revenue Sharing

PAUL L. POIROT

THE STORY is told of an American newsman discussing matters with his counterpart from Moscow. "As I understand it," said the American, "the basic idea of communism is to divide everything with your neighbor."

"Not quite," came the rejoinder.
"The basic idea is to make your neighbor divide everything with you."

"Revenue sharing" is something like that—meaning different things to different people. In proposing to Congress early in 1971 a \$5 billion program of General Revenue Sharing, President Nixon described it as a measure to "restore the confidence of the people in the capacities of their government. I believe the way to begin this work is by taking bold meas-

ures to strengthen state and local governments — by providing them with new sources of revenue and a new sense of responsibility."

The program presumably should correct a "fiscal mismatch": Federal tax receipts, based largely on the income tax, allegedly grow faster than the economy; at the local level the reverse is said to be true; state and local revenues, based largely on sales and property taxes, do not keep pace with economic growth, while expenditure requirements for education, health, welfare, and other local services tend to exceed such growth.

Rudyard Kipling described the political process of "revenue sharing" somewhat more poetically and profoundly:

In the Carboniferous Epoch we were promised abundance for all, By robbing selected Peter to pay for collective Paul; But, though we had plenty of money, there was nothing our money could buy, And the Gods of the Copybook Headings said, "If you don't work you die."

In those lines, Kipling very nearly said it all. Our Federal government can and does indeed create money at a pace that exceeds the capacity of individuals to supply goods and services in the market place. State and local governments resemble individuals in the sense that they are unable to create new money at will; but they resemble the Federal government in promising "abundance for all." Hence, the inordinate growth of the "public sector," which rather consistently between the Civil War and World War I took about 9 cents from each dollar of the people's earnings and today takes 43 cents of each dollar earned. In other words, government at all levels in the United States is now drawing out of the market place 43 per cent of available goods and services, leaving plenty of money in the "private sector" but relatively less to buy.

An Empty Federal Treasury

A sober look at the record reveals the sorry condition of the Federal Treasury. Instead of an alleged overflow of tax receipts to

be shared, the Federal debt has shown an increase in every one of the past twenty years, \$114 billion greater in 1970 than in 1950. So where is the Federal tax revenue that presumably is to be shared with debt-ridden state and local governments?

Incidentally, the total indebtedness of all state and local governments in the United States also has risen by some \$114 billion over the past twenty years—but not because they have been getting relatively smaller shares of total tax receipts. On the contrary, state and local tax receipts have been increasing more rapidly than have Federal tax receipts since 1950. And taxes at all levels have been biting ever more deeply into the taxpayer's total earnings.

In light of these sorry facts, it should be clear that the proposal for Federal revenue sharing is simply a prediction of further inflation. The Federal government will monetize its deficit, through the centralized, fractional-reserve banking system, and give some of the newly printed money to state and local governments.

Unfortunately, the printing of additional quantities of money does not increase the supplies of goods and services that consumers want. It simply enables the Federal government and its revenue-sharing counterparts down the line to draw an increasing proportion of goods and services out of the market place, for distribution and use according to bureaucratic decision rather than individual choice.

It may be argued, of course, that it should be no great concern of the individual whether he buys groceries with food stamps or with his own earnings so long as he eats; whether his rent is paid by other taxpayers or by himself so long as he is housed; whether his medical care comes socialized or private so long as he gets the care; and so on and on. And that would be a powerful argument, if resources were inexhaustably abundant and sharing the wealth were the only problem.

The Scarcity of Resources Relative to Human Wants

That is not the only problem, however. It isn't even close to the real problem. Kipling came closer: "If you don't work you die." The perennial problem – past, present, and future – is the scarcity of resources relative to human wants. And the solution is through effi-

cient production and use of goods and services.

Whether it is called revenue sharing or inflation or communism or public-sector spending or whatever - governmental withdrawal of goods and services from the market tends to be wasteful of scarce resources. It is strictly a consuming process, whether it be a war against communism in foreign lands or a domestic war against crime, smut, poverty, disease, pollution, slum conditions, or other "social" problems. Warlike or coercive force tends to be wasteful in any event, and especially when the coercion is used to do what otherwise would have been done voluntarily.

Besides the consumption and waste of resources characteristic of government spending, this draining of resources from the private sector of the market leaves ever less available for saving and investment in the tools of capitalistic enterprise. And this loss of the tools and even the incentive to produce is what brings a taxburdened people to the fate Kipling foresaw: "If you don't work you die."

The Decline of Morality

Meanwhile, the steady attrition of resources and incentives wears away the morality of individuals and destroys their sense of selfresponsibility. This breakdown tends to spread throughout the society. The private counterpart of governmental revenue sharing was described by staff reporter Richard Martin in *The Wall Street Journal* of February 9, 1971:

"Nobody can be sure how much money employee thefts are costing companies annually, but insurance men and security specialists say the best guesses range upwards from \$400 million a year."

The basic idea of revenue sharing is to make your neighbor divide everything with you. But this "dirty neighbor" game always ends the same: "If you don't work you die."

Self-Help

IT MAY BE of comparatively little consequence how a man is governed from without, whilst every thing depends upon how he governs himself from within. The greatest slave is not he who is ruled by a despot, great though that evil be, but he who is the thrall of his own moral ignorance, selfishness, and vice. Nations who are thus enslaved at heart can not be freed by any mere changes of masters or of institutions; and so long as the fatal delusion prevails, that liberty solely depends upon and consists in government, so long will such changes, no matter at what cost they may be effected, have as little practical and lasting result as the shifting of the figures in a phantasmagoria. The solid foundations of liberty must rest upon individual character; which is also the only sure guaranty for social security and national progress. John Stuart Mill truly observes that "even despotism does not produce its worst effects so long as individuality exists under it; and whatever crushes individuality is despotism, by whatever name it is called."

IDEAS ON

SAMUEL SMILES, From the book, Self-Help, published in 1859.

The Biology of Behavior

ROGER J. WILLIAMS

THE PREVALENCE of student rebellions throughout the world makes one wonder just how effectively modern education relates to real human problems. To approach the problems of generic man from a biological standpoint may be far too superficial in this scientific age with its tremendous advances in technology; yet, could not the general weakness of human science be the basis for the comment by Robert Frost: "Poets like Shakespeare knew more about psychiatry than any \$25-an-hour man"?

Biologically, each member of the human family possesses inborn differences based on his brain

structure and on his vast mosaic of endocrine glands - in fact, on every aspect of his physical being. Each of us has a distinctive set of drives - for physical activity, for food, for sexual expression, for power. Each one has his own mind qualities: abilities, ways of thinking, and patterns of mental conditions. Each one has his own emotional setup and his leanings toward music and art in its various forms, including literature. All these leanings are subject to change and development, but there is certainly no mass movement toward uniformity. No one ever "recovers" from the fact that he was born an individual.

When a husband and wife disagree on the temperature of the soup or on the amount of bed coverings, or if their sleep patterns do not jibe, this is evidence of inborn differences in physiology. If

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one child loves to read or is interested in science and another has strong likings for sports or for art, this is probably due to inborn differences in makeup. If two people disagree about food or drink, they should not disregard the fact that taste and smell reactions often widely differ and are inherited. If we see a person wearing loud clothing without apparent taste, we need to remember, in line with the investigations of Pickford in England, that each individual has a color vision all his own: some may deviate markedly from the pack.

The inborn leanings of Mozart were evident by age three, and he began composing when he was four. Capablanca was already a good chess player—good enough to beat his father—when at age five he played his first game. For many centuries, Indian philosophers have recognized innate individuality, which they explain on the basis of experience in previous incarnations.

Inborn Individuality

Biology has always recognized inborn individuality. If this inborn distinctiveness had not always been the rule in biology, evolution could never have happened. It is a commonplace fact in biology that every living organism needs a heredity and a suitable

environment. Unfortunately, in the minds of most intellectuals biological considerations have been pushed aside.

Professor Jerry Hirsch, a psychologist at the University of Illinois, has protested in *Science* that "the opinion makers of two generations have literally excommunicated heredity from the behavioral sciences." This neglect of the study of heredity has effectively produced a wide gap between biology and psychology. Biology deals with living things, and psychology is logically an important phase of biology.

Bernard Rimland, director of the Institute for Child Behavior Research in San Diego, in reviewing my book, You Are Extraordinary in American Psychologist, wrote: "Since between-group differences are commonly a small fraction of the enormous, important, and very interesting withingroup (individual) difference, psychology's focus on average values for heterogenous groups represents, as Williams indicates, a chronic case of throwing out the babies with the bath water, 'Throwing out the babies' is bad enough, but we psychologists have the dubious distinction of making this error not only repeatedly but on purpose."

Social solidarity exists and social problems are pressing, but we cannot hope to deal with these successfully by considering only generic man, that is, average values for heterogenous groups. We need a better understanding of men.

A Firm Foundation

The basic problem of generic man is how to achieve "life, liberty, and the pursuit of happiness." The writers of our Declaration of Independence were on solid ground, biologically speaking, when they took the position that each human being has inalienable rights and that no one has, by virtue of his imagined "royal blood," the right to rule over another. In their emphasis on mankind as individuals, Jefferson and his co-authors were closer to biological reality than are those of our time who divorce psychology from biology and center their attention on that statistical artifact. the average man.

Because each of us is distinctive, we lean in different directions in achieving life, liberty, and the pursuit of happiness. Happiness may come to individual people in vastly different ways, and so the human problem of achieving life and the pursuit of happiness resolves itself, more than it is comfortable to admit, into a series of highly individual human problems. We need to take this con-

sideration into account in attempting to build an advanced society.

In understanding the scope of human desires, it is worthwhile to consider briefly the problems that real - as opposed to theoretical people face. These may be grouped under four headings: 1) making a livelihood; 2) maintaining health: 3) getting along with others; and 4) getting along with one's self. These four categories, singly or in combination, cover most of the familiar human problems - marriage and divorce, crime, disease, war, housing, air and water pollution, urban congestion, race relations, poverty, the population explosion, the all-pervading problem of education, and the building of an abundant life.

Making a Livelihood

The importance of approaching the problem of making a livelihood from the individual's standpoint lies in the fact that in our complex society a multitude of ways exist - an estimated 23,000 - in which people can make a living. People are not by any means interchangeable parts in society. While some might function well in any one of a large number of capacities, many others might be highly restricted in their capabilities and yet be extremely valuable members of society. The idea that it is all a matter of education and

training cannot possibly be squared with the hard biological facts of inborn individuality. This perversion of education perpetuates the banishment of heredity—an ever present biological fact—from our thinking. Fitting together people and jobs is just as real and compelling as fitting shoes to people. People sometimes suffer from ill-fitting shoes; they suffer more often from ill-fitting jobs.

The maintenance of health both physical and mental-involves individual problems to such a degree that it is difficult to exaggerate their role. Ever since the days of Hippocrates it has been known in a vague way that "different sorts of people have different maladies," but we are only beginning to learn how to sort people on the basis of their inborn individual characteristics. When we have become expert in this area, vast progress will result, particularly in the prevention of metabolic and psychosomatic diseases, i.e., those not resulting from infection. As long as we dodge the biological fact of inborn individuality, we remain relatively impotent in the handling of diseases that arise from within individual constitutions.

The problem of getting along with others is a very broad one, in which individual problems are

basic. If husbands and wives and members of the same family always get along well together, we would have some reason to be surprised when squabbles break out within business, religious, or political groups. If all these kinds of squabbles were nonexistent, we would have a basis for being surprised at the phenomenon of war.

Distinctive Qualities

While self-interest and differences in training are vital factors in these common conflicts, another factor should not be overlooked: the inborn individuality of the participants. There is a mass of evidence to support the thesis that every individual, by virtue of his or her unique brain structure and peripheral nervous system, is psychologically conditionable in a distinctive manner. Thus, a person's unique nervous system picks up distinctive sets of impulses, and because his interpretive apparatus is also unique he learns different things and interprets the world in a distinctive manner. Even if two individuals were to have exactly the same learning opportunities, each would think differently and not quite like anyone else. This is the basis for the observation by Santayana: "Friendship is almost always the union of a part of one mind with another; people are friends in spots."

In spite of our attempts to do so, individual minds cannot be compared on a quantitative basis. The minds of Shakespeare and Einstein cannot be weighed one against the other; there were many facets to the minds of each. At birth the two minds were equally blank, but as they matured, each saw, perceived, and paid attention to different aspects of the world around it. Each was conditionable in a unique way.

Each Mind Unique

The recognition of the uniqueness of human minds is essential to human understanding. By developing expertness in this area, psychology will eventually become far more valuable. In an advanced society with a growing population and closer associations, it is obviously essential that we learn better how to get along with each other. When we are unaware of the innate differences that reside within each of us, it becomes very easy to think of one who disagrees with us as a "nitwit" or a "jerk," or perhaps as belonging to the "lunatic fringe." When we appreciate the existence of innate differences, we are far more likely to be understanding and charitable. Strife will not be automatically eliminated, but tensions can be decreased immeasurably.

Individual problems are at the

root of the problem of crime. Many years ago, James Devon placed his finger on the crucial point. "There is only one principle in penology that is worth any consideration: It is to find out why a man does wrong and make it not worth his while." The question, "Why does a particular man commit crime?" is a cogent one; the question, "Why does man turn to crime?" is relatively nonsensical.

Since all human beings are individual by nature, they do not tick in a uniform way nor for the same reasons. Broadly speaking, however, many doubtless turn to crime because society has not provided other outlets for their energies. If we could find a suitable job for every individual, the problem of crime would largely vanish. The problem of crime is thoroughly permeated with individual problems; it cannot be blamed solely on social conditions, because as the studies of Sheldon and Eleanor Glueck have shown, highly respected citizens may come from areas where these conditions are the worst

A Race of Individuals

Racial relations would ease tremendously if we faced squarely the biological facts of individuality. If we were all educated to know that all whites are not the same, that all Negroes do not fit in the same pattern, that all Latins are not identical, that all American Indians are individuals, and that all Jews do not fit a stereotype, it would help us to treat every member of the human race as an individual.

It is no denial of the existence of racial problems to assert that individual problems need to be stressed more than they are. For individual Negroes and individual whites, the pursuit of happiness is by no means a uniform pursuit. Doubtless, although there are whites and Negroes who would think they had reached utopia if they had a decent shelter and were assured three meals a day. this would not satisfy millions of others for whom striving and a sense of accomplishment are paramount. "The Negro problem" or "the white problem" - depending on one's point of view - is shot through with a host of individual problems.

Learning to live with one's self is certainly an individual problem, and will be greatly eased by recognition of inborn individuality. Much unhappiness and many suicides can be traced to misguided desire to be something other than one's self. Each of us as an individual has the problem of finding his way through life as best he can. Knowing one's self as a distinctive individual should be an

important goal of education; it will help pave the road each of us travels in his pursuit of happiness.

Dangers of Oversimplification

Why have these facts of individuality not been generally accepted as a backdrop in every consideration of human problems? For one thing, many people, including scholars, like being grandiose and self-inflationary. To make sweeping pronouncements about "man" sounds more impressive than to express more limited concerns. Simplicity, too, has an attractiveness; if life could be made to fit a simple formula, this might be regarded as a happy outcome.

One excuse for excommunicating inheritance from the behavioral sciences for two generations has been the fact that inheritance in mammals is recognized by careful students as being exceedingly complex and difficult to interpret. It is true that some few characteristics may be inherited through the operation of single genes or a few recognizable ones. But other characteristics those that differ in quantity - are considered to be inherited in obscure and indefinable ways commonly ascribed to multiple genes of indefinite number and character. These multiple-gene characteristics include, to quote the geneticists Snyder and David. "the more deep-seated characters of a race, such as form, yield, intelligence, speed, fertility, strength, development of parts, and so on." To say that a particular characteristic is inherited through the mediation of multiple genes is to admit that we are largely ignorant of how this inheritance comes about.

Identical Twins?

Recently, some light has been thrown on this problem by experiments carried out in our laboratories. These experiments involved armadillos, which are unusual mammals in that they commonly produce litters of four monozygous ("identical") quadruplets that are necessarily all males or all females.

By making measurements and studying sixteen sets of these animals at birth, it became evident that although they develop from identical genes, they are not identical at all. Organ weights may differ by as much as twofold, the free amino acids in the brain may vary fivefold, and certain hormone levels may vary as much as seven-, sixteen-, or even thirty-twofold. These findings clearly suggest that inheritance comes not by genes alone but by cytoplasmic factors that help govern the size of organs (including endocrine glands) and the cellular makeup of the central nervous system. "Identical" twins are not identical except with respect to the genes in the nucleus of the egg cell from which they developed.

One of the most interesting suggestions arising out of this study is the probability that individual brain structures, which have been known to have "enormous" differences since the investigations of Lashley more than twenty years ago, are made distinctive by the same mechanisms that make for differences in organ weights. The size, number, and distributions of neurons in normal brains vary greatly; this is biologically in line with the uniqueness of human minds. The further elucidation of this type of inheritance should help to focus more attention on heredity.

If this line of thought is valid it makes even more ridiculous the invitation issued by the Ford Foundation to the biological sciences to stay out of the precinct of human behavior. The expression "behavioral science" came into being many years ago as a result of the formulation of the Ford Foundation-supported programs. Biochemistry and genetics, for example, were kept apart from the "scientific activities designed to increase knowledge of factors which influence or determine human conduct."

What can be done to bridge the gap between psychology and biology? More importantly, how can we develop expertise in dealing with the human problems that plague us but at present go unsolved?

Differential Psychology

A broad, long-range, and practical strategy for learning how to deal more effectively with human problems is to explore, problem by problem, the inborn human characteristics that are pertinent to each one. Differential psychology, for example, needs to be intensified and greatly expanded; this can probably be done most effectively in connection with a series of problem-centered explorations.

Some of the specific problemareas that require study from the standpoint of how inborn characteristics come into play are: delinguency and crime, alcoholism, drug addiction, unemployability, accident proneness, cancer, heart disease, arthritic disease, mental disease, and broadest of all, education. Each of these problems could be vastly better understood as the result of interdisciplinary study of the influences of inborn characteristics. Such study would include differential psychology when applicable, combined with extensive and intensive biochemical and physiological examinations, for example, of blood, saliva, urine, and biopsy materials. To expedite these investigations, automated equipment and computer techniques would be used extensively to help interpret the complex data.

It is not likely that these explorations will find that some individuals are born criminals, others alcoholics, etc. Once we recognize the unique leanings that are a part of each of us, we will see how, by adjusting the environment, these leanings can be turned toward ends that are socially constructive. Every inherited factor can be influenced by an appropriate adjustment of the environment. All this should not be made to sound too easy; it may be more difficult than going to the moon, but it will be far more worthwhile.

One of these specific problems — alcoholism — has been of special interest to me. After about twenty-five years of study, I am convinced that inborn biochemical characteristics are basic to this disease, but that expert application of knowledge about cellular nutrition (which is not far off) will make it scientifically possible to prevent the disease completely and to correct the condition if the application of corrective measures is not too long delayed.

Inborn inherited characteristics have a direct bearing on the cur-

rent revolt against the Establishment. If biology had not been banished from behavioral science, and if students and other intellectuals were well aware of the biological roots of their existence, it would be taken for granted that conformity is not a rule of life.

Recognizing Our Differences Can Lead to Harmony

If all that we human beings inherit is our humanity, then we all should be reaching for the same uniform goal: becoming a thoroughly representative and respectable specimen of Homo sapiens. There is rebellion against this idea. Revolters want to do "their thing." The revolt takes on many forms because many unique individuals are involved.

If nonconformity had a better status in the eyes of the Establishment (and it would have if our thinking were more biologically oriented), exhibitionism would be diminished and the desire of each individual to live his own life could be fostered in a natural way.

Human beings are not carbon copies of one another. Students and others who are in revolt have found this out. Perhaps without fully recognizing it, they are pleading for a recognition of inborn individuality. This is essentially a legitimate plea, but it can take the form of disastrous anarchy. A peaceful means of helping resolve the ideological mess we are in is to recognize heredity by having a happy marriage of biology and behavioral science.

Agreement to Disagree

A "United States" was only possible if men could agree to disagree about a great many things.

IDEAS ON



What was expedient for them is, however, an essential of liberty. Theoretically, it might be desirable for all men to agree on everything, though I doubt it. Practically, such agreement would only be possible if all individual wills were crushed and subjected to a single will. The effort to do this is always in the direction of the well traveled road to despotism. The alternatives are agreement to disagree or despotism.

PROPERTY

JAMES MADISON

THIS TERM, in its particular application, means "that dominion which one man claims and exercises over the external things of the world, in exclusion of every other individual."

In its larger and juster meaning, it embraces everything to which a man may attach a value and have a right, and which leaves to every one else the like advantage.

In the former sense, a man's land, or merchandise, or money, is called his property.

In the latter sense, a man has a property in his opinions and the free communication of them.

He has a property of peculiar value in his religious opinions, and in the profession and practice dictated by them.

He has a property very dear to him in the safety and liberty of his person.

He has an equal property in the

free use of his faculties, and free choice of the objects on which to employ them.

In a word, as a man is said to have a right to his property, he may be equally said to have a property in his rights.

Where an excess of power prevails, property of no sort is duly respected. No man is safe in his opinions, his person, his faculties, or his possessions.

Where there is an excess of liberty, the effect is the same, though from an opposite cause.

Government is instituted to protect property of every sort; as well that which lies in the various rights of individuals, as that which the term particularly expresses. This being the end of government, that alone is a *just government* which *impartially* secures to every man whatever is his own.

According to this standard of merit, the praise of affording a just security to property should be sparingly bestowed on a government which, however scrupulously guarding the possessions of individuals, does not protect them in the enjoyment and communication of their opinions, in which they have an equal, and, in the estimation of some, a more valuable property.

More sparingly should this praise be allowed to a government where a man's religious rights are violated by penalties, or fettered by tests, or taxed by a hierarchy.

Conscience is the most sacred of all property; other property depending in part on positive law, the exercise of that being a natural and unalienable right. To guard a man's house as his castle, to pay public and enforce private debts with the most exact faith, can give no title to invade a man's conscience, which is more sacred than his castle, or to withhold from it that debt of protection for which the public faith is pledged by the very nature and original conditions of the social pact.

That is not a just government, nor is property secure under it, where the property which a man has in his personal safety and personal liberty is violated by arbitrary seizures of one class of citizens for the service of the rest. A

magistrate issuing his warrants to a press-gang would be in his proper functions in Turkey or Indostan, under appellations proverbial of the most complete despotism.

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That is not a just government, nor is property secure under it, where arbitrary restrictions, exemptions, and monopolies deny to part of its citizens that free use of their faculties and free choice of their occupations which not only constitute their property in the general sense of the word, but are the means of acquiring property strictly so called.

What must be the spirit of legislation where a manufacturer of linen cloth is forbidden to bury his own child in a linen shroud, in order to favour his neighbour who manufactures woolen cloth; where the manufacturer and weaver of woolen cloth are again forbidden the economical use of buttons of that material, in favor of the manufacturer of buttons of other materials!

A just security to property is not afforded by that government, under which unequal taxes oppress one species of property and reward another species; where arbitrary taxes invade the domestic sanctuaries of the rich, and excessive taxes grind the faces of the poor; where the keenness and competitions of want are deemed

an insufficient spur to labor, and taxes are again applied by an unfeeling policy, as another spur, in violation of that sacred property which Heaven, in decreeing man to earn his bread by the sweat of his brow, kindly reserved to him in the small repose that could be spared from the supply of his necessities.

If there be a government, then, which prides itself in maintaining the inviolability of property; which provides that none shall be taken directly, even for public use, without indemnification to the owner, and yet directly violates the property which individuals have in their opinions, their religion, their passions, and their faculties — nay, more, which indirectly violates their property in

their actual possessions, in the labor that acquires their daily subsistence, and in the hallowed remnant of time which ought to relieve their fatigues and soothe their cares — the inference will have been anticipated that such a government is not a pattern for the United States.

If the United States mean to obtain or deserve the full praise due to wise and just governments, they will equally respect the rights of property and the property in rights; they will rival the government that most sacredly guards the former, and by repelling its example in violating the latter, will make themselves a pattern to that and all other governments.

March 27th, 1792. From the Works of Madison, Vol. IV, pp. 478-80.

Abraham Lincoln, on Property

IDEAS ON

LIBERTY

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

Christianity and the Class Struggle

In Christianity and the Class Struggle (Arlington House, \$7.00), the Reverend Harold O. J. Brown has addressed himself to that ever-growing band of masochists, nominally Christian, who think that guilt can be "collective." The heresy to which Dr. Brown takes exception comes in many guises. The "capitalists" are to blame for oppressing the "masses." The "Germans" were collectively guilty of murdering the Jews. The modern "white" population of America must pay reparations for what their forebears did to the blacks in enslaving them. The "over thirties" have wronged the "under twenties" by bringing them into a defective world of war and pollution. Everything gets reduced to a terrible and absolutely unreal simplicity.

To the true Christian the theory that a collectivity can be guilty denies the proposition that all men are human, each with his share of original sin, and each with his varying propensity to redeem himself. Only individuals may be held responsible. The "class war" solves nothing in Christian, or human, terms for the simple reason that it seeks an external change that has no relation to the individual. When the "up" class is abolished, the "down" class becomes, in Diilas's phrase, the "new class." It not only perpetuates all the old wrongs, but it actually intensifies them. As Max Nomad once said. "the Kaiser and Czar were liberals" in comparison to the national socialistic and proletarian tyrants that came after them.

Dr. Brown accurately notes that the theory of the class struggle has ceased to serve the Marxists in most of the "developed" nations. The "capitalists" were never the vicious oppressors that Marx and Engels originally thought them to be, but even granting for the sake of argument they had been, the supposed "exploitation" of nineteenth century days is now very far behind us. The "masses" in the Western nations now partake of a general well-being that can't be matched in "Marxist" societies. It is hard to nurse a grudge against the man with a Cadillac if you yourself are driving Chevy or a Plymouth to your own pleasures. So the "class struggle" no longer serves as a useful revolutionary prod in the Western democracies. Marxism is now a cure in search of a problem.

Nevertheless, the professional dividers among us, including many Christians who should know better, have found convenient substitutes for the concept of class war. There is now the "race war." Or, if not that, there is the generational war. These are the "New Left" substitutes for the older, and now ineffective, propaganda of the "class struggle."

Race War Is Suicide

Since racial differences are ineradicable unless we assume a few generations of world-wide intermarriages, it is, in Dr. Brown's opinion, a "heinous crime" to promote any theory of race war. Racial differences must be accepted or they will end in death and destruction to the weaker side. The Christian, according to Dr. Brown.

must accept man as man, trying to ameliorate problems on individual terms. Dr. Brown is extremely critical of his co-religionists who. acting on the theory that all Christians were guilty for what happened before the Civil War, accepted James Forman's demand for money reparations to be paid by the churches to the National Black Economic Development Council. The idea of "reparations" is, to Dr. Brown, sheer extortion. The money, if paid over, wouldn't go to the original victims who had suffered the ignominy and cruelty of being enslaved. Nor would the truly guilty parties, the slave raiders (both black and white) who tore men away from their ancestral homes in Africa, be paving the reparations. Church members whose grandfathers and grandmothers weren't even living in America in the early nineteenth century would be the victims of the extortion plot. And there would be no guarantee that the money would be used in a way to benefit the black community.

The practicing Christian, says Dr. Brown, who feels he must do something about the blacks, or the central cities, or whatever, would do better to invest in businesses that are "color blind" in their hiring policies. Or, if he is so minded as a charitable individual, he could give his own money to a Negro

college, or to the National Association for the Advancement of Colored People. The point is that the individual must feel for the individual if the ideals of Christ are to be upheld.

Parents and Children

The "generation war" makes even less sense to Dr. Brown than the race war. There can be no permanent lines of battle in a generational war, for today's "youth" are in all too short a time tomorrow's "middle-aged." If the members of a single generation could bluff their fathers into giving them power, would they, in turn, be likely to relinquish that power at age thirty to the next wave of on-coming youth? It is hardly likely.

The class struggle and the various substitutes for it are, in Dr. Brown's description, "the devil's program." They set men against each other not in fruitful competition but in the delusion that evil can be destroyed by destroying human beings. You think you are doing something for "humanity" and you end by killing three million kulaks whose knowledge might have saved other millions from periodic famine. If you follow Jerry Rubin's advice to kill vour parents, vou can have no logical objection if your children, in turn, decide to murder you. And if you preach Black Power in the race war sense, you risk a revival of the Ku Klux Klan mentality in a numerically superior portion of the population. This, of course, is a sure recipe for suicide.

Dr. Brown's book comes with an introductory note by Billy Graham. Its evangelical imagery may put off some readers in our secular civilization, but its substance is eternally true. The problem facing the world is not one that can be solved by "revolution," for in revolution the ugly means take over and become the permanently evil ends. What we need is reformation, which begins with the individual. This is not only true for orthodox Christians, it is also true for all believers in the traditions of the West.

▶ THE THEORY OF MONEY AND CREDIT by Ludwig von Mises (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, new printing, 1971), 493 pp. \$4.00

Reviewed by Hans F. Sennholz

FEW BOOKS have contributed more to the advancement of monetary theory than Mises' Theory of Money and Credit. And yet, few serious books have had such little impact on contemporary thought and policy as this treatise. The world continues to ignore or reject it while it is clinging to antiquated

notions and practices. Of course, it is more pleasing and popular for governments to follow the advice of statists and inflationists than to heed the warnings of economists like Professor Ludwig von Mises.

Nearly all contemporary economists adhere to holistic theories that are utterly futile and sterile for an understanding of monetary phenomena. There is the popular "income-expenditure analysis" which swayed economic thought during the 1930's with the publication of the General Theory of Employment, Interest and Money by John Maynard Keynes.

According to Keynesian analysis, there is an ideal level of monetary expenditure at which the national economy achieves full employment under stable price conditions. In its search for this ideal level the income-expenditure analysis endeavors to trace the flow of money payments through the economy. As income is quantitatively the largest source of funds spent, an analysis of its determination and disposition is basic to the approach. In addition, funds for spending may be derived from existing reserves of currency and demand deposits, time deposits, and other liquid assets that are easily converted to cash. And finally, when the ideal level of total spending has not yet been reached. newly created money, preferably demand deposits created through bank credit expansion, may be used to achieve the desired total. In short, it is the principal role of monetary authorities to ensure growth in the monetary reserve base sufficient to facilitate credit expansion for full employment.

As a holistic theory (from the standpoint of the whole rather than the parts) it does not profess to be concerned with individual economic actions, merely with policy guidelines for governments seeking economic growth and full employment. But even in this limited objective it has failed conspicuously wherever it was tried. For massive unemployment continues to be with us after more than thirty years of Keynesian policies.

And finally, there are the "monetarists" of the Chicago School whose holistic theories resemble the Keynesian doctrines. The famous "equation of exchange," as developed by Professors Fisher, Marshall, and Pigou, provides their starting point (PT =MV, or P =MV/T). As the price level cannot be expected to remain stable for various reasons, which renders the market system rather unstable, they call on government to take measures to stabilize the level and thus cure the business cycle.

It is true, the economists of the Chicago School reject the compen-

satory fiscal policies prescribed by the Keynesians because they realize the futility of continuous finetuning. But they recommend longterm stabilization through a steady 3 to 4 per cent expansion of the money supply. They have no special trade cycle theory, merely the prescription for government to "hold it steady." "If there is a recession issue more money, and if there is inflation take some out!"

Both schools of thought, the income-expenditure analysts as well as the monetarists, are unalterably opposed to the gold standard. Its discipline is rejected in favor of governmental power over money.

Von Mises' subjective theory makes individual choice and action the center of his investigation. On the cornerstone laid by Carl Menger's theory of the nature and origin of money Professor Mises, in his Theory of Money and Credit, built a comprehensive fully integrated structure. With the help of his notable regression theory he completed the subjective theory of money, which had frustrated other economists before him.

Professor Mises demonstrated that the individual demand for money springs from the fact that it is the most marketable good a person can acquire. It is true, money is not suitable to satisfy directly anyone's needs. But its possession permits him to acquire consumers' or producers' goods in the near or more distant future. People want to keep a store of money to provide exchange power for an uncertain future. Some are satisfied with relatively small holdings, others prefer to hoard larger supplies. And we all change frequently our holdings in accordance with our changing appraisals of future conditions. Money is never "idle," nor is it just "in circulation"; it is always in the possession or under the control of someone.

The demand for money is subject to the same consideration as that for all other goods and services. People expend labor or forego the enjoyment of goods and services in order to acquire money. This is why individual demand and supply ultimately determine the purchasing power of money in the same way as they determine the mutual exchange ratios of all other goods. The quantity theory of money as understood by Professor Mises is merely another case of the general theory of demand and supply. However, he rejects the quantity theory as commonly presented by the "monetarists" and other contemporary economists as a sterile aberration that proceeds holistically and arrives at empty equations and models.

Professor Mises' trade cycle theory integrated the sphere of money and that of real goods. If the monetary authorities expand credit and thereby lower the interest in the loan market below the natural rate of interest, economic production is distorted. At first, it generates overinvestment in capital goods and causes their prices to rise while production of consumers' goods is necessarily neglected. But because of lack of real capital the investment boom is bound to run aground. The boom causes factor prices to rise, which are business costs. When profit margins finally falter, a recession develops in the capital goods industry. During the recession a new readjustment takes place: the malinvestments are abandoned or corrected, and the long neglected consumers' goods industries attract more resources in accordance with the true state of public saving and spending.

This Mises theory has explained numerous economic booms and busts ever since 1912 when the first edition of *The Theory of Money and Credit* appeared in print. And it continues to provide the only explanation of the rapid succession of booms and recessions that continue to plague our system.

The subjective theory of Professor Mises also points up the desirability of money that is not managed by government. The orthodox gold standard or gold-coin standard is such money, the value of which is independent of government. It is true, it cannot achieve the unattainable ideal of absolutely stable currency. There is no such thing as stability and unchangeability of purchasing power. But the gold standard protects the monetary system from the influence of governments as the quantity of gold in existence is utterly independent of the wishes and manipulations of government officials and politicians, parties and pressure groups. There are no "rules of the game," no arbitrary rules which people must learn to observe. It is a social institution that is controlled by inexorable economic law.

For nearly 60 years of worldwide inflation and credit expansion, depreciations and devaluations, feverish booms and violent busts, Ludwig von Mises' Theory of Money and Credit has given light in the growing darkness of monetary thought and policy. The world should be grateful that the light is maintained through a new printing of this remarkable analysis.

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Freeman

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For the young in heart, mind, and spirit

ENTHUSIASM, vitality, zeal characterize the youth of every generation. Theirs always is a new vision of problems and opportunities. It comes naturally for them to be righters of wrongs, or at least to try. But the eternal fires of youth seem lately to have fanned into an exceptional and alarming generation gap.

Perhaps the young of recent years have been more reactive to the evil and the imperfect. Television instantly and vividly communicates sights and sounds unknown to earlier generations. Another factor could be the unusual run of prosperity for so many American families since 1940. Without sound instruction, it would be easy for the children to

gain the impression that financial success comes without effort or struggle, that there exists a neverending source of economic goods, and that only a new "law of distribution" is needed to assure abundance for all.

To expect these young to be less sensitive than they are to problems would be to expect the most exuberant part of the human race to lack the normal human emotions. Their boundless energy and intelligence seek the direction that will move mankind upward and onward. But bluster and noise are not suitable replacements for hard effort and moral judgment. Depending upon the direction taken, mankind will either step forward or slip backward on the evolutionary incline.

The young welcome a challenge. But in the current confusion, many

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real challenges are going unrecognized, challenges that should test the courage and ingenuity of the very best. These challenges offer great excitement, stiff obstacles, few immediate rewards, many disappointments — and unlimited potential for progress.

While still a young man, Alexander the Great is said to have expressed keen disappointment that there were for him no new worlds left to conquer. From our vantage point of the twentieth century, we may smile at this great one of the past who could not perceive the little distance he had covered from the starting toward the finish line. Yet, how is anyone, especially the youth of today, to be free of such blindness?

It may seem inappropriate for a representative of today's older generation to offer suggestions of worthy challenges. The credentials need to be checked. How have we performed as adults? We did many things quite well. In many crucial respects, however, our generation has failed. We virtually abandoned our qualities of self-reliance, selfresponsibility, mutual respect, and love of fellow man. We sought to shift our own responsibilities and refused to see ourselves as the cause of the poor results. As parents, we tried to hold others responsible for the welfare of our families, the education of our children. Did we expect our neighbors to do this for us? No, of course not. for they, too, were busy shifting their burdens to others. Just "others," faceless nonentities such as the state board of education. welfare. unemployment county service, social security, entrenched wealth, big business. Surely, our generation has slipped from the path that leads toward human progress. But our experiences should afford a great lesson for those with the intelligence and courage to investigate the causes and consequences.

Untold numbers of "new worlds," waiting eons of time to be conquered, lie before the current crop of youth—and most of these worlds will remain untouched many centuries after these young ones have gone. Yet these fantastic secrets are ready to be released, new worlds just waiting to serve mankind whenever some real challengers come forth to conquer them.

The Opening Challenge

Why not start with the puzzling problem of equality? Logic denies that all men are created equal. Quite the contrary: not only unequal, but not one like any other. Each is born with his own distinctive characteristics. His race and color, his genes and chromosomes, his fingerprints, his physical appearance, his relatives, his occupancy

of a particular place and point in time, his economic and cultural environment all proclaim his uniqueness! There are no duplicates — no two persons alike, no two situations the same. Yet, we frequently find that "equality" is held undebatable as a desirable objective for all people. Many discussions of thought-provoking issues are short-circuited by a misconception of equality.

Just what kind of equality is desirable? Only the naive would claim that each person must be equal in every detail with every other person. The answer that almost everyone knows in our modern civilization, of course, is equality before the law. But what does that mean? Does it mean that each person should be lawfully compensated if his earnings fail to bring him up to a certain economic level? Or should he be compensated according to circumstances: the poverty of his parents, the place where he was born, his intelligence quotient, parental overindulgence or protection - an endless list of negative factors? But suppose that somehow it can be ascertained who is unequal and the precise amount required to catch up the difference. How long should support be provided? Is there a responsibility on the part of the recipient to try to overcome his inequality? Who is obligated to provide the necessary

support? And what about equality for him?

As for the recipient, will he be helped or harmed by having a continual crutch? It is possible that he simply doesn't care to earn all he can, that he is satisfied with less others deem necessary. than Though capable in all respects, his preference and interests could be a simpler life, if not in Tahiti, then maybe in Cleveland, St. Louis, or a small rural community. On the other hand, his potential skills and capacities may never develop if the force that drives many toward achievement is partially bridged by government intervention.

This is no mere academic exercise. This is the real world. Bear in mind that numerous Federal and state laws are based on attempts to equalize various segments of the population — rich and poor, old and young, large families and small families, the responsible and the irresponsible, one occupation group and another, the successful and the unsuccessful, and so on.

Is it a logical objective to equate equality before the law with equality of the level of income, wealth, or economic capabilities? Or might equality be better approached as a negative concept? Somewhere the idea of the absence of coercion might fit into this puzzle. Acknowledging that each person is different, it may be that we should seek

a way to peacefully and successfully utilize such differences, not letting anyone stand coercively in the way of another.

The Next Challenge

If one should tentatively accept the previous challenge, his inclination might be to employ various tools of the democratic process—especially that of voting. But the misleading concepts surrounding equality are closely akin to those surrounding majority rule and the "magic" of voting. If one has blindly accepted the idea of majority rule, he should take a more careful look.

Here is a question to help place this point in perspective: Under what conditions and to what extent might you be willing to be restricted, your actions determined by the decisions of others than yourself? Are you willing to accept the decisions of others in the selection of your husband or your wife, naming your child, determining the food you should eat, the clothes you wear, the friends you may have, the beneficiaries of your kindnesses, the persons with whom you may trade or contract, the provisions of the contract? Many of today's youth have loudly and persistently demonstrated that they will not allow the customs of their elders to dictate styles of hair or dress. How significant are such matters in the full scale of values which affect their lives?

This is not to say that harmful results of numerous invasions of privacy have gone unrecognized. Protests have been launched against these galling coercive intrusions—some loud and violent, some quiet and peaceful, others simply in thoughtful contemplation of the prevailing situation.

There probably are as many persons coerced into acting, not as they want, but as others want, through majority rule as through totalitarian dictatorship. The challenge here is to find out the limitations of majority rule, lest it become the pervading principle for solving all problems. One approach is to examine the alternative to majority rule. Is it minority rule? Possibly; but what about individual rule as the alternative? Thomas Jefferson had something to say about this, "That government which governs least, governs best" was Jefferson's idea of allowing each person the exciting opportunity to govern himself. This creative thought deserves better than to be forgotten.

The magic of the voting process seems to have perverted our judgment in political matters. We seem to believe that the total number of votes cast is more important than the outcome of the balloting — that it is better to rely upon the opin-

ions of citizens who hardly care enough to vote than to have a matter decided by those concerned. We become so obsessed with voting politically that we tend to deprive ourselves of choice in the market place.

The man who would govern himself and extend to every other person the same opportunity - a challenge worthy of the most intelligent, courageous, and moral individual - must study carefully this matter of voting. Are there logical limitations for voting? Should another person vote on a matter that pertains not to him, but only to me? Should another's vote determine the use of my property when no property of his own is affected by the vote? Should the privilege of voting be earned by meeting certain requirements - not age. not color, not race - but such as proof of responsibility for the support of oneself and his own family?

To seriously review the short-comings of the older generation surely must challenge the youth of America to think of equality in terms that will not prevent any individual from being his own man. To meet this challenge calls for better understanding of the tructure of government — and uch mechanisms as voting and najority rule — so that government may not be turned against

the need and desire of the individual to be self-responsible.

The Final Area of Challenge

It has been observed by philosophers and historians that the need for strong safeguards against the loss of freedom is recognized more readily by those who have just won freedom than by those who have inherited it; the latter tend to take freedom for granted and allow the safeguards to be removed.

The framework of government should have built into it safeguard mechanisms that require much time and effort to remove. The delay will allow the more alert citizens to review and emphasize to others the reasons why such safeguard mechanisms were instituted in the first place. Certain mechanisms of this kind were well conceived and placed into the Constitution of the United States, to prevent the government itself from interfering with personal freedom while providing necessary defense and establishing justice. These mechanisms set one branch of government as a check upon another. To protect against sudden majority responses to popular causes of the moment, they required greater than simple majority votes to amend the Constitution and to override vetoes; they provided for electing certain officeholders to

longer terms than others, and for appointing certain officials to life terms. These mechanisms were alarms. For a century and longer these Constitutional safeguards of 1789 worked very well. In recent decades, however, we seem determined to prove that those who inherit freedom eventually take it for granted and allow its safeguards to be removed.

One lesson of history calls for special attention by the young: oppression does not always come in severe doses. The oppressors do not always wear black hats and ride black horses to distinguish themselves from the good guys. Instead, they sometimes appear to be more sincere and more concerned than others who quietly go about minding their own business. So it is that oppression is likely to come with gradual erosions of personal freedom. Not many notice, for the alarm is no louder than a whisper. A callus lets us live with a pinching shoe, and in much the same way we grow accustomed to a government that has slipped into authoritarian ways: private decisionmaking gradually disappears.

Obviously, the original safeguards built into the Constitution have not sufficed. New and better safeguards and alarms are needed. Here is the most exciting challenge of them all—calling out to the young in heart, mind, and spirit.

Independence has been a way of life for the American. In his private and public life he picks and chooses, he accepts and rejects. If he dislikes the association he has with his employer, or with his church, or with his fraternal group, he can resign. If one spouse mistreats the other, the remedy may be to dissolve the union. If a youngster has been subjected to heavy-handed treatment by his parents, when he becomes an adult he has the choice to guit the family. The fact that such choices exist has a leavening effect or those in the positions of control This applies to practically all hu man action. Whether or not on continues to patronize his lawver doctor, dentist, the boy who mow the lawn, the dry cleaner, or th butcher will depend upon the mi tual satisfaction of the two pa ties involved. When either becomdissatisfied, he simply quits.

No Way to Quit

Not so, however, when the d satisfied party is the citizen several layers of governme When I become unhappy with c of these layers, such as gove ment postal service, it is futile me to resign from that service rangement. There is no reasonce replacement available for me

use; and even if there were I would still be obliged to subsidize the old one through taxes. When government officials decide that every young man from 18 through 26 shall be eligible for military service and subjected to undeclared war in foreign lands, no reasonable alternative seems exist for him. Though history tells of persecuted people who fled their country rather than continue to bear the improper authority of government, such remedy can hardly be considered reasonable. It is not reasonable that to object successfully against the tyranny of the late Hitler or the current red regime of East Germany, one must uproot himself and his family and, leaving behind his possessions, try to sneak unobserved across the boundary with the lives of himself and his family at stake.

The way to avoid becoming trapped in such evil circumstances, of course, is to understand so completely and to articulate so clearly the virtues of liberty and the painfulness of oppression, that one will convince enough of his fellow citizens to oppose such attempts to grab authoritarian power. This approach is no little task. And, as a practical matter, it may constitute no remedy at all. Doubtless it is easier to "fire" one's dry cleaner who charges too much or otherwise fails to give satisfactory

service, than to "fire" the layer of government under which one is oppressed. So what is the answer? Where lies the solution to this challenge?

Look to the Market

It seems possible, at least theoretically, that one could contract privately for all services now rendered by governments except for that specialized service of national defense against either foreign or domestic aggressors. If government were thus limited to providing for the defense of the United States of America and all other services were to be private, presumably one other national responsibility would then existthe guarantee to each citizen that no other government service would be constitutional, whether at the national, state, county, or municipal level. To fulfill such guarantee, the Federal government would be authorized and given the power to protect the people from any attempt whatsover by any person or group to use coercive or government-like methods to require their participation or action.

What might be the advantages of such an arrangement? For one thing, a Federal government, limited to national defense and to carrying out the above guarantee, would have little prospect of growth through promises of some-

thing for nothing or any program of tax-spend-and-elect. Since no other enforced services would be permitted within the nation, private organizations would flourish strictly according to the will of satisfied customers. Unwarranted attempts by any such organization to raise fees arbitrarily (the way governments raise taxes) or to cut the quality of its services could result in loss of clientele.

Other beneficial effects to be anticipated from this removal of coercive powers from would-be masters of men would be the maximizing of individual effort and reward, a resurgence of genuine charity in ministering to the needs of others, a more stable economy not subject to arbitrary manipulation by government, and countless other blessings. Isn't this a worthy challenge!

Even to outline so nebulous a theory must trigger many questions:

"But, how would the court system function?

"What about police, fines, and imprisonment?

"How would one gain recognition of ownership of property?

"How would a contract be enforced?

"Who would own the roads and highways?

"Who would be responsible for a system of money?"

These questions express the puzzle — just how low the level of governmental coercion should be to allow the maximum freedom of the market place, and yet not result in anarchy and violence. I have suggested the barest minimum of government coercion. It may be too little. And yet the real danger, as evidenced through history, has been that man chooses too much government and too little freedom. He is more apt to undershoot the peak of freedom than to overshoot it.

Mau

This, young men and women, is part of the great, exciting challenge. Let anyone who wishes to supply an answer be free to try! Keep in mind that failure will hurt only those few who subscribe to a wrong answer, and then perhaps only momentarily, while success will profit many far and wide.

It is tempting to continue with a long list of challenges for young people encompassing the areas of physical science, metaphysical science, medicine, industry, astronomy and space, among others. But these are subjects that would be neither overrated nor underrated in a true society of free men. The great challenge is to maximize the freedom of every individual. Succeed there, and success must follow in every conceivable area of human activity.



HARSH though the fact may seem to some, the scarce and valuable resources of the world are generally staked out and claimed. Somebody owns them, no matter how much others might want them. If this were not the case, the first order of business would be to make it so. For there is no way in the world to assure the efficient use and reasonable conservation of scarce resources until they are brought under private ownership and control. What belongs to everyone belongs to no one, and waste is not felt to be a personal loss.

This is not to say that private ownership, in and of itself, is a sufficient condition for harmonious human relationships. The owner, having once staked a claim, may not thereafter sit on his property with a dog-in-the-manger attitude toward others. His right is by their consent, so to speak. Unless

one's neighbors generally approve the use he makes of his property, they will not rush to help him defend it. Indeed, they may be the first to trespass or otherwise challenge his title. This is not to condone unneighborly conduct or the tendency to trespass, but to stress the owner's responsibility to put his property to productive use which others may understand and approve.

So, it behooves an owner to practice what might be termed an open-door policy as distinguished from a closed shop. In other words, unless he is prepared to defend his claim behind a Great Wall with armed guards, he will rely upon a "For Sale" sign, daily proving anew in the market his right to his property. The open market recognizes no special privileges on the part of any owner. Each market participant or trader bids against all others, and the property goes

to the highest bidder. And everyone who would trade has a vested interest in keeping the market open, in policing the market against thieves and robbers and any coercive intervention with the person or the property of any peaceful trader.

The point bears repeating: the allocation or ownership of property is most wisely determined in the open market; the proper functioning of the market requires policing and the protection of private property; but this does not mean protectionism or special privilege for any owner by way of government intervention. The latter amounts to a closing of the market against peaceful traders — a reversion to barbarism and war.

Not that any given owner is so all-wise that he alone knows best how to use and conserve scarce resources. But he does have a sense of values and his own order of priorities to which any customer in the market may appeal with a bid or an offer to buy. It is possible, of course, that none of these offers would appeal to the owner at a given time, in which case he would retain possession until offered something better or until his own needs and priorities had shifted enough to make him willing to trade. Bear in mind that no one can earn a living simply by hoarding; eventually he must sell or otherwise convert some of his hoard into something to eat. So, he is quite as dependent on others as they may be dependent on him. And it is this interdependence, reflected in market pricing and trading, that ultimately attends to the most efficient use and conservation of scarce and valuable resources—that transfers ownership into the most capable hands.

Modern markets are a far cry from the simple barter of earlier times. Sophisticated traders usually make their deals in terms of money. So let us examine the role of money as a medium of exchange and see how monetary policies affect the market and the course of trade.

Monetary Manipulations

Anyone with the slightest knowledge of monetary history knows very well how the ancient goldsmiths used to issue more warehouse receipts for gold than there was gold in the warehouse. Our modern systems of fractional reserve banking employ the same principle.

We know about this. Yet, many of us never quite grasp the significance of what we seem to know. These slips of fiat money flowing from the banking system are claim checks we presumably bring to market to exchange for the goods and services available there. But

if we stop to think about it, we soon see that there is no real market demand for these claim checks as such. The only reason why anyone wants any of them is that they might help him get the goods or services he wants. What every trader in the market wants are goods or services more valuable to him than those he offers in exchange. He hopes to find the market place full of goods and services, rather than lots of monetary claim checks to be redeemed.

The salesman may not realize it, but the smile on his face when a millionaire enters the store is not for the million claim checks the customer might have in his pocket. The smile goes back to the pile of goods and services that had to be released in the market before that customer could acquire a million claim checks. Otherwise, those checks are the work of a counterfeiter, a "customer" welcomed by no bona fide supplier of goods and services.

In one sense, the welfare client who enters the market with a bundle of food stamps is like a counterfeiter: neither is bringing any useful goods or services into the market; each plans to draw against the available supplies; and some supplier is bound to come out on the short end of such one-way "trade." The same holds true whenever any customer enters the

market with a pocketful of money which has not been earned by supplying goods and services.

Barred from the Market

Perhaps the tax collector — the mailed fist within the velvet glove of the welfare state — most clearly symbolizes the claimant of something for nothing. True, he has legally been hired to perform a job. But his task is to withdraw goods and services from suppliers — from the market — without the arduous necessity of offering other marketable items in trade.

The tax collector, in other words, controls entrance to the market, exacting tolls of varying magnitude from certain customers as they enter or leave with their objects of trade. Nor is that all. Some of those very same customers, and certain others with no visible means of support or trade, are in a sense deputized to collect taxes in their own behalf—a welfare payment, subsidy, exemption, or "free pass" of some sort.

These are not simple beggars waiting for crumbs outside the gates of the market. However peaceful may seem to be their exactions from would-be traders, these tax collectors and deputies are armed with the full force of the law, prepared for whatever violence is necessary to enforce their one-way transactions. Their

picket signs also serve as clubs. These activities outside the gates are marked by violence, always threatened and often invoked.

The taxpaver who seeks any return on the goods and services taxed from him must seek outside the market - look to political channels to get back "his share" - perhaps in outer space, or in Vietnam, or in Appalachia, or in the urban ghettos, or in the mailbox, or on the highway, or in the crowded schoolroom, or hospital, or jail. In other words, the taxpayer tends to be driven from the market, to the extent that he is taxed for other than the minimal requirements for policing the market. And outside the market, the game or the struggle is strictly violent; to the victor belong the spoils.

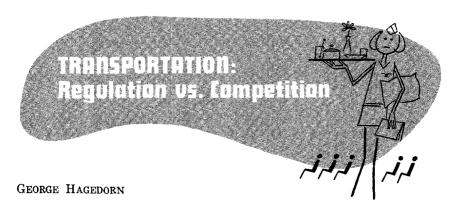
"Public Sector" Wars

The names may be somewhat misleading, but the peaceful transactions or voluntary exchanges within the market are sometimes referred to as occurring in "the private sector"; and the so-called "public sector" encompasses those coercive activities outside the market — wars of one kind or another:

against foreign aggressors, against communists, against capitalists, against poverty, against ignorance, against prejudice, against bias, against every conceivable obstacle that stands between any man and the something he wants without earning it.

Their names are legion who profess good will toward man in their schemes to channel ever more resources and individuals into the "public sector." But whether or not they know it, they are the warmongers in our society. They are condemning everyone involved, including their intended beneficiaries, to violent methods and to the results of violence.

If one tires of the class struggle and conflict and violence characteristic of men trying to function in the public sector, if he realistically seeks peace, then he must search for it in the private sector. A condition for admission to the market is that one enter and operate through peaceful means only. And only through peaceful means can peace be achieved. The happy dividend is more goods and services available to all men than under any other arrangement.



THE RECENT economic reports of the President, and of his Council of Economic Advisers, have been the occasion of much discussion and controversy. This week we want to call attention to a section of the council's report which has attracted relatively little notice, but which contains some profound economic wisdom. This is a rather brief section headed "Transportation," which appears as one part of a chapter entitled "Economic Growth and the Efficient Use of Resources."

The council's discussion of the economics of the transportation industry is in a low key. Conclusions are suggested rather than asserted and no firm recommendations for changes in government policy are offered.

Yet, the message of the council's comments is clear. It is this: Government regulation of transportation has resulted in injury, rather than benefit, both to the industries which provide transportation services and to the public which depends on them. All would be better off if more reliance were placed on competition and less on regulation. Government intervention in this critical sector of our economy has resulted in an inefficient use of resources.

The history of the Interstate Commerce Commission, first established in 1887, has been one of increasing extension of its powers, and increasing futility in their exercise. The end result has been that the country has an uneconomic transportation system—uneconomic in the sense that more manpower and capital are devoted to that purpose than need be and

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they are used less efficiently than they might be.

The commission was originally established at a time when railroads had a near monopoly of freight transportation. Its object was to protect shippers against this monopoly power. But early in this century, the commission was given the additional power to enforce minimum freight rates - in other words, to suppress any rate competition that might break out among the roads. When a competitive form of freight transportation - trucking - did emerge it was placed under the regulatory power of the commission.

The Bureaucratic Procedure Cannot Stand Competition

We do not believe that there is necessarily anything sinister or corrupt in that history. It is in the nature of government economic intervention to develop in that way. When a public body is established to oversee an industry it cannot rely on something so nebulous and unpredictable as competition. It will inevitably view competition — whose effects are never foreseeable in detail — as an obstacle to the attainment of the explicit objectives the public body was intended to serve.

Competition has a way of breaking out, no matter how much you try to suppress it. But suppression

of competition usually results in turning it into uneconomic channels. The pattern of development in an industry is distorted in ways that are disadvantageous both to the industry and to the public.

An illustration of this is the effect of the suppression of rate competition in the transportation industry. The rivalry among carriers took the form of attempts to offer better and more frequent service. The council's economic report points out that: "This is one reason why the transportation industry as a whole has more capacity than the total traffic requires. . . ."

This overcapacity is a burden on the carriers and a misallocation of our national economic resources. From the point of view of the shippers, it might seem that better and more frequent service is a good thing. But wouldn't it be still better to let the market decide whether the shippers might prefer lower rates to this additional service?

Regulation of air transportation by the Civil Aeronautics Board seems to have had similar effects. During the period of rapid growth in air traffic during the 1960's the airlines were prohibited from competing with each other by cutting rates. They thereupon competed by offering increased service and this resulted in uneconomic investment in facilities and equipment -a problem plaguing them severely at present.

Direct and Indirect Effects

What is at stake in the question of regulation vs. competition is not merely an abstract principle. An unpublished government study estimates that, as a result of deregulation, a reduction of at least 10 per cent could be expected in cost to shippers of freight transportation by common carriers.

The distortion introduced by regulation into the pattern of transportation costs can also have undesirable social effects. economic report of the council argues that it has been a contributing factor in the joint problems of rural depopulation and urban congestion. As a result of regulation, transportation costs on finished goods tend to be higher than rates on shipments of raw materials. This causes fabricators to locate close to their urban markets rather than close to their sources of materials, or somewhere in between.

One of the worst effects of regulation, and one which makes escape from it very difficult, is that in its course vested interests are established. These might be damaged as a result of deregulation.

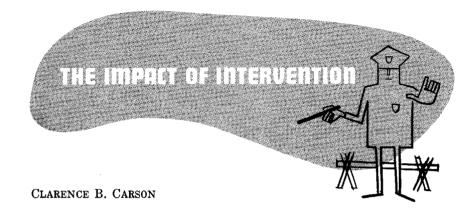
We use the term "vested interests" in no deprecatory sense. A

trucker who holds an ICC certificate has a thing of value. He has acquired it in good faith because he has to have it to conduct his business. In the normal course of business transactions he may have bought and paid for it just like any other asset. Opening trucking to unlimited competition might greatly reduce the value of that asset — depriving the certificate holder of part of his property.

We do not know of any solution to these inequities. They could be mitigated, but not eliminated, by phasing deregulation over a long period. The lesson is that, in the course of government regulation, a tangled web is woven — from which it is impossible to escape without some pain and injustice.

We surmise that the Administration, after laying this intellectual groundwork, may offer legislative proposals for a move toward deregulation in the transportation industry.

But perhaps the larger import of the discussion is that government regulation of any phase of economic life, no matter how well intended, may create more problems than it solves. The intended beneficiaries often are hurt as much as those who are regulated. Advocates of Federal legislation for the protection of consumers might take notice.



GOVERNMENT INTERVENTION in railroading has had a devastating impact over the years. A vital industry has been transformed by it into a declining industry. Many services once performed are no longer performed or poorly provided. Competition has greatly declined, costs have risen, profits have usually been low, and labor trouble is endemic. What has gone before (Throttling the Railroads, concluded in the February, 1971 FREEMAN) shows clearly the relationship of government intervention to all sorts of untoward developments in railroading.

If government intervention had elsewhere been attended with great success and had failed sig-

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nally only in its effects on the railroads, we might be warranted in concluding that it had failed only because of inept and unintelligent application. The United States government appears to be operating on some such assumption as this presently. The government is beginning to shift from its long term policy of restriction toward subsidization. Actually, those who offer apologies for such shifts in policy would not be likely to admit that the earlier intervention was inept and unintelligent. Their apology would be a little more complex. They would announce that times have changed, and that new conditions call for new solutions. The assumption would be that subsidies in the early years of railroading were justified, that later regulation and restriction was necessary, and that now new subsidies are warranted. We can be reasonably sure that this would be the line because the arguments for relief from taxes, removal of restrictions, and the making of loans or the provision of other sorts of subsidies are frequently made on the basis that older practices are outmoded.

The argument from changing circumstances begs the question. The question is whether earlier intervention worked as it was supposed to. If it did not, as has been shown to be the case with the railroads, why did it not? Was it because of the ineptitude of the intervention? Or was it because government intervention, by its very nature, produces such consequences? The effects of intervention elsewhere offer a partial answer to the question.

Obvious Results of Intervention

The debilitating effects of intervention on the railroads is not an isolated instance of such effects. My own studies and reading have confirmed for me that it is generally the case. Sometimes, the effects of intervention are so direct in producing the opposite of what was wanted that they are readily apparent. Such has been the case with the New Deal farm programs and the later extensions of them. These programs were supposed to aid the small farmer

and to reverse the flow of population from the farms into the cities. The results have been just the opposite: the benefits have gone, in the main, to large farmers, and the flow of population into the cities was accelerated.

The impact of some interventions have clear and predictable results. For example, the establishment of price controls with the maximum price below what the market price would be results in shortages. Contrariwise, the support of prices above what the market price would be results in surpluses. When wages are thus supported, there is a surplus of labor, i. e., unemployment. The increase of the money supply, other things remaining equal, will result higher prices. These and other such economic principles can be illustrated with a hundred historical examples.

Some interventions have results that branch off in a variety of directions, some results being fairly obvious, others more or less obscure. Such have been the consequences of government intervention on behalf of labor unions. The most obvious results are increased unionization, effective strikes, the tying up of industries, higher wages and prices. There are many other less obvious results: the pricing of some products out of the market, the pricing of some

workmen out of the market (unemployment), the arraying of workmen against workmen in strikes, the political pressures of labor unions for government programs that will reduce the available labor supply, and so on.

Unseen Consequences

Some interventions even appear to have salutary results because so many of their effects are hidden from view. This has frequently been the case with government's increase of the money supply (monetary inflation). Much that is attractive follows from this activity. Prices rise: debts contracted earlier can more readily be paid; money is much more plentiful, and a sense of economic well-being may be widespread among the populace. Investments of ready capital expand industries and offer higher levels of employment. The consequences follow in ways that are not usually readily identifiable with the cause. A contraction of the money supply - something that was bound to occur in the fairly short run so long as the monetary expansion had occurred by way of an increase of bank deposits when banks both operated on fractional reserve and men could demand gold for their currency - reverses the above effects and produces what is called a depression. If the money supply is not contracted, the eventual result will be an inflationary level that will make money, and all things expressed in it, worthless. But there are numerous intermediate effects of inflation. Inflation discourages saving, because money loses value as it is held. Those who have already saved will have the value of that saving dwindle away. Contracts expressed in monetary terms are only partially fulfilled.

Government regulation restricts. confines, diverts, focuses, makes inflexible, and alters the course of men's actions in hundreds of ways. Government programs are almost invariably predicated on the notion that a single cause will have a single and predictable effect. If prices rise, the answer to this, simplistically, is price controls. But it is not. For there are then shortages of whatever is controlled. Producers turn their production into uncontrolled areas. Energies are diverted into a hundred channels to evade the restraint. Government regulation can be likened to an attempt to dam a river on a vast and extensive plain. Build a dam athwart the path of the river and it will overflow its banks and follow new courses, perhaps many where there was once one. A series of new dams will only be followed by the results, multiplied once again, most likely. Eventually, it

will appear that the only way to dam the stream would be to build a dam from mountain to mountain, though it must be a thousand miles across to accomplish the purpose. In human affairs, such a constriction of the energies of a people is called totalitarianism, and it is this toward which government regulation and restraint tend.

The Nature of Government

Government regulation fails in the attainment of its purported object - often produces the opposite result - because of the nature of government, the nature of man. and the nature of economy. The nature of government is, or should be, very clear. It is that body, or those bodies, charged with the exclusive authority to employ force in a given jurisdiction. Force may be employed in two ways upon people. It may be used in support of prohibitions against certain kinds of actions. For example, murder may be prohibited. and force may be used to apprehend murderers or those caught in the act of attempting it, to hold them in jail, to bring them to trial. and to mete out punishment to those convicted. Or, force can be used to induce people to act in ways contrary to those to which they are bent. For example, force may be used on railroads to compel them to keep open stations which they would otherwise have closed.

A rather conclusive case can be made that governments can and ought to prohibit certain kinds of actions and punish offenders, a case as conclusive as any is likely to be in social matters. That is, an exceedingly strong case can be made that a body charged with the power to do so is necessary to the protection of life, liberty, and property and with the settlement of disputes which arise among men. A similar case can be made that the government so charged must have the power to compel the necessary support from those under its jurisdiction for the performance of its tasks. That is. government may collect taxes and may even compel peaceful men to take up arms to aid in the performance of these legitimate functions. (Of course, a government may be constitutionally limited as to how it goes about these things.)

Where Force Is Wasteful

No such conclusive case can be made for the use of government power to induce certain behavior in economic matters. On the contrary, men have quite sufficient inducement in the very nature of things to behave economically. Economy has to do with the frugal use of the elements of produc-

tion - land, labor, and capital - to provide the goods and services most wanted. Everyman is inclined to do it this way. He is inclined to do as little work as possible to get the job done in the manner desired, to spend as little as he can to attain the quantity and quality of goods and services sought, and to use as little of his natural resources as will suffice. Indeed, he is inclined to use most frugally whichever of these are scarcest and to use most prodigally those which are in greatest supply. It is in his interest so to do.

Force is superfluous so far as it might be used to compel men to do what they would tend to do anyway by interest and inclination. It would not only be superfluous; it would be positively wasteful, for all the costs to provide the force would be above and beyond those necessary to get the job done.

Of course, governments do not employ force to get men to act in accord with their interests and inclinations. Government intervention into economy is an employment of force to induce men to do what would otherwise be contrary to their interests and inclinations. Even a superficial look at interventionist policies shows that this is their character. Governments intervene to induce companies to deal with labor unions, to induce

men to join labor unions, to induce lenders to lend money at a lower rate than they could otherwise get, to induce employers to pay more than they would have to do to get employees, to induce companies to provide services which they would discontinue, to induce landlords to provide facilities at rates which are less profitable than they could get in the market, to induce men to charge more or less than it is in their interest to do.

Distorting the Facts

Most of the government interventions in railroading have been of this character. Government intervened to compel railroads to deal with unions, to fix railroad rates below the market level, to compel the provision of unprofitable services, to induce railroads not to compete with one another in significant ways, to induce them to set up certain work rules, to induce them to share their facilities, and so on, through a story already told.

Men do not cease to pursue their interests when government intervenes; they continue to do that as vigorously as ever. There is a very important difference, however. When men pursue their interests economically, they produce and provide the goods and services most wanted with the

least use of resources. Government intervention changes both what appears to be most wanted and what appears to be the scarcest or most plentiful of resources. For example, when government offered a subsidy for the production of cotton above the market price, it made cotton appear to be in greater demand than it was. When it restricted acreage to be planted to cotton simultaneously, it made land appear to be scarcer than it was. The result was that farmers. who were in a position to do so, devoted much more capital to the production of cotton, thus producing more cotton than could be sold at the supported price, hence surpluses of cotton.

The setting of a price or rate ceiling below the market price makes it appear that less of a good or service is wanted than actually is the case. This, of course, has happened with rail rates. One of the results has been the declining investment in the railroads. Another has been the reduction of services. Yet another was the meeting of the real demand for service by newer and other means of transport.

If wages are raised above the market price, this gives an appearance that labor is in shorter supply than, say, capital, though, in fact, there may be widespread unemployment. The tendency will

be for labor to be replaced by machines, perhaps, at an accelerated pace, or, perhaps, by greater usage of natural resources.

To put the matter in the broadest perspective, when government intervenes in one area, men shift their energies and attention to areas still left free or which may be relatively freer. For example, as the railroads were restricted and restrained, men turned more and more of their attention to the development of trucks, buses, automobiles, airplanes, and so forth. As the commercial uses of these have been increasingly regulated and restrained, the private transportation devices have been ever more extensively used.

Coddling the Criminal

There are impacts to intervention which go beyond just the economic effects, though these are often devastating enough. Over the last several decades intervention in the economy has been growing and spreading. Government has turned more and more from its protective and prohibitive role toward a role as inducer and regulator. Laws for the protection of life, liberty, and property are still on the books in many instances, of course. The police still apprehend violators on numerous occasions. Juries still try and, as the case may be, convict Beyond this point, however, the use of force to protect the citizenry has begun to break down. There is a widely expressed view that prisons are only for the rehabilitation of criminals, not for their punishment. There are even those who claim that punishment does not deter the commission of crimes (though some would restrict this view to crimes of passion). Once admit these premises, the criminal becomes an object of solicitude, and the use by government of force upon him becomes aggression. This is especially the case when it is also believed that the criminal is a victim of the society in which he has grown up.

those charged with such offenses.

For these and whatever other reasons there may be, many of the courts have taken to treating those charged with committing crimes with great solicitude. Their rights are ever more carefully protected in trials. Capital punishment has virtually disappeared. Probation after a short period of incarceration is commonplace, and suspended sentences are the order of the day.

This has occurred while government's use of force to intervene in economic matters has mounted. Statute books, state and national, are filled with minute and massive interventions ranging from the silly to the near catastrophic. The

present writer has never encountered arguments to the effect that the threat of punishment will not induce people to pay their taxes. to obtain licenses, to refrain from forming trusts, to plant only the allotted acreage to crops, to obev the rulings of the Interstate Commerce Commission, to accept fiat money in payment of debts, to pay the minimum wage, to recognize and deal with the union certified by the National Labor Relations Board, and so on, and on. Indeed, it is everywhere apparent that the threat of punishment must induce men to comply with a great maze of laws, many of which clearly run counter to their economic interest.

Government as Plunderer

In recent decades, crimes of aggressions by individuals and groups have increased much faster than has the population. Such crimes as rape, aggravated assault, intimidation, robbery, and murder have become rampant. If trespass upon property were as strictly defined as it once was, the amount of violations would no doubt be much greater than it is. Intimidatory groups have frequently been permitted to terrorize selected peoples with impunity.

The connections between intervention in economic activities, on the one hand, and the tendency

toward the breakdown of traditional law and order lie beneath the surface of things and are difficult to ferret out. One of them is the revolutionary thrust which gives impetus to the intervention. It is the desire to make over American society in an egalitarian fashion, and traditional protections of the individual must be broken down for the new society to emerge. Another connection is that the enforcement of the fantastic array of interventions overburdens government and leaves it weakened for its traditional tasks. Yet another is that the increasing force exercised by government has tended to disintegrate society so that social restraints on aggressive behavior are not as effective as formerly.

The impact of intervention. then, is disintegrating in its effects upon society, disruptive and diversive in men's efforts at economy, interferes with voluntary cooperation among individuals and groups, inhibits and redirects individual efforts, and is productive of confusion in industrial life. All too often, intervention produces the opposite of what would be wanted, produces an ineffective railroad system rather than a vital one, drives farmers from rural areas rather than making it possible for them to make a living, creates unemployment, takes away

the value of men's savings, turns them away from serving one another to taking advantage of one another under the cover of governmental programs. Government intervention begets more government intervention. Just as a dam built across a river on an extensive plain will result in numerous rivulets which must in turn be dammed, so government intervention diverts men's energies into the remaining areas of freedom which must, in turn, be reduced in the vain hope that the earlier programs can be made to work. When an industry has finally been brought to heel in this fashion, it can no longer effectively perform its tasks. Government may then take over the industry directly or may subsidize it as an intermediate step to taking it over. Even now, this denouement is being acted out with the railroads.

Release Human Energy

There is an alternative to intervention. To see it clearly we must redirect our sights. Government intervention proceeds by using force to induce men to act contrary to their interests. This, men will hardly do, though Draconian measures be applied against them. There is, however, a vast amount of energy to be found in people, energy which is only potential at its inception. A child at play shows

how great is the energy available. Parents must have ever remarked that they wished they had only a fraction of the energy the child releases. The child runs first to this and then to that, whoops and hollers, invents some game which fascinates him for a moment, becomes bored quickly and turns to some other diversion. This is human energy in its raw state, giving the appearance of being bountiful because it is undisciplined and unrestrained.

The energy potential in man is great for either destruction or construction. No other being on this planet has ever shown the adeptness for destruction that men can do when they put their minds to it. They can burn whole cities. destroy crops, rape, pillage, kill, and lay waste. When they are bent upon construction, they can devise and build such works of beauty and utility as no other creature could even imagine. They can build, heal, transport, provide food and raiment, manufacture, compute, educate, and use their brains and hands in thousands of ways wondrous to behold. Or, they can be so restricted and restrained by force that they neither destroy nor build with any will. Whole populations can be so enslaved or enserfed that their works do not live after them and their lives are little above brute level. Each of

these potentialities of man has been fulfilled many times in the brief span of 4,000 years or so of recorded history.

Discipline and Organization

Two things are necessary for the vast energy potential in men to be applied constructively. One is for the energy to be released. The other is for it to be disciplined so that it can be effectively applied. There is a major clue to the release of energy in the child at play. The child is following his own bent; he is interested in what he is doing, or, what he is doing interests him. To change this with a voung child, it is necessary only to assign him to some task which he would call work. He will become tired almost at once. The abundant energy which he was just displaying will quickly disappear. He is no longer interested in what he is doing. Men are like that, too, though "interest" has become something much more extensive and comprehensive than it was for a child. Interest is not simply what gives him immediate pleasure. He has learned to defer immediate gratification for expected future gratifications. He works because it is in his interest to do so. He is interested not only in himself but in his wife, his children, perchance his parents, future grandchildren, and a broader

community which aids and protects him. He is interested in his rights and his possessions—his lands, houses, vehicles, and a hundred and one things which he owns or desires. His energies are readily released in defense of and in pursuit of a multitude of interests.

To release the energies of a man it is necessary to secure to him the fruits of his labor and the protection of his possessions. He will not willingly act against his interests, nor can he be readily induced to do so. Government intervention does, however, lead him to dissipate great quantities of energy to protect and advance his interests. Virtually all of this is so much waste. Americans today waste vast quantities of energy either in complving with government restrictions or finding ways to evade them. Not only that, but some of the regulations positively inhibit the employment of energy.

Discipline and its social corollary, organization, are essential to the constructive employment of energy. The broadened conception of his interests may lead a man to submit himself to discipline. A child may be trained to discipline and direct his energies. So may men in social organizations. Great constructive activities frequently require that men cooperate with one another. This they find ways to do if they are restrained from

injuring one another and are left free to pursue their own interests.

Much of the trouble in America today, as well as in much of the rest of the world, is that many organizations are arrayed against one another and some are deeply divided from within so that rather than facilitating constructive activities they are inhibiting them and dissipating energy in contests. Labor unions pit employees against employers. As American affairs have become more and more politicalized much of the energy of many organizations is devoted to gaining favors for the members. favors of wealth taken from the general populace by taxation. Both force and the possibilities of gaining such favors must be denied to organizations before they devote themselves to constructive activities once again.

The Alternative Is Liberty

The alternative to government intervention, then, is individual liberty. It is the release of the vast energies which men contain to constructive purposes. There is much that serves to help discipline man, but an invaluable support of self-discipline is the facility it gives him when he is able to pursue his interest. There are people today who would like to see passenger trains serving Americans at large once again. Some of these

people believe that the way to achieve this end is to have government intervene. Yet intervention contains and diverts the energies of a people. It provides passenger trains at the expense of giving up other uses which people might prefer for their money. If there is a market sufficiently large to warrant passenger trains in America, it is most likely that railroads would provide them if the energies of their personnel were freed from the present con-

fining restraints. If rate control were removed and investors could see clearly once again what was in demand, they would release funds in that direction. So it would be for a great range of goods and services which commercial establishments can hardly provide because of the restraints upon them.

Government intervention dams up and diverts the energies of the people; freedom releases them to constructive purposes.

Throttling the Railroads

by CLARENCE B. CARSON

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The foregoing article, "The Impact of Intervention," was prepared as an epilogue for the book. Dr. Carson's entire series on railroads is now available and may be ordered from:

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Grover Cleveland.

Tell the TRUTH

RAY L. COLVARD

ROBERT L. HEILBRONER in the introduction to The Worldly Philosophers observed that among the great economic thinkers in his books were "a madman, a parson and a stockbroker, a revolutionary and a nobleman, an aesthete and a tramp." The significant trait they shared was curiosity. Last August I had an opportunity to participate in a seminar at FEE. Although none of my fellow seminar participants that particular week fitted Professor Heilbroner's more bizarre categories, the notable curiosity of the philosophers was, I found, lavishly distributed. Many of us had, as teachers, searched for comfortable, noncontroversial positions between the ideological extremes labeled "freedom" and

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"equality" or "individualism" and "collectivism." Like Plato, so long ago, we questioned whether or not true democracy must inevitably lead to irresponsible anarchy and aristocracy to privileged oligarchy. Much of our effort that frenzied week at Irvington-on-Hudson was concerned with pinpointing the "good" economics philosophy.

A new concept of liberty was suggested by the speaker one afternoon—freedom from paternalism. That was a troublesome idea to me. How was it possible to deny the obvious historic merits of the Square Deal, New Deal, and Great Society? Could we dare not to license our government to save American businessmen from foreign competition, not subsidize "infant" industries, not guarantee fair wages for workers, parity for

farmers, and profits for investors? Could we reasonably expect average citizens, without the ministrations of benevolent government, to anticipate the financial hazards of ill-health and old age? This, then, was the crux: Was paternalism our answer or was it, in grim reality, alienation from initiative and opportunity?

The flow of ideas came rapidly that week at FEE. Fortunately for me a mental rest stop was available in the guise of an optional classroom session. Here the real students in the seminar had an opportunity to direct more definitive questions to the lecturer, and slow learners, like myself, found time to rescue Adam Smith from the bosom of the Adams family and to determine that the writings of John Stuart Mill were different from those of C. Wright Mills.

The poet Horace, I recalled, wrote: "Get money, by fair means if you can; if not, get money." This had been the continuing war cry of those whose hands reach toward the national treasury. Each President was thrust by them into the role of vault guardian or of dispenser of largess. "After all," one of the seminar participants pointed out, "it's only government money to a President, but it's the life's blood of politics from county seat to Capitol Hill. No politician

can withstand the party bosses and pressure groups who consider him 'their' man."

"There was one who could, and did:" the seminar lecturer observed, "Grover Cleveland."

One Version of the Man

From the "facts" which had been learned in my U. S. history courses Cleveland had been fat, stubborn, and honest, but no hero.

He fathered an illegitimate son.
He vetoed veterans' bonus bills.
He married a girl half his age.
He ordered Federal troops to
break strikes.

He thought manifest destiny was dead.

He was "the stuffed prophet of naked conservatism."

The terrible-tempered editor of *The Iconoclast*, William Cowper Brann, was widely quoted by the "debunkers" school of history:

- the people's representatives with almost Clevelandesque discourtesy; but neither sent a substitute—a hired assassin—to the front to do his fighting, while he played pinocle for the beer and wallowed around in fourthclass bawdy houses with disreputable widows....
- ... Instead of making the White House the resort of authors, poets, painters, philosophers and scientists, it is the rendezvous of female necromancers and nigger mascots.

Integrity and Responsibility

Neither scholarship nor originality is implied by this resume. It is merely a look into a single facet of the Cleveland character, honesty. The historian, Allan Nevins, concluded his monumental biography by stating:

We are surrounded on every hand by leaders who compromise here and waver there. Even the great among them are too often found to have a breaking-point, to be ready to surrender part of an eternal principle in order to obtain a temporary gain. From such leaders it is pleasant to turn to the memory of Cleveland. . . such an example of iron fortitude is better than to have swayed parliaments or to have won battles or to have annexed provinces.

The Cleveland dimensions of bravery in his stand on personal integrity and public responsibility makes him a man for all seasons. Without the brilliance of Jefferson or the mystique of Lincoln his indomitable will made him their peer. Cleveland, tongue in cheek, no doubt, said: "It is no credit to me to do right. I am never under any temptation to do wrong." That ironic witticism, more than any display of righteous anger, gives us a glimpse of the sensitive human behind the bold public figure. His enemies were vocal and colorful. "Pitchfork Ben" Tillman ranted: "Send me to Washington. and I'll tickle Cleveland's fat ribs with my pitchfork!" A Midwestern "Silverite" shouted: "I detest him so much I don't even think his wife is heautiful."

Except for a catastrophic physical crisis Grover Cleveland's universal order to his supporters was, "Tell the Truth." His illness and the removal of malignant palate and upper jaw during the summer of 1892 remained a virtual secret from the public for a quarter century. About this tragic event Cleveland probably lied more than he did on all other issues throughout his lifetime. He told the truth "without fear or favor," but as the Indianapolis Sentinel stated in 1896:

... No president was ever so persistently and malignantly lied about as Grover Cleveland has been. The judgment of thousands of men has been warped by whispered stories that are too silly to discuss.

The Dangers of Paternalism

The historic lessons of economics and politics must be re-learned by each generation. Cleveland could teach them only for his time. The market, not government, he held, must determine economic direction. Paternalism by government destroyed the initiative of the people.

The lessons of paternalism ought to be unlearned and the better lesson taught that while the people should patriotically and cheerfully support their Government, its functions do not include the support of the people....

Demands for pensions by professional patriots during Cleveland's administrations are paralleled today, to a remarkable degree, by "Welfare Rights" advocates. Cleveland signed far more private pension bills for Civil War veterans and their dependents than he vetoed. The significance of his heroic stand is that no earlier President had vetoed one. Cleveland's vetoes were for benefits to dead pensioners, to widows long ago remarried. to wartime deserters, and to individuals who would have enlisted if the war had not ended so soon. One bill which he vetoed demanded a pension for all Union soldiers on the grounds that each one had come out of the war physically weaker than he had entered it. He virtually stood alone in saving the national treasury from the greed of the Grand Army of the Republic. The collective strength of political, special interest groups was not great enough to defeat him.

Warnings Against Collectivism

Cleveland's warning against collectivism is timely now. Modern economists like Robert L. Heilbroner and Kenneth Galbraith point out that the "communism" of wealth and capital already is

here. Businessmen are now openly pressuring for more government investments in aircraft, railroads, and securities. Socialism is widely advocated by industrialists, entrepreneurs, and educators under the euphemism, "social capitalism." Cleveland spoke to the nation at the end of his first term:

Communism is a hateful thing and a menace to peace and organized government; but the communism of combined wealth and capital, the outgrowth of overwhelming cupidity and selfishness, which insidiously undermines the justice and integrity of free institutions is not less dangerous than the communism of oppressed poverty and toil, which, exasperated by justice and discontent attacks with wild disorder the citadel of rule.

In today's economic jargon, when national wealth is measured in "gross national cost" and the nation's money evaluated in terms of "credit." Cleveland's warning against communism may seem atavistic, just as a superficial analysis of his decision to return to a sound dollar may appear as a Pyrrhic victory. Nearly a billion dollars in fiat money and Civil War greenbacks in commercial channels provided an endless nonreversible conveyor belt for moving American gold into European banks. Cleveland called a hostile Congress into special session. "Fiat" was not and never could be equivalent

to intrinsic value. He said, "The people of the United States are entitled to a sound and stable currency, to money recognized as such on every exchange and in every market of the world." In spite of William Jennings Bryan's emotional counter appeal for the "unnumbered throng," "work-worn," and "dust-begrimed," Cleveland and the nation won. The Silver Purchase Act was repealed. The battle for sound money was won for his generation. As reported by The New York Times:

... at that moment, as often before, between the lasting interests of the nation and the cowardice of some, the craft of others, in his party, the sole barrier was the enlightened conscience and iron firmness of Mr. Cleveland.

The Democratic Party in 1896 repudiated his leadership. The paradoxical Republican triumph of William McKinley was Cleveland's last great victory. The Baltimore News stated it succinctly.

When the history of the present time comes to be seriously written, the name of the hero of this campaign will be that of a man who was not a candidate, not a manager, not an orator; the fight which has just been won was made possible by the noble service of one steadfast and heroic citizen, and the crowning achievement of his great record... It is impossible to over-estimate the value of the service Grover Cleveland has done through his twelve years of unswerving fidelity to the cause of honest money.

Here I rest my thesis. I am grateful to the member of FEE's staff whose answer sparked my curiosity. I think I understand the character of Grover Cleveland more fully now than I did several months ago. I think I also understand something more about FEE. I would attempt to excuse the dullness of my perception except for a highly comforting observation in Leonard E. Read's Talking to Myself:

The only thing new about an idea is its newness to any one of us. And it is never new prior to the point of apprehension—that is, until it has hatched and, thus, become one's own....

Getting results on behalf of the freedom philosophy here and now, in this context, is any shift toward enlightenment that takes place in a lifetime. Patience!



Why I Left England

EDWARD L. MCNEIL, M.D.

I AM OFTEN ASKED why I left England and the National Health Service to come to this country. There is no simple answer like "money," "opportunity," "politics," or "climate," but if I describe the conditions under which I found myself practicing medicine in England, the reader may find his own answers.

When I qualified as a physician and surgeon, the NHS had been established for five years and there was virtually no private practice of medicine in England. The practice of medicine in wartime did not offer any relevant basis for comparison with the system I found myself involved in; nor did the practice of medicine before

1939 as, in retrospect, that was another era about which the older practitioners were reluctant to talk. (I naturally suspected the old system of private practice wasn't good.)

My only knowledge of private practice in the U.S.A. was from a small number of patients and friends who had been there and reported that medical care was very expensive and that one had to establish credit at a hospital before being treated or admitted.

It was not until I had been in my own solo practice in Yonkers, New York, for about two years that I realized the tremendous advantages of the private practice system.

As a student I had always been more inclined toward the surgical disciplines, so my first "house job" was as House Surgeon in a Lon-

Dr. McNeil came from England several years ago to the private practice of medicine in the United States. His article is reprinted by permission from the January, 1971 issue of the magazine, *Private Practice*.

don hospital with two surgical wards, 36 male beds, and 36 female beds. There was also a smaller ward of about 10 beds which was used to isolate clean orthopedic cases and serve as a spare ward for overflows of one or the other sex. There was rarely an empty bed and I had the unpleasant task of turning down at least two out of three requests by GP's for emergency admissions. Selective surgery cases had their admissions arranged through the waiting lists compiled by OPD clinics.

I later learned what it was like to be a GP trying to have a patient admitted for an emergency condition, telephoning five or six different hospitals without success. then, in frustration, sending the patient to the emergency department of a hospital that had already turned down a request for admission, and hoping for the best. In later years, London had what was called the Emergency Bed Service to which a GP could direct his requests for admission and they would call all the hospitals for him, then force the hospital they considered most able to adapt to an extra admission to take the patient. (This system was fine in theory, but in practice it would often take the EBS six to twelve hours to find a bed, and some patients could not wait that long.)

As the only house surgeon for at least 80 surgical patients, including some in the pediatric ward, I worked very hard but appreciated the technical experience which I crammed into six months. Within two months of qualifying, I was performing laparotomies in the middle of the night, relying entirely on my own diagnostic abilities, relying on the house physician or obstetric house surgeon (also newly qualified) to give the anesthetic, and relying on only one scrub nurse for my surgical assistance. (Before 5 P.M. I did have an Indian surgical registrar - a senior resident who was an excellent surgical tutor - to guide me, and the two attending surgeons did "rounds" every other day and a rushed "round" after their operating sessions.)

Clinic vs. G. P.

What humility I had as a "new boy" receded very quickly with the volume of experience, and I soon found myself agreeing with the other house staff that those doctors out there in GP land had minimal medical knowledge and no manners. Fancy an experienced GP sending a patient to the Casualty Department with a scribbled saying, "Please see and treat," with no history noted or any attempt at diagnosis; and such bad manners, when I had already told him on the telephone that I didn't have any empty beds and we had seven extra beds up in the corridors and down the middle of the ward!

Assisting the Chief and the Registrar at the surgical clinic also put me in the position of advising GP's with decades of experience about the diagnosis and management of their patients. The conceit of youth! At the clinics, the Chief would see the least number of patients and those most potentially interesting. The Registrar would share the remainder with the house surgeon. From the patients' point of view, it was pot luck whether they saw a real surgeon or me.

(Only a few years later, I found myself as a GP referring cases to the clinic and waiting a few months for a letter from a newly qualified pipsqueak house surgeon telling me that the diagnosis had been considered to be "so and so," "such and such" had been done, and the patient was referred back to me on "such and such" medication.)

I quite naturally came to the opinion that a newly qualified physician was at the peak of medical knowledge and know-how and thereafter it was a steady decline in his knowledge and ability. I took comfort in the excellence of my medical training but was repeatedly

surprised at meeting situations I had not been taught about and finding patients didn't all respond to treatment as they should. Something seemed wrong with the system.

Little Prospect for Advancement as a Surgeon

As previously mentioned, I was surgically inclined and considered I would eventually become a surgeon. A look at the prospects of surgical colleagues who were five or six years ahead of me in the race made me realize I might as well forget it. I knew many who had spent over five years in the specialty only to quit and go into general practice because the chances of becoming an attending surgeon (known as a Consultant) were so slim. A hospital of over 200 beds would only have one or two surgeons of consultant status and often the same surgeons would cover other hospitals as well. The only vacancies for consultantship occurred when a surgeon died or retired at the age of 65.

The situation in 1956 was that for every vacancy there would be about 70 applications for the post, each applicant having had considerable experience in surgery, holding an FRCS and many also having a Masters Degree in Surgery. Many of the vacancies would be in localities one wouldn't

rationally choose as a place to live and bring up a family.

(I have heard that the situation has altered over the last few years and the competition for the posts is not as frustrating. This is because so many of the trained surgeons have emigrated. For many years, over 500 doctors were leaving the United Kingdom each year. Last year approximately 400 left.)

After my first surgical job, I became the house physician in the lovely Wiltshire market town of Salisbury near to Stone Henge. I enjoyed the experience and the six days off I received in the six months. One of the doctors in the hospital had just returned from a residency in the U.S.A., and from him I caught a glimmer that there were other ways to practice hospital medicine—and combine it with general practice.

However, my roots were in England and in its system, and one year of experience was not enough to say it didn't suit me. I entered general practice in a working-class suburb of London in close proximity to where I had been the house surgeon. It did not take me long to question the attitudes and infallibility of the hospital-based doctors when I was wearing the GP's shoes. If I visited my patients who had been admitted to hospital on my old wards, I found

I was less than welcome. Other GP's informed me that I would be considered to be interfering if I did visit them.

To supplement my income and get my foot in the door of a hospital, I obtained a post as clinical assistant in the OPD of the Royal National Throat, Nose, and Ear Hospital in London. There, at least, I was able to order some follow-up studies and see some X-rays.

One of my duties in the ENT clinic was to help re-evaluate those children on the waiting list to have their tonsils removed, to see if they should be moved up the list or onto the list with less priority. Some had been on the list six years! (At the time I left, the theoretical waiting time on the day the child's name went on the list was 10 years. This reckoning was with the assumption there would be no modification of priorities, no child would leave the area, and no tonsils would recover without surgery.)

Make the Patient Wait

An ex-minister of health, The right honorable J. Enoch Powell, admitted in his book, *Medicine and Politics*, that the only effective method for putting a brake on the unlimited demand for medical services was making patients wait for services. Many elective sur-

gical procedures such as cholecystectomy and herniorrhaphy have a waiting list for admission. One to two years is not an uncommon time to wait for these procedures. The "novel" method of using "payment for services" be it only a small price — has been little used as a brake on unlimited demand for services.

Some years ago, when prescription costs were soaring and the NHS was under a greater financial strain than usual, a token charge of approximately 25 cents was placed on each prescription instead of the medication being "free." During the six months following the initiation of this charge, the number of prescriptions decreased by almost 30 per cent. With an election in the offing, the government in power at the time interpreted this decrease as meaning that 30 per cent of the patients receiving a prescription from a doctor could not afford 25 cents (the cost of one-third of a packet of cigarets)! The charge was then discontinued.

Much Hard Work — Often Wholly Unnecessary

To return to the subject of my year in general practice, I was already used to working hard and long so the volume of patients seen in the office and on house calls didn't bother me too much

until I realized that at least onequarter of the patients needn't have come to see me at all on the occasion on which they did. The patient load fluctuated too closely with the midweek soccer games being played at home and with the preholiday seasons.

Certificates for sickness absence (after the fact) were always tricky and frequent. If I hinted that I suspected some hankypanky, the patient usually stuck to the story that he had come to my office but there were too many patients waiting and he felt too sick to sit there and wait. I usually handled the situation by giving the patient the certificate and saying, "Of course, I'm sure YOU were sick but some people use my certificates improperly and they may get me into lots of trouble."

Not having any X-ray facilities in the office, less than meager lab equipment, and little or no time for work-up tests, any patient seen who needed those tests had to be referred to the hospital clinics. A very few simple tests could be referred directly to the hospital lab (mainly those concerned with the diagnosis and treatment of TB) but anything approaching a blood chemistry, an EKG, or an X-ray could not be ordered by the GP directly, so the patient had to be referred to the appropriate clinic for those doctors running the clinic to decide on the tests and order them.

The result of this angle of the system, plus the difficulty of obtaining a hospital bed for acute conditions such as myocardial infarction, pneumonia, and stroke (especially stroke), meant that a GP treated many of these conditions in the patient's home without any of the ancilliary diagnostic aids which would be routine in a hospital. I recognized the satisfaction of "curing" a condition with minimal help of diagnostic equipment and lab tests but there was always that sneaking suspicion at the back of my mind that the patient may not have had the condition I thought I had cured. Without this confirming knowledge, there was no testing of one's diagnostic and therapeutic ability and so improving one's effectiveness as a physician. With my present knowledge of cardiac rhythmias which can be prevented ameliorated by information only to be gained from ancilliary equipment, I shudder at the risks the patients ran under my care.

Toward the end of my year in general practice it became clear to me that if I remained a GP under the NHS, I would be practising medicine at an unsatisfactory level both from the point of view of my own lack of opportunities to improve my abilities,

and from the point of view of my patients, as there seemed few ways of improving the quality of medical care being given. The urge to see the practice of medicine on the other side of the Atlantic increased so that when the sub-dean of my medical school asked me if I would be interested in a surgical residency in New York, I was on the boat in less than a month.

A Second Look

After a year in New York which opened my eyes to the tremendous opportunities here and the advantages of private practice. I returned to England for a time to clear up personal matters and to see if I had been mistaken about the NHS. I spent a year as Casualty Surgeon in a North Devon hospital in a charming small town from which part of the English fleet sailed to meet the Spanish Armada. My pay (\$45 a week) was three times as much as when I was a house surgeon and I was given a nicely furnished apartment, but the bureaucratic administration of the hospital was irksome and wasteful.

The GP's in the area had decided advantages over those in the metropolis and other big cities, insofar as they held appointments as surgeons, internists, and anesthetists on the hospital staff. However, as these men retired or died,

their posts were filled with fulltime specialists so the future as regards becoming an attending surgeon or a GP with hospital privileges was the same as elsewhere in the country.

Although the hospital was small (less than 200 beds) there was a veritable army of administrative assistants. Before nationalization. there had been a maintenance employee who looked after the heating system, lighting, and mechanical appliances, with occasional help from outside private firms. At the time I was there, they had a chief plumber, electrician, heating engineer, and other specialists, all under a chief maintenance officer, all complete with offices, desks, and secretaries, and inventory clerk. The hospital secretary also had a secretary. A few miles away was the governing hospital of the area, with a large administrative staff to pass on orders to the hospitals in the group: and, of course, they were passing on orders from the Ministry of Health in London.

The town badly needed a new hospital with a modern building, and the chance of one being built was nil. Since the inception of the NHS in 1948, only three new hospitals have been completed in the whole country. I would be surprised if there were any counties

in the U.S.A. that have not had at least one new hospital since 1948.

Within two years of returning to this country, I was in private practice and on the staff of three hospitals, and enjoying the immense amount of post-graduate education available in those hospitals. My office was equipped in a manner that would have been only a dream in England. The advantages of having a lab, X-ray equipment, physiotherapy equipment, an EKG machine, and an examining table that was designed to allow proper posturing of the patient, were great luxuries to me. They allowed me to offer services to my patients that to obtain under the NHS, they would have had to shuffle from clinic to clinic and hospital to hospital, hardly ever knowing who the doctor was who examined them.

I have been here permanently for 13 years now and I often wonder what sort of a physician I would be now if I had remained in England. A few years ago, my old medical school sent a list of all the old students. Reading down the list and noting their present addresses, I counted that more than half of those that graduated in my class had left England or the practice of medicine. Others must have thought as I did.

Speak for Yourself, John

LEONARD E. READ

MILLIONS of Americans realize that our politico-economic situation is askew. Yet, few are speaking their minds, that is, consulting the conscience and then saying openly and honestly what they truly think. They leave the task of speaking out to organizations and professionals and, by so doing, gain a false sense of discharging their social responsibility. My purpose here is to examine this error.

The limited role of organizations, when delving into politicoeconomic affairs, is rarely recognized by their supporters and all too seldom by the persons in charge of operations. Unless these limitations are known, such institutions must head down the wrong road — their efforts rendered useless. Happily, the potentialities for usefulness are tremendous, once the limitations are known.

An experience may help to illustrate my thesis. I had been asked to a southern city to lecture to some fifty invited guests. Among them was a brilliant, hard-headed business executive — more or less unfamiliar with our efforts. As the three-hour lecture and discussion session drew to a close, he asked in all sincerity, "I am sympathetic with your philosophy, but what is it you really want?"

My reply: "You!"

Obviously puzzled, he asked, "You mean you are not looking for money?"

"No. This is not essentially a money problem but one of brains — if I may use such loose phrasing."

"Well, you can buy brains with money, can't you?"

"Not the kind I am talking

¹ Of course, organizations have to be financed. I, however, believe no more in "looking" for money than "reaching" for converts. If the work is needed, and well enough done, adequate financing will be volunteered by those who value the efforts.

about. The intellectual qualities required to cope with the social problems we have been discussing can no more be coaxed or cajoled into existence by money than can friendship or patriotism."

Overspecialization

This executive, dedicated to his own business and typical of countless thousands of highly positioned individuals, is carrying the practice of specialization a bit too far. He has been assuming that the politico-economic waywardness of the U.S.A. can be corrected without him, that organizations can be structured to do the job, that he can give them some financial support, that there is nothing else to it! His only responsibility is check writing.

When financial backers believe this, and when those who establish and operate organizations entertain notions that they are cast in the role of helmsmen to steer the ship of state, the inevitable result is failure. Better that there be neither supporters nor organizations for this wholly unrealistic view of how improvement can be achieved. This assessment is why I replied "You" to the business executive's question. For it is you, whoever you are, not organizations, to whom we must look for solutions to politico-economic problems.

First, let us recognize what organizations cannot do. My critical conclusion stems from intimate experiences spanning 44 years: secretary of two small chambers of commerce, a decade with the National Chamber, general manager of the country's largest chamber, a brief spell as executive vicepresident of the National Industrial Conference Board, and the past 25 years as the operating head of FEE. I have learned about the limitation of organizations the hard way: organizational voices broadcast to the public or at legislatures go pretty much unheeded, claims to the contrary notwithstanding. Might as well howl at the moon.2

There is reason aplenty for the indifference and apathy that greets organizational pronouncements. Organizations designed to deal with the politico-economic realm are typed. They may or may not truly stand for any particular interest or doctrine, but they at least pretend to do so. This has been said of FEE no less than of ADA. Fence straddlers or opponents, the ones these eager and

² Some readers, observing the enormous influence of labor unions, for instance, may think this conclusion in error. Merely bear in mind that my remarks are directed only to the process of advancing enlightenment, not to the techniques of coercion, violence, warfare. In the latter case, the more troops, the more likely is "victory."

misdirected organizations "try to reach," heed them not. Why? Because these organizations are suspected of having an axe to grind!

There is, moreover, a compelling reason why pronouncements ground out by committee procedures — a common organizational feature—deserve no hearing. Having, on one occasion, 200 committees in my organization, leads me to share the harsh criticism leveled at the process by Leo Tolstoy:

From the day when the first members of councils placed exterior authority higher than interior, that is to say, recognized the decision of men united in councils as more important and more sacred than reason and conscience; on that day began the lies that caused the loss of millions of human beings and which continue their unhappy work to the present day.

Mindless Organizations

Reason and conscience originate in and find expression only in and through you or other discrete individuals. Committee resolutions or organizational positions, on the other hand, are the outcroppings of men united in council. As a rule, they represent whatever compromises are necessary to gain majority acceptance. These compromises are but stabs in the dark aimed at a position not too disagreeable and, in consequence,

they form an amalgam or potpourri substantially divorced from reason and conscience.³

Once we recognize that our social waywardness stands no chance of improvement, let alone correction, unless reason and conscience come to the rescue, and when we see that these qualities of the intellect have their source only in you, then it logically follows that you must speak for yourself. Not FEE! Not any organization! YOU!

Just before I began this treatise, two illuminating examples of you in action came to my attention. The first was from a college president, a man of unusual insight and understanding. He sent along an article of his that was about to be published. In this article he had broken his silence on our politico-economic dilemma: this was an honest, forthright expression of his insights and reactions. Integrity glowed through every word of it! Here we have reason and conscience applied worth more than all the committee resolutions ever written. knows! Perhaps others will follow his exemplary conduct. If they do. we will witness a turn toward a sound economy.

³ For a treatise of this, see the chapter, "Appoint a Committee" in my Anything That's Peaceful (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, Inc., 1964), pp. 89-107.

The second has to do with a cliché that has been thrown in our face for the past 40 years: "If socialism is so bad, as you folks claim, why does it work so effectively in Sweden?" We have known all the time that socialism has never worked in Sweden: indeed. we know that it can never work anywhere. But try to prove it! It took a you to do it, in this instance an individual on the other side of the ideological fence. The celebrated Swedish socialist, Gunnar Myrdal, remarked, "The organized welfare state has gone mad."4

You Must Decide

Suppose FEE had been on TV all of these years and had repeatedly broadcast these very words. Effect? Probably the opposite of that desired. But let the renowned Dr. Myrdal make the acknowledgment and we can cite an authority on how Swedish socialism is not working.

Having, at least to my satisfaction, settled upon you with your reason and conscience as the sole source of any effective change for the better, it is plain why we at FEE have, over the years, turned a deaf ear to the countless pleas

publicly to speak for you. Over and over again: go on TV, speak over the radio, get your works in the *Reader's Digest*, sell the masses, reform the heretics, set the politicians right, and so on! And we say in reply, "Speak for yourself, John!"

Well, where does this kind of an attitude leave FEE? What remains for us to do? Actually, a task bigger than we can ever adequately perform, a field with possibilities and challenges unlimited. What can that be? Rendering a service to YOU!

Division of labor - specialization - does, in fact, apply here but caution must be exercised lest personal responsibility be lost in some subdivision. Responsibility for a featuring freedom society choice - freedom to create, produce, to exchange, the right to the fruits of one's own labor, limited government, along with moral and spiritual antecedents - can no more appropriately be delegated than can responsibility for self. Your society is no less your problem than is your own life and welfare, thus your social responsibility can be discharged only by thinking for self and speaking for self. The requirement, I repeat, is vou!

What goes on in society – good, bad, or indifferent – has its origin in you. It follows that you must

⁴ See "White Collar Strike Forces Swedes to Question Welfare State's Future." The New York Times, February 26, 1971, p. 3.

assume responsibilities for whatever delegating is done. What sort of thing can you appropriately assign to others? Not your thinking - which is nontransferable -nor your speaking - which should reflect your convictions. Such assignment is alienation, a divorcement from one's own responsibilities. What then? Not you or I or anyone else can ever go it alone in the freedom philosophy, for it is as broad as wisdom and deep as understanding. Thus, everyone of us requires helpers. It is therefore appropriate to delegate to others such chores as befits one's own requirements: the gathering of facts and ideas, searching for the best there is in ideals and moral goals, and related aids. In a word, it is the leg work, as we say, that can appropriately be delegated, as when one selects a tutor or teacher

A Service Role

FEE's role is of this sort, that is, FEE is not an institutional spokesman nor an organization trying to "reach" anyone. Rather, ours is, one might say, no more than an agency offering such services as you may think of value in your own search and personal growth. This and nothing more!

Once we who labor within such institutional frameworks realize our humble place in the total scheme of things, then countless potentialities burst into view. The opportunities for achievement can now be seen as limitless which is by way of saying that the pursuit of excellence is a road without end. Instead of playing the utterly futile game of trying to "reach" others, we can concentrate on getting enough into our own mentalities and improving our services to the point where others will reach for us. And, by the way, we have a fair means of measuring how well we are doing: the extent to which we can, at any given time, look up to those who once looked up to us. The excellence of a teacher can be judged by the students who finally excel him. You find it useful to reach for us now and, who knows, we may soon be reaching for you!

All of this is more than likely when enough individuals heed the admonition, "Speak for yourself, John."

Downward Price Flexibility and Economic Growth

GARY NORTH

It would appear that the reasons commonly advanced as a proof that the quantity of the circulating medium should vary as production increases or decreases are entirely unfounded. It would appear also that the fall of prices proportionate to the increase in productivity, which necessarily follows when, the amount of money remaining the same, production increases, is not only entirely harmless, but in fact the only means of avoiding misdirections of production.

 $\begin{array}{c} \textbf{F. A. HAYEK,} \\ \textit{Prices and Production, p. 105} \end{array}$

ECONOMIC GROWTH is one of the chief fetishes of modern life. Hardly anyone would challenge the contemporary commitment to the aggregate expansion of goods and services. This is true of socialists, interventionists, and free enterprise advocates; if it is a question of "more" as opposed to "less," the demonstrated preference of the vast bulk of humanity is in favor of the former.

To keep the idea of growth from becoming the modern equivalent of the holy grail, the supporter of the free market is forced to add certain key qualifications to the general demand for expansion. First, that all costs of the growth process be paid for by those who by virtue of their ownership of the means of production gain access to the fruits of production. This implies that society has the right to protect itself from unwanted "spill over" effects like pollution, i.e., that the so-called social costs be converted into private costs whenever possible. 1 Second, that economic growth be induced by the voluntary activities of men cooperating on a private

¹ Cf. R. H. Coase, "The Problem of Social Cost," The Journal of Law and Economics, III (Oct., 1960). pp. 1-44; C. R. Batten, "The Tragedy of the Commons," THE FREEMAN (Oct., 1970).

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market. The state-sponsored projects of "growthmanship," especially growth induced through inflationary deficit budgets, are to be avoided.2 Third, that growth not be viewed as a potentially unlimited process over time, as if resources were in unlimited supply.3 In short, aggregate economic growth should be the product of the activities of individual men and firms acting in concert according to the impersonal dictates of a competitive market economy. It should be the goal of national governments only in the limited sense of policies that favor individual initiative and the smooth operation of the market, such as legal guarantees supporting voluntary contracts, the prohibition of violence, and so forth.

Monetary Policy

The "and so forth" is a constant source of intellectual as well as political conflict. One of the more heated areas of contention among free market economists is the issue of monetary policy. The majority of those calling themselves free market economists believe that monetary policy should not be the autonomous creation of voluntary market agreements. Instead, they favor various governmental or quasi-governmental policies that would oversee the creation. of money and credit on a national. centralized scale. Monetary policy in this perspective is an "exogenous factor" in the marketplace - something that the market must respond to rather than an internally produced, "endogenous factor" that stems from the market itself. The money supply is therefore only indirectly related to market processes; it is controlled by the central governments acting through the central bank, or else it is the automatic creation of a central bank on a fixed percentage increase per day and therefore not subject to "fine-tuning" operations of the political authorities.

A smaller number of free market advocates (myself among them) are convinced that such monopoly powers of money creation are going to be used. Power is never neutral; it is exercised according to the value standards of those who possess it.4 Money

² Colin Clark, "Growthsmanship': Fact and Fallacy," The Intercollegiate Review (Jan., 1965), and published in booklet form by the National Association of Manufacturers. On the dangers of government-sponsored growth, see also Murray N. Rothbard, Man, Economy and State (Princeton: Van Nostrand, 1962), II, pp. 837 ff.

³ Gary North, "The Theology of the Exponential Curve," THE FREEMAN (May, 1970).

⁴ F. A. Hayek, *The Road to Serfdom* (University of Chicago, 1944), is by far the best treatment of the unneutral nature of state planning boards.

is power, for it enables the bearer to purchase the tools of power, whether guns or votes. Governments have an almost insatiable lust for power, or at least for the right to exercise power. If they are granted the right to finance political expenditures through deficits in the visible tax schedules, they are empowered to redistribute wealth in the direction of the state through the invisible tax of inflation.⁵

Money, given this fear of the political monopoly of the state. should ideally be the creation of market forces. Whatever scarce economic goods that men voluntarily use as a means of facilitating market exchanges—goods that are durable, divisible, transportable, and above all scarce - are sufficient to allow men to cooperate in economic production. Money came into existence this way: the state only sanctioned an already prevalent practice.6 Generally, the two goods that have functioned best as money have been gold and silver: they both possess great historic value, though not intrinsic value (since no commodity possesses intrinsic value).⁷

Banking, of course, also provides for the creation of new money. But as Professor Mises argues, truly competitive banking - free banking - keeps the creation of new credit at a minimum, since bankers do not really trust each other, and they will demand payment in gold or silver from banks that are suspected of insolvency.8 Thus, the creation of new money on a free market would stem primarily from the discoveries of new ore deposits or new metallurgical techniques that would make available greater supplies of scarce money metals than would have been economically feasible before. It is quite possible to imagine a free market system operating in terms of nonpolitical money. The principle of voluntarism should not be excluded, a priori, from the realm of monetary policy.

Sovereignty, Efficiency, Catastrophe

There are several crucial issues involved in the theoretical dispute between those favoring centralized monetary control and free market voluntarists. First, the

⁵ Murray N. Rothbard, "Money, the State, and Modern Mercantilism," in Helmut Schoeck and James Wiggens (eds.), Central Planning and Neomercantilism (Princeton: Van Nostrand, 1964), pp. 140-43.

⁶ Ludwig von Mises, The Theory of Money and Credit (New Haven, Conn.: Yale University Press, 1953; reprinted 1971 by the Foundation for Economic Education), pp. 97-123.

⁷ Gary North, "The Fallacy of 'Intrinsic Value'," THE FREEMAN (June, 1969).

⁸ Ludwig von Mises, Human Action (New Haven, Conn.: Yale University Press, 1949), pp. 440-45.

question of constitutional sovereignty: which sphere, civil government or the market, is responsible for the administration of money? Second. the question of economic efficiency: would the plurality of market institutions interfere with the creation of a rational monetary framework? Third, and most important for this paper, is not a fundamental requirement for the growth of economic production the creation of a money supply sufficient to keep pace, proportionately, with aggregate productivity?

The constitutional question, historically, is easier to answer than the other two. The Constitution says very little about the governing of monetary affairs. The Congress is granted the authority to borrow money on the credit of the United States, a factor which has subsequently become an engine of inflation, given the legalized position of the central bank in its activity of money creation. The Congress also has the power "To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures" (Article II. Section 8). Furthermore, the states are prohibited to coin money, emit bills of credit, or "make any Thing but gold and silver Coin a Tender in Payment of Debts" (Article II, Section 9).

The Constitutional Question

The interpretation of these passages has become increasingly statist since the 1860's. Gerald T. Dunne describes his book, Monetary Decisions of the Supreme Court, in these terms: "This work traces a series of decisions of the Supreme Court which have raised the monetary power of the United States government from relative insignificance to almost unlimited authority." He goes on to write: "... the Founding Fathers regarded political control of monetary institutions with an abhorrence born of bitter experience, and they seriously considered writing a sharp limitation on such governmental activity into the Constitution itself. Yet they did not, and by "speaking in silences" gave the government they founded the nearabsolute authority over currency and coinage that has always been considered the necessary consequence of national sovereignty."9

The great push toward centralization came, understandably, with the Civil War, the first truly modern total war, with its need of new taxes and new power. From that point on, there has been a continual war of the Federal government against the limitations

⁹ Gerald T. Dunne, Monetary Decisions of the Supreme Court (New Brunswick, N. J.: Rutgers University Press, 1960), preface.

imposed by a full gold coin standard of money. ¹⁰ It is all too clearly an issue of sovereignty: the sovereignty of the political sphere against that of individuals operating in terms of voluntary economic transactions.

The Matter of Efficiency

The second question is more difficult to answer. Would the plurality of monetary sovereignties within the over-all sovereignty of a competitive market necessarily be less efficient than a money system created by central political sovereignty? As a corollary, are the time, capital, and energy expended in gold and silver mining worse spent than if they had gone into the production of consumer goods?

In the short run and in certain localized areas, plural monetary sovereignties might not be competitive. A local bank could conceivably flood a local region with unbacked fiat currency. But these so-called wildcat banking operations, unless legally sanctioned by state fractional reserve licenses (deceptively called limitations), do not last very long. People discount

the value of these fiat bills, or else make a run on the bank's vaults. The bank is not shielded by political sovereignty against the demands of its creditors. In the long run it must stay competitive, earning its income from services rather than the creation of fiat money. With the development of modern communications that are almost instantaneous in nature, frauds of this kind become more difficult.

The free market is astoundingly efficient in communicating knowledge. The activity of the stock market, for example, in response to new information about a government policy or a new discovery. indicates the speed of the transfer of knowledge, as prices are rapidly raised or lowered in terms of the discounted value that is expected to accrue because of the new conditions.11 The very flexibility of prices allows new information to be assimilated in an economically efficient manner. Why, then, are changes affecting the value of the various monetary units assumed to be less efficiently transmitted by the free market's mechanism than by the political sovereign? Why is the enforced

¹⁰ Paul Bakewell, a lawyer who has specialized in the history of monetary law in the United States, has chronicled this warfare in What Are We Using for Money? (Princeton: Van Nostrand, 1952) and 13 Curious Errors About Money (Caldwell, Idaho: Caxton, 1962).

¹¹ The best book on the free market and knowledge transmission is Henry G. Manne, Insider Trading and the Stock Market (New York: Free Press, 1966). Cf. Manne, "Insider Trading and the Law Professors," Vanderbilt Law Review, XXIII (1970), pp. 547-630.

stability of fixed monetary ratios so very efficient and the enforced stability of fixed prices on any other market so embarrassingly inefficient? Why is the market incapable of arbitrating the value of gold and silver coins (domestic vs. domestic domestic vs. foreign), when it is thought to be so efficient at arbitrating the value of gold and silver jewelry? Why is the market incapable of registering efficiently the value of gold in comparison to a currency supposedly fixed in relation to gold?

The Market Way

The answer should be obvious: it is because the market is so efficient at registering subtle shifts in values between scarce economic goods that the political sovereigns ban the establishment of plural monetary sovereignties. It is because any disparity economically between the value of fiat currency supposedly linked to gold and the market value of gold exposes the ludicrous nature of the hypothetical legal connection, which in fact is a legal fiction, that the political sovereignty assumes for itself a monopoly of money creation. It is not the inefficiency of the market in registering the value of money but rather its incomparable efficiency that has led to its position of imposed isolation in monetary

affairs. Legal fictions are far more difficult to impose on men if the absurdity of that fiction is exposed, hour by hour, by an autonomous free market mechanism.

Would there not be a chaos of competing coins, weights, and fineness of monies? Perhaps, for brief periods of time and in local, semi-isolated regions. But the market has been able to produce light bulbs that fit into sockets throughout America, and plugs that fit into wall sockets, and railroad tracks that match many companies' engines and cars. To state. a priori, that the market is incapable of regulating coins equally well is, at best, a dangerous statement that is protected from critical examination only by the empirical fact of our contemporary political affairs.

Changes in the stock of gold and silver are generally slow. Changes in the "velocity of monev" - the number of exchanges within a given time period - are also slow, unless the public expects some drastic change, like a devaluation of the monetary unit by the political authority. These changes can be predicted within calculable limits; in short, the economic impact of such changes can be discounted. They are relatively fixed in magnitude in comparison to the flexibility provided by a government printing press or a central bank's brand new IBM computer. The limits imposed by the costs of mining provide a continuity to economic affairs compared to which the "rational planning" of central political authorities is laughable.

What the costs of mining produce for society is a restrained state. We expend time and capital and energy in order to dig metals out of the ground. Some of these metals can be used for ornament. or electronic circuits, or for exchange purposes; the market tells men what each use is worth to his fellows, and the seller can respond accordingly. The existence of a free coinage restrains the capabilities of political authorities to redistribute wealth, through fiat money creation, in the direction of the state. That such a restraint might be available for the few millions spent in mining gold and silver out of the ground represents the greatest potential economic and political bargain in the history of man. To paraphrase another patriot: "Millions for mining, but not one cent in tribute."

Possibilities of Prediction

By reducing the parameters of the money supply by limiting money to those scarce economic goods accepted voluntarily in exchange, *prediction* becomes a real possibility. Prices are the free market's greatest achievement in reducing the irrationality of human affairs. They enable us to predict the future. Profits reward the successful predictors, losses greet the inefficient forecasters, thus reducing the extent of their influence. The subtle day-to-day shifts in the value of the various monies would, like the equally subtle day-to-day shifts in value of all other goods and services, be reflected in the various prices of monies, vis-a-vis each other. Professional speculators (predictors) could act as arbitrators between monies. The price of buving pounds sterling or silver dollars with my gold dollar would be on request, probably available published daily in the newspaper. Since any price today reflects the supply and demand of the two goods to be exchanged, and since this in turn reflects the expectations of all participants of the value of the items in the future. discounted to the present. free pricing brings thousands and even millions of forecasters into the market. Every price reflects the composite of all predictors' expectations. What better means could men devise to unlock the secrets of the future? Yet monetary centralists would have us believe that in monetary affairs, the state's experts are the best source of economic continuity, and that they

are more efficient in setting the value of currencies as they relate to each other than the market could be.

What we find in the price-fixing of currencies is exactly what we find in the price-fixing of all other commodities: periods of inflexible, politically imposed "stability" interspersed with great economic discontinuities. The old price shifts to some wholly new, wholly unpredictable, politically imposed price, for which few men have been able to take precautions. It is a rigid stability broken by radical shifts to some new rigidity. It has nothing to do with the fluid continuity of flexible market pricing. Discontinuous "stability" is the plaque of politically imposed prices, as devaluations come in response to some disastrous political necessity, often internationally centered, involving the prestige of many national governments. It brings the rule of law into disrepute, both domestically and internationally. Sooner or later domestic inflation comes into conflict with the requirements of international solvency.12

For those who prefer tidal waves to the splashing of the surf, for those who prefer earthquakes to slowly shifting earth

movements, the rationale of the political monopoly of money may appear sane. It is strange that anyone else believes in it. Instead of the localized discontinuities associated with private counterfeiting, the state's planners substitute complete, centralized discontinuities. The predictable market losses of fraud (which can be insured against for a fee) are regarded as intolerable, yet periodic national monetary catastrophes like inflation, depression, and devaluation are accepted as the "inevitable" costs of creative capitalism. It is a peculiar ideology.

Flexible or Inflexible Prices

The third problem seems to baffle many well-meaning free market supporters. How can a privately established monetary system linked to gold and silver expand rapidly enough to facilitate business in a modern economy? How can new gold and silver enter the market rapidly enough to "keep pace," proportionately, with an expanding number of free market transactions? The answer seems too obvious: the expansion of a specie-founded currency system cannot possibly grow as fast as business has grown in the last century. Since the answer is so obvious, something must be wrong with the question. There is something wrong; it has to do with the

¹² Gary North, "Domestic Inflation versus International Solvency," THE FREEMAN (Feb., 1967).

invariable underlying assumption of the question: today's prices are downwardly inflexible.

It is a fact that many prices are inflexible in a downward direction. or at least very, very "sticky." For example, wages in industries covered by minimum wage legislation are as downwardly inflexible as the legislatures that have set them. Furthermore, wages in industries covered by the labor union provisions of the Wagner Act of 1935 downwardly inflexible, for such unions are legally permitted to exclude competing laborers who would work for lower wages. Products that come under laws establishing "fair trade" prices, or products undergirded by price floors established by law, are not responsive to economic conditions requiring a downward revision of prices. The common feature of the majority of downwardly inflexible prices is the intervention of the political sovereignty.

The logic of economic expansion should be clear enough: if it takes place within a relatively fixed monetary structure, either the velocity of money will increase (and there are limits here) or else prices in the aggregate will have to fall. If prices are not permitted to fall, then many factors of production will be found to be uneconomic and therefore unemployable. The evidence in favor of this law of eco-

nomics is found every time a depression comes around (and they come around just as regularly as the government-sponsored monetary expansions that invariably precede them¹³). Few people interpret the evidence intelligently.

May

Labor union leaders do not like unemployed members. They do not care very much about unemployed nonmembers, since these men are unemployed in order to permit the higher wages of those within the union. Business owners and managers do not like to see unemployed capital, but they want high rates of return on their capital investments even if it should mean bankruptcy for competitors. So when falling prices appear necessary for a marginal firm to stav competitive, but when it is not efficient enough to compete in terms of the new lower prices for its products, the appeal goes out to the state for "protection." Protection is needed from nasty customers who are going to spend their hard-earned cash or credit elsewhere. Each group resists lower returns on its investment - labor or financial - even in the face of the biggest risk of all: total unemployment. And if the state intervenes to protect these vested

¹³ Mises, Human Action, ch. 20. For a survey of the literature generated by Mises' theory, see Gary North, "Repressed Depression," THE FREEMAN (April, 1969).

interests, it is forced to take steps to insure the continued operation of the firms.

It does so through the means of an expansion of the money supply. It steps in to set up price and wage floors; for example, the work of the NRA in the early years of the Roosevelt administration. Then the inflation of the money supply raises aggregate prices (or at least keeps them from falling), lowers the real income from the fixed money returns, and therefore "saves" business and labor. This was the "genius" of the Keynesian recovery, only it took the psychological inducement of total war to allow the governments to inflate the currencies sufficiently to reduce real wages sufficiently to keep all employed, while simultaneously creating an atmosphere favoring the imposition of price and wage controls in order to "repress" the visible signs of the inflation, i.e., even higher money prices. So prices no longer allocated efficiently; ration stamps, priority slips, and other "hunting licenses" took the place of an integrated market pricing system. So did the black market.

Repressed Depression

Postwar inflationary pressures have prevented us from falling into reality. Citizens will not face the possibility that the depression of the 1930's is being repressed through the expansion of the money supply, an expansion which is now threatening to become exponential.¹⁴ No, we seem to prefer the blight of inflation to the necessity of an orderly, generally predictable downward drift of aggregate prices.

Most people resist change. That, in spite of the hopes and footnoted articles by liberal sociologists who enjoy the security of tenure. Those people who do welcome change have in mind familiar change, potentially controllable change, change that does not rush in with destruction. Stability, law. order: these are the catchwords even in our own culture, a culture that has thrived on change so extensive that nothing in the history of man can compare with it. It should not be surprising that the siren's slogan of "a stable price level" should have lured so many into the rocks of economic inflexibility and monetary inflation.

Yet a stable price level requires, logically, stable conditions: static tastes, static technology, static resources, static population. In short, stable prices demand the end of history. The same people who demand stable prices, whether socialist, interventionist, or monetarist, simultaneously call for increased economic production. What

¹⁴ North, "Theology," op. cit.

they want is the fulfillment of that vision restricted to the drunken of the Old Testament: "... tomorrow shall be as this day, and much more abundant" (Isaiah 56:12). The fantasy is still fantasy; tomorrow will not be as today, and neither will tomorrow's price structure.

Fantasy in economic affairs can lead to present euphoria and ultimate miscalculation. Prices change. Tastes change. Productivity changes. To interfere with those changes is to reduce the efficiency of the market; only if your goal is to reduce market efficiency would the imposition of controls be rational. To argue that upward prices, downward prices, or stable prices should be the proper arrangement for any industry over time is to argue nonsense. An official price can be imposed for a time, of course, but the result is the misallocation of scarce resources, a misallocation that is mitigated only by the creation of a black market

Stable Prices

There is one sense in which the concept of stable prices has validity. Prices on a free market ought to change in a stable, generally predictable, continuous manner. Price (or quality) changes should be continual (since economic conditions change) and hopefully con-

tinuous (as distinguished from discontinuous, radical) in nature. Only if some exogenous catastrophe strikes the society should the market display radical shifts in pricing. Monetary policy, ideally, should contribute no discontinuities of its own—no disastrous, aggregate unpredictabilities. This is the only social stability worth preserving in life: the stability of reasonably predictable change.

The free market, by decentralizing the decision-making process, by rewarding the successful predictors and eliminating (or at least restricting the economic power of) the inefficient forecasters, and by providing a whole complex of markets, including specialized markets of valuable information of many kinds, is perhaps the greatest engine of economic continuity ever developed by men. That continuity is its genius. It is a continuity based, ultimately, on its flexibility in pricing its scarce economic resources. To destroy that flexibility is to invite disaster.

The myth of the stable price level has captured the minds of the inflationists, who seek to impose price and wage controls in order to reduce the visibility of the effects of monetary expansion. On the other hand, stable prices have appeared as economic nirvana to conservatives who have thought it important to oppose price in-

flation. They have mistaken a tactical slogan - stable prices - for the strategic goal. They have lost sight of the true requirement of a free market, namely, flexible prices. They have joined forces with Keynesians and neo-Keynesians: they all want to enforce stability on the "bad" increasing prices (labor costs if you're a conservative, consumer prices if you're a liberal), and they want few restraints on the "good" upward prices (welfare benefits if you're a liberal, the Dow Jones average if vou're a conservative). Everyone is willing to call in the assistance of the state's authorities in order to guarantee these effects. The authorities respond.

What we see is the "ratchet effect." A wage or price once attained for any length of time sufficient to convince the beneficiaries that such a return is "normal" cannot, by agreed definition, be lowered again. The price cannot slip back. It must be defended. It must be supported. It becomes an ethical imperative. Then it becomes the object of a political campaign. At that point the market is threatened.

Conclusion

The defense of the free market must be in terms of its capacity to expand the range of choices open to free men. It is an ethical defense. Economic growth that does not expand the range of men's choices is a false hope. The goal is not simply the expansion of the aggregate number of goods and services. It is no doubt true that the free market is the best means of expanding output and increasing efficiency, but it is *change* that is constant in human life, not expansion or linear development. There are limits on secular expansion.¹⁵

Still, it is reasonable to expect that the growth in the number of goods and services in a free market will exceed the number of new gold and silver discoveries. If so, then it is equally reasonable to expect to see prices in the aggregate in a slow decline. In fact, by calling for increased production, we are calling for lower prices, if the market is to clear itself of all goods and services offered for sale. Falling prices are no less desirable in the aggregate than increasing aggregate productivity. They are economic complements.

Businessmen are frequently heard to say that their employees are incapable of understanding that money wages are not the important thing, but real income is. Yet these same employers seem

¹⁵ P. T. Bauer, Economic Analysis and Policy in Underdeveloped Countries (Cambridge and Duke University Presses, 1957), p. 113.

incapable of comprehending that profits are not dependent upon an increasing aggregate price level. It does not matter for aggregate profits whether the price level is falling, rising, or stable. What does matter is the entrepreneur's ability to forecast future economic conditions, including the direction of prices relevant to his business. Every price today includes a component based on the forecast of buyer and seller concerning the state of conditions in the future. If a man on a fixed income wants to buy a product, and he expects the price to rise tomorrow, he logically should buy today; if he expects the price to fall, he should wait. Thus, the key to economic success is the accuracy of one's discounting, for every price reflects in part the future price, discounted to the present. The aggregate level of prices is irrelevant: what is relevant is one's ability to forecast particular prices.

It is quite likely that a falling price level (due to increased production of non-monetary goods and services) would require more monetary units of a smaller denomination. But this is not the same as an increase of the aggregate money supply. It is not monetary inflation. Four quarters can be added to the money supply without inflation so long as a

paper one dollar bill is destroyed. The effects are not the same as a simple addition of the four quarters to the money supply. The first example conveys no increase of purchasing power to anyone: the second does. In the first example, no one on a fixed income has to face an increased price level or an empty space on a store's shelf due to someone else's purchase. The second example forces a redistribution of wealth, from the man who did not have access to the four new quarters into the possession of the man who did. The first example does not set up a boom-bust cycle; the second does.16

Prices Would Not Fall to Zero

Prices in the aggregate can fall to zero only if scarcity is entirely eliminated from the world, i.e., if all demand can be met for all goods and services at zero price. That is not our world. Thus, we can safely assume that prices will not fall to zero. We can also assume that there are limits on production. The same set of facts assures both results: scarcity guarantees a limit on falling prices and a limit on aggregate production. But there is nothing incompatible between economic growth and falling prices. Far

¹⁶ North, "Repressed Depression," op. cit.

from being incompatible, they are complementary. There should be no need to call for an expansion of the money supply "at a rate proportional to increasing productivity."

It is a good thing that such an expansion is not necessary, since it would be impossible to measure such proportional rates. It would require whole armies of government-paid statisticians to construct an infinite number of price indexes. If this were possible, then socialism would be as efficient as the free market 17 Infinite knowledge is not given to men, not even to government statistical boards. Even Arthur Ross, the Department of Labor's commissioner of labor statistics, and a man who thinks the index number is a usable device, has to admit that it is an inexact science at best. 18 Government statistical indexes are used, in the last analysis, to expand the government's

control of economic affairs. That is why the government needs so many statistics.¹⁹

State Control of Money a Major Cause of Instability

The quest for the neutral monetary system, the commodity dollar, price index money, and all other variations on this theme has been as fruitless a quest as socialists, Keynesians, social credit advocates, and government statisticians have ever embarked on. It presupposes a sovereign political state with a monopoly of money creation. It presupposes an omniscience on the part of the state and its functionaries that is utopian. It has awarded to the state. by default, the right to control the central mechanism of all modern market transactions, the money supply. It has led to the nightmare of inflation that has plagued the modern world, just as this same sovereignty plagued Rome in its declining years. But at least in the case of Rome it was a reasonable claim, given the theological presupposition of the ancient world (excluding the Hebrews and the Christians) that the state is divine, either in and of itself or as a function of the divinity of the ruler. Rulers were

¹⁷ F. A. Hayek (ed.), Collectivist Economic Planning (London: Routledge & Kegan Paul, 1935). This line of reasoning was first introduced to a wide audience by Mises. Cf. Mises, Socialism (New Haven, Conn.: Yale University Press, 1951), pt. II, sect. I. For a survey of this literature, see Gary North, Marx's Religion of Revolution (Nutley, N. J.: Craig Press, 1968), pp. 173-94.

¹⁸ Arthur M. Ross, "Measuring Prices: An Inexact Science." The Wall Street Journal (Feb. 10. 1966). Cf. Melchior Palyi, An Inflation Primer (Chicago: Regnery, 1962), p. 4.

¹⁹ Murray N. Rothbard, "Statistics: Achilles' Heel of Government," THE FREE-MAN (June 1961).

theoretically omniscient in those days. Even with omniscience, their monetary systems were subject to ruinous collapse. Odd that men would expect a better showing from an officially secular state that recognizes no divinity over it or under it. Then again, perhaps a state like this assumes the function of the older, theocratic

state. It recognizes no sovereignty apart from itself. And like the ancient kingdoms, the sign of sovereignty is exhibited in the monopoly over money.²⁰

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²⁰ On the use of the coinage by the Roman emperors to announce their own divine apotheoses, see Ethelbert Stauffer, Christ and the Caesars (Philadelphia: Westminster Press, 1955).

THE CRISIS IN CONSTRUCTION

THIRTY YEARS AGO Thurman Arnold, the great trust buster who was by no means a coddler of capitalists, used to prove his obiectivity by excoriating the labor unions in the building trades for their own monopolistic practices. On the surface there hasn't been much change in the construction industry since Arnold's heyday, as M. R. Lefkoe makes plain in his The Crisis in Construction: There Is An Answer (Bureau of National Affairs, Inc., BNA Books, Washington, D. C., \$12.50). However, Mr. Lefkoe happens to be more solution-minded than Thurman Arnold ever was, which may make a difference.

The first part of Mr. Lefkoe's study lists the "labor-related problems" in the industry and gives a long and lugubrious explanation of the major causes of the problems. The problems include a dras-

tic shortage of skilled manpower, escalating wage rates, the excessive cost of overtime, loss of management control, unethical practices, and special government interference (though this particular problem may be mitigated by the recent suspension of the Davis-Bacon Act, which has required the Federal government to match on its own projects the highest pay in any given area).

The causes of the problems are mainly bound up with the fragmented nature of the industry. Contractors don't ordinarily "sell" their services; they wait for the orders to come, and then, if they are in the general contracting business, they assemble the needed skills by paying subcontractors to carry out the various phases of the on-site work. The general contractor has to take labor as he finds it; he finds him-

self dealing with a whole host of craft unions that have their own jurisdictional disputes.

Simply because he is merely an assembler of subcontractors, the general contractor does not train his own labor. The crafts control apprentice systems. their own And, since they are better organized than their employers, the crafts maintain a more effective political lobby. Not only do they artificially restrict the available supply of labor, they also put their political clout behind maintaining all sorts of code restrictions on the type of building methods and materials that may be used. In addition to the code restrictions there are such things as the licensing of plumbers and electricians. Finally, there are our onesided labor laws which tell the unions that they have the right to do things that are prohibited to management under the antitrust laws.

Wide-Ranging Problems Boil Down to Coercive Power

Mr. Lefkoe's recital of the causes of the problems is wideranging, but most every problem is aggravated by the coercive power which the unions get from government. Indeed, coercive power seems to be the only problem. Even the seasonal shut-downs, which waste as much as two months of the year in the northern United States, derive from the fact that the unions turn their face against the use of prefabricated sections that would enable the builder to erect basic weatherproof shells during breaks in the winter cold. "Municipal building codes," so Mr. Lefkoe quotes from an official report, "sometimes needlessly restrict the use of materials or methods that would facilitate cold weather construction."

The root trouble in the industry comes from union control of the manpower supply, which is permitted by the government despite the fact that the Taft-Hartley Act supposedly outlawed the closed shop. By running their own restrictive apprentice system, the construction unions limit. the number of newcomers in the various crafts. By keeping skilled labor scarce, the unions make sure of both high hourly wages and really cushy overtime. The excuse is that the overtime is needed to make up for the lack of employment in the winter. But the excuse doesn't help the client who must pay the bills on a man-hour basis that pertains only to his particular building job. By limiting the apprentices, the unions deny the Negroes, latecomers to our northern centers of population, the opportunity to become skilled workers. So we have a social problem

piled on top of an economic problem.

New Role for Contractor

Taking the bull by the horns, Mr. Lefkoe urges an entirely new approach to the basic problem of construction manpower recruitment. He suggests that the general contractor had better assume total responsibility for the projects he undertakes. Under this scheme the contractor would hire and train all his specialists, both on- and off-site. By using the "systems" approach, the new-style contractor would run his own material development programs, his own apprentice schools, his own market research. Instead of waiting for jobs he would plan and erect buildings on his own for rental, or for selling. In short, he would act as a modern business enterpriser, not as someone who merely hangs out his shingle and waits for the client to come to him. Finally, the new-style contractor would form his own Construction Industry Action Organization and get busy with a campaign to rid the land of archaic building codes.

The beauty of Mr. Lefkoe's proposal is that it would by-pass the problem of changing the Taft-Hartley Act and the Landrum-Griffin Act. Nobody could stop a new-style contractor from doing his own hiring and training if he

was prepared to do an across-theboard job of providing the client with all the necessary skills and crafts. The jurisdictional element would disappear. Industrial unionism might, of course, replace craft unionism under the new-style contractor. But the hiring hall would have disappeared. Even in cases where labor might bargain successfully for a union shop, the new-style contractor would be able to keep it an open union by hiring as many new people as he wanted and then turning them over to union membership after the apprentice period was completed.

Signs of Change

Is this all a dream? Mr. Lefkoe admits the difficulties, but notes that a few contractors are experimenting in his direction. And nonconstruction companies that need a lot of new plant expansion are also in the business of doing their own construction by hiring and training their own building crews.

Though Mr. Lefkoe is unrelenting in blaming the government for the woes of the construction industry, he misses one salient point. The shortage of skilled labor, and the high costs that result from this, are not entirely to be blamed on the unions' government-protected apprentice system. They can be blamed in part on the plethora of government building

projects that have come in with the growth of the Welfare State. If we had had less public housing ("the slums of tomorrow") there would have been less competition with the private market for the available labor supply. Again, the suspension of the Davis-Bacon Act, a suspension that will lower the cost of government construction, may mitigate this somewhat. But the failure to deal with the question of government building elephantiasis is the one weak spot in Mr. Lefkoe's generally excellent study.

The Trend—and the Alternative

If WE CONTINUE along the route marked by such legislation as Robinson-Patman and Landrum-Griffin, we shall, I believe, eventually break down in one way or another. We shall either strangle ourselves in bureaucratic red tape, corrupt our bureaucracy so that we can get something done, or so hamper the activity of our private associations that full socialism will seem the only reasonable way out.

IDEAS ON

The realistic alternative is to rid ourselves of special privilege and the companion welfare-state idea that government is an all-purpose device fit to solve all our problems. In order to do this it is necessary to refute all totalitarian ideas, whether of the Marxian or Keynesian varieties, and to take up again the development of free-market principles with a full understanding of the theory and practice of the free society.

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HENRY HAZLITT

THE HISTORY of poverty is almost the history of mankind. The ancient writers have left us few specific accounts of it. They took it for granted. Poverty was the normal lot.

The ancient world of Greece and Rome, as modern historians reconstruct it, was a world where houses had no chimneys, and houses heated in cold weather by a fire on a hearth or a fire-pan in the center of the room, were filled with smoke whenever a fire was started, and where consequently the walls, ceiling, and furniture were blackened and more or less covered by soot at all times; where light was supplied by smoky oil lamps which, like the houses in which they were used, had no

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

chimneys, and where eye-trouble as a result of all this smoke was general. Greek dwellings had no heat in winter, no adequate sanitary arrangements, and no washing facilities.¹

Above all there was hunger and famine, so chronic that only the worst examples were recorded. We learn from the Bible how Joseph advised the pharaohs on famine relief measures in ancient Egypt. In a famine in Rome in 436 B.C., thousands of starving people threw themselves into the Tiber.

Conditions in the Middle Ages were no better:

"The dwellings of medieval laborers were hovels—the walls made of a few boards cemented with mud and leaves. Rushes and reeds or heather made the thatch

¹ E. Parmalee Prentice, Hunger and History (Harper & Bros., 1939), pp. 39-40.

for the roof. Inside the houses there was a single room, or in some cases two rooms, not plastered and without floor, ceiling, chimney, fireplace, or bed, and here the owner, his family, and his animals lived and died. There was no sewage for the houses, no drainage, except surface drainage for the streets, no water supply beyond that provided by the town nump, and no knowledge of the simplest forms of sanitation. 'Rve and oats furnished the bread and drink of the great body of the people of Europe.' . . . 'Precariousness of livelihood, alternations between feasting and starvation, droughts, scarcities, famines, crime, violence, murrains, scurvy, leprosy, typhoid diseases, wars, pestilences and plagues' - made part of medieval life to a degree with which we are wholly unacquainted in the western world of the present day."2

Frequent Famines

And, ever-recurring, there was famine:

"In the eleventh and twelfth centuries famine [in England] is recorded every fourteen years, on an average, and the people suffered twenty years of famine in two hundred years. In the thirteenth century the list exhibits the same proportion of famine; the addition of high prices made the

proportion greater. Upon the whole, scarcities decreased during the three following centuries; but the average from 1201 to 1600 is the same, namely, seven famines and ten years of famine in a century."³

One writer has compiled a detailed summary of twenty-two famines in the thirteenth century in the British Isles, with such typical entries as: "1235: Famine and plague in England; 20,000 persons die in London; people eat horseflesh, bark of trees, grass, etc."

But recurrent starvation runs through the whole of human history. The *Encyclopaedia Britannica* lists thirty-one major famines from ancient times down to 1960. Let us look first at those from the Middle Ages to the end of the eighteenth century:

1005: famine in England. 1016: famine throughout Europe. 1064-72: seven years' famine in Egypt. 1148-59: eleven years' famine in India. 1344-45: great famine in India. 1396-1407: the Durga Devi famine in India, lasting twelve years. 1586: famine in England

² Ibid., pp. 15-16.

³ William Farr, "The Influence of Scarcities and of the High Prices of Wheat on the Mortality of the People of England," Journal of the Royal Statistical Society, Feb. 16, 1846, Vol. IX, p. 158.

⁴ Cornelius Walford, "The Famines of the World," Journal of the Royal Statistical Society, March 19, 1878, Vol. 41, p. 433.

giving rise to the Poor Law system. 1661: famine in India; no rain fell for two years. 1769-70: great famine in Bengal; a third of the population – 10 million persons – perished. 1783: the Chalisa famine in India. 1790-92: the Deji Bara, or skull famine in India, so called because the dead were too numerous to be buried.⁵

This list is very incomplete—as probably any list would be. In the winter of 1709, for example, in France, more than a million persons, according to the figures of the time, died out of a population of 20 millions.⁶ In the eighteenth century, in fact, France suffered eight famines, culminating in the short crops of 1788, which were one of the causes of the Revolution.

I am sorry to be dwelling in such detail on so much human misery. I do so only because mass starvation is the most obvious and intense form of poverty, and this chronicle is needed to remind us of the appalling dimensions and persistence of the evil.

Thomas R. Malthus

In 1798, a young English country parson, Thomas R. Malthus, delving into this sad history, anonymously published an *Essay*

on the Principles of Population as it affects the Future Improvement of Society. His central doctrine was that there is a constant tendency for population to outgrow food supply and production. Unless checked by self-restraint, population will always expand to the limit of subsistence, and will be held there by disease, war, and ultimately famine. Malthus was an economic pessimist, viewing poverty as man's inescapable lot. He influenced Ricardo and the other classical economists of his time. and it was the general tone of their writings that led Carlyle to denounce political economy as "the Dismal Science."

Malthus had in fact uncovered a truth of epoch-making importance. His work first set Charles Darwin on the chain of reasoning which led to the promulgation of the theory of evolution by natural selection. But Malthus greatly overstated his case, and neglected to make essential qualifications. He failed to see that, once men in any place (it happened to be his own England) succeeded in earning and saving a little surplus, made even a moderate capital accumulation, and lived in an era of political freedom and protection for property, their liberated industry, thought, and invention could at last make it possible for them enormously and accelera-

⁵ Article "Famine," 1965 edition.

⁶ Gaston Bouthoul, La population dans la monde, pp. 142-43.

tively to multiply per capita production beyond anything achieved or dreamed of in the past. Malthus announced his pessimistic conclusions just in the era when they were about to be falsified.

The Industrial Revolution had begun, but nobody had yet recognized or named it. One of the consequences of the increased production it led to was to make possible an unparalleled increase in population. The population of England and Wales in 1700 is estimated to have been about 5,500,-000; by 1750 it had reached some 6,500,000. When the first census was taken in 1801 it was 9.000,000; by 1831 it had reached 14,000,000. In the second half of the eighteenth century population had thus increased by 40 per cent, and in the first three decades of the nineteenth century by more than 50 per cent. This was not the result of any marked change in the birth rate, but of an almost continuous fall in the death rate. People were now producing the food supply and other means to support a greater number of them.7

This accelerating growth in population continued. The enormous forward spurt of the world's population in the nineteenth century was unprecedented in human experience. "In one century, humanity added much more to its total volume than it had been able to add during the previous million years."

Starvation in Recent Times

But we are getting ahead of our story. We are here concerned with the long history of human poverty and starvation, rather than with the short history of how mankind began to emerge from it. Let us come back to the chronicle of famines, this time from the beginning of the nineteenth century:

1838: intense famine in North-Western Provinces (Uttar Pradesh), India; 800,000 perished. 1846-47: famine in Ireland, resulting from the failure of the potato crop. 1861: famine northwest India. 1866: famine in Bengal and Orissa: 1,000,000 perished. 1869: intense famine in Rajputana; 1,500,000 perished. famine in Bihar, India. 1876-78: famine in Bombay, Madras, and Mysore: 5,000,000 perished. 1877-78: famine in north China; 9,500,000 said to have perished, 1887-89; famine in China. 1891-92: famine in Russia, 1897: famine in India; 1,000,000 perished, 1905; famine in Russia,

⁷ T. S. Ashton. *The Industrial Revolution (1760-1830)* (Oxford University Press, 1948.), pp. 3-4.

⁸ Henry Pratt Fairchild, "When Population Levels Off," Harper's Magazine, May, 1938, Vol. 176, p. 596.

1916: famine in China. 1921: famine in the U.S.S.R., brought on by communist economic policies; at least 10,000,000 persons seemed doomed to die, until the American Relief Administration, headed by Herbert Hoover, came in and reduced direct deaths to about 500,000. 1932-33: famine again in the U.S.S.R., brought on by Stalin's farm collectivization policies; "millions of deaths." 1943: famine in Bengal; about 1,500,000 perished. 1960-61: famine in the Congo.9

Industrialization Prevents Famine in Western World

We can bring this dismal history down to date by mentioning the famines in recent years in Communist China and the warcreated famine of 1968-70 in Biafra.

The record of famines since the end of the eighteenth century does, however, reveal one striking difference from the record up to that point. Mass starvation did not fall on a single country in the now industrialized Western world. (The sole exception is the potato famine in Ireland; and even that is a doubtful exception because the Industrial Revolution had barely touched mid-nineteenth

century Ireland — still a one-crop agricultural country.)

It is not that there have ceased to be droughts, pests, plant diseases, and crop failures in the modern Western world, but that when they occur there is no famine, because the stricken countries are quickly able to import foodstuffs from abroad, not only because the modern means of transport exist, but because, out of their industrial production, these countries have the means to pay for such foodstuffs.

In the Western world today, in other words, poverty and hunger—until the mid-eighteenth century the normal condition of mankind—have been reduced to a residual problem affecting only a minority; and that minority is being steadily reduced.

But the poverty and hunger still prevailing in the rest of the world, in most of Asia, of Central and South America, and of Africa — in short, even now afflicting the great majority of mankind — show the appalling dimensions of the problems still to be solved.

And what has happened and is still happening in many countries today serves to warn us how fatally easy it is to destroy all the economic progress that has already been achieved. Foolish governmental interferences led the Argentine, once the world's principal

⁹ From articles "Famine" and "Russia," Encyclopedia Britannica, 1965 edition.

producer and exporter of beef, to forbid in 1971 even domestic sale of beef on alternate weeks. Soviet Russia, one of whose chief economic problems before it was communized was to find an export market for its huge surplus of grains, has been forced to import grains from the capitalist countries. One could go on to cite scores of other examples, with ruinous consequences, all brought on by short-sighted governmental policies.

More than thirty years ago, E. Parmalee Prentice was pointing out that mankind has been rescued from a world of want so quickly that the sons do not know how their fathers lived:

"Here, indeed, is an explanation of the dissatisfaction with conditions of life so often expressed, since men who never knew want such as that in which the world lived during many by-gone centuries, are unable to value at its true worth such abundance as now exists, and are unhappy because it is not greater."10

How prophetic of the attitude of rebellious youth in the 1970's! The great present danger is that impatience and ignorance may combine to destroy in a single generation the progress that it took untold generations of mankind to achieve.

"Those who cannot remember the past are condemned to repeat it."

10 Hunger and History (Harper & Bros., 1939), p. 236.

Creative Energy

IDEAS ON

∆|∆ LIBERTY At one time or another, every conceivable form of authority has been tried, but each has failed for the simple reasons that:

- 1. Only an individual human being can generate human energy.
- 2. Only an individual human being can control the energy he generates.

The lack of understanding of these simple, basic truths has, for over 6,000 years, stagnated human progress and kept the vast majority of people underfed, poorly clothed, embroiled in wars, and dying from famine and pestilence.

PAUL L. POIROT



UNLESS you use tires on your car, the headline might have meant nothing to you: Michelin Unit Pays Union \$250,000 for Not Working.¹

The French tire manufacturing company estimated the man hours it would take for union workers to assemble tire-making machinery in its plants being built at Granton and Bridgewater in Canada, and agreed to pay the union \$250,000 if the men stop insisting that they do the job.

Michelin wanted its own experienced workers to install the specialized machinery and equipment, rather than have it done by the millwrights of Local 1178 of the United Brotherhood of Carpenters and Joiners. The payment was offered to the union, on behalf of some 60 millwrights, to avert the possible loss of several million dol-

lars due to the direct and indirect repercussions of threatened strike action.

Just what does it mean to a tire user if one of the manufacturers - in this case, a Canadian branch of a French firm-spends \$250,000 to avoid the possible loss of several million dollars? Does it mean higher-priced tires, or lower-priced tires, or what? We probably can't know for sure. Is this Canadian branch of Michelin Tire the marginal producer who would driven out of business by costly strike action? If so, his going out of business might well have resulted in higher-priced tires. And paying 60 union members not to work, if it kept a marginal producer in business, might mean tires at lower prices than otherwise would have prevailed. It's not that easy to judge the impact on

¹ Wall Street Journal, April 9, 1971.

the market of the action taken by Michelin in this instance. All we can judge, with reasonable assurance, is that Michelin management used available resources as best it knew how, at its own risk, to supply quality tires to consumers at the least possible cost.

The Waste of Resources

If paying union members not to work seems like a funny way to run a tire business, save some of the chuckles for the untold numbers of other firms in countless lines of business in all parts of the world who face similar problems each day they operate. And try to understand that in the final analysis it's invariably the customer who pays - either in higher prices. or in purchases never consummated - whenever labor unions or other quasi-governmental agencies of coercion indulge in the sort of monkey business that tends to corner or close off some segment of the market, thus disrupting peaceful production and trade.

If the \$250,000 payment by Michelin to keep the union from striking its business seems like a flagrant waste of scarce resources, consider the \$150,000,000,000 - six hundred thousand times as much - currently turned over by government to various welfare programs in the United States in a year. Every dollar's worth of

goods and services coercively diverted from the market for each and every one of the governmental welfare programs - just like the \$250.000 payment by Michelin is, in effect, paying somebody not to work. Such intervention withdraws scarce resources from the market and diverts those resources to purposes for which consumers presumably are unable or unwilling to pay. And so far as the paying customers are concerned, such a diversion of resources amounts to waste. They just aren't getting any tires, or anything else they want, for those expenditures. Such diverted resources go instead to "buy off" the union, or some other politically powerful pressure group, in order that the Michelins and other market operators may continue to function peacefully to serve willing customers.

Closing the Market

This is not to condone feather-bedding and various other make-work practices by labor unions under their grants of special privilege by government. But the total amount of extortion and waste and disruption due to union practices under government sanction is a mere trifle in comparison to the amount of direct government intervention now undertaken in the name of the "general welfare." The government not only winks at

and condones the \$250,000 dab of extortion exacted from Michelin by the United Brotherhood of Carpenters and Joiners; it not only fails in its proper function of protecting the lives and property of peaceful citizens; but, worse vet. the government itself has usurped the role of chief extortioner, in Canada, in the United States, indeed in every nation where governmental activities are currently withdrawing from the market somewhere between a third and a half of all economic resources. In other words, instead of allowing peaceful and productive individuals maximum opportunity to specialize and trade in their own best interest, the government takes a third to a half of what each produces and diverts it to purposes the producer had not intended, redistributes some of it to those who have produced little, if anything, of value to consumers. From a

third to a half of the market is closed — a third to a half of scarce resources literally are wasted.

This is not to deny that there is a proper role for government — the role of policing the market and protecting lives and property. It is to assert that governments everywhere today have largely forsaken their proper role — they are not protecting lives and property — instead, they are plundering peaceful and productive persons and subsidizing wastrels and troublemakers.

Paying tribute to coercionists is indeed a sorry way to operate a business. But citizens who will let their own government close the market, sell protectionism to powerful lobby groups, and otherwise abandon its principled role, scarcely deserve a better fate, for they have given no thought and no support to freedom.

The Apprenticeship of Liberty

IDEAS ON

NOTHING is more fertile in prodigies than the art of being free; but there is nothing more arduous than the apprenticeship of liberty....Liberty is generally established with difficulty in the midst of storms; it is perfected by civil discords; and its benefits cannot be appreciated until it is already old....

The advantages that freedom brings are shown only by the lapse of time, and it is always easy to mistake the cause in which they originate.

Am I Constantly Correcting?

LEONARD E. READ

EVERYTHING that happens — pleasant or unpleasant — has a lesson to teach, provided instruction is sought in every event. Here is an example of how two words, dropped in more or less idle conversation, conveyed an important lesson to me.

Having discovered that my newfound friend had a plane of his own, I inquired as to his flying experience. He began by telling about his pilot's license to fly small craft in good weather: VFR (visual flight rules). That, however, was not enough for him; he wished to qualify for the kind of all-weather flying allowed commercial airline pilots. Therefore, as a minimum, he had to obtain an IFR (instrument flight rules) rating.

During the final briefing, prior to the official IFR exam, the instructor explained why he was so intently observing every move: "I am not checking as to whether you are on course or off but only to make absolutely certain that you are scanning those instruments and constantly correcting."

Constantly correcting! That instructor probably had not thought of himself as a philosopher. Yet, it seems to me, he made a profound philosophic point: the discipline required for flying by instruments also applies to living by numerous, basic guidelines. To live the good life requires constant correcting, achieved by a constant and faithful scanning of the guidelines.

Learning to fly within seeing distance of a runway in clear weather is possible for anyone competent to drive a car. But learning to fly long distances over unfamiliar territory, by day or by night, and in all kinds of weather, is quite a different matter. The further one ventures from what can be easily observed, the greater is the chance of error — of getting off course — and the more necessary is constant and skillful correction. Truly, those of a venture-some spirit expand their horizons, provided they observe the rule: constant correction.

Analogous to simple flying is the life of primitive peoples. Not much in the way of correction is required of Kalahari bushmen, for instance; they only forage. These little people have no trouble staying on course for they have few courses to pursue beyond chasing wild animals or finding their way to nature's scant offerings of nuts, roots, herbs, water. At their level of life, there is little, if anything, requiring correction.

However, not everyone has been content with primitive life. Millions, with a somewhat venture-some spirit, have chosen to broaden their horizons. In doing so, they have to strike out into new, unfamiliar, and increasingly complex relationships. And the more they break with simple ways and traditions, the less there is to go by – off "into the wild, blue yonder," as an Air Force song has it. They must learn to fly by instruments. The further they venture,

the greater the risk of getting off course; each must keep asking himself, "Am I constantly correcting?"

Individual vs. Collective

To sustain a complex society we must observe numerous basic guidelines: political, economic, moral-ethical, spiritual.

For example, the Golden Rule is the oldest, ethical guideline of distinctive universal character. Many people are capable of abiding by this nonviolence rule in simple relationships or close at home, as we say. But note how difficult it is to practice this basic precept in societies featured by special interest groups: axe-grinding collectives. More and more the tendency is to try to rule over others rather than to respect and treat them justly.

Only the individual has combined powers of reason and self-control by which to refrain from doing to others that which he would not have another do unto him. Such personal attention to responsibility tends to be lost when individuals are absorbed into special interest groups; these collectives have no perceptual powers, none whatsoever!

How did we stray so disastrously off course and wander into this special interest, collectivistic situation in the first place? Quite simple! Individuals — millions of them

- failed constantly to correct their moral and ethical positions as they ventured toward expanding horizons. By taking their eyes off one of the most important guidelines, they surrendered their individuality and lost themselves in the numerous collectives. A collective can no more practice the Golden Rule than it can think, and the same is true of persons who allow themselves to become collectivized.

There are other guidelines on the societal instrument panel which must be scrupulously heeded if we would stay on course. Among them are the *Ten Commandments*. I shall choose two at random, sufficient to make my point.

Take "Thou shalt not steal" and note how easy it is to stray off course unless one is constantly correcting. How many among us will personally rob another? Perhaps one in ten thousand! The vast majority of us would starve before snatching another's purse. Personal observance of this Commandment is so much a part of our heritage that honest behavior is little more than doing what comes naturally. And who will contend that it should be otherwise? Such a person can hardly be found; nearly everyone believes that this is a good guideline.

But observe what has happened to these "honest" millions, the

ones in the United States. The vast majority who would not snatch a purse to gain a few dollars will now advocate schemes taking not less than \$150 billion annually. They will take a substantial part of each other's income and capital and do so without the slightest qualm. Most of them, as they feather their own nests at the expense of others, will think of these actions as righteous rather than sinful. Why so far off course?

Depersonalizing the Act

First, is the depersonalization of the action; the taking is not done on anyone's personal responsibility but in the name of some so-called social good or group. Second, this taking has been legalized which, to nonthinkers, makes the action seem all right. And third. these people apparently have had no instructor who said, "I am not checking as to whether you are on course or off but only to make absolutely certain that you are constantly correcting." They have taken their eyes off the instrument panel - off this guideline and are now so far into "the wild. blue yonder" that they regard taking each other's substance benevolence. Petty thievery they reject; coercive taking from each other on the grand scale they accept. "Thou shalt not steal" has become a mere Biblical tag line instead of a hazard-avoiding guideline.

What about "Thou shalt not kill"? No need to labor the answer, for to do so would be a repetition of the stealing explanation. Few, indeed, would personally commit murder, any more than a wolf will kill his kind.1 Yet, people in the most "advanced" nations will engage in mass slaughter and. if proficient enough, receive medals for so doing! And for precisely the same reasons that they steal from each other on the grand scale: failure to look to this guideline on the societal instrument panel and constantly correct. That most people from all walks of life really believe in this Commandment as a correct guideline is attested by their strict observance of it in personal relationships.

Market Pricing

Let us now refer to one among numerous economic guidelines: If exchange is voluntary, everybody gains; otherwise, one man's gain is another's loss. Behind this remarkable guideline lies the subjective theory of value. This was no invention but a discovery. Carl Menger (1870) merely observed how people behave among themselves when free to act voluntarily. What he discovered is as simple as the Golden Rule: The value of any good or service is whatever another or others will give in willing exchange. If I swap two hours of my labor for your goose, the value of my labor is your goose and the value of your goose is my labor. Observe that each of us - subjectively, that is, in our respective judgments - gains by the exchange. I value the goose more than my labor and you value my labor more than your goose or we would not trade one for the other. Even a child can understand this basic economic guideline if it is explained correctly.2

The free market of voluntary exchanges, based on each person's judgment or choice of values, affords the pricing information each participant needs to tell him instantly what is relatively scarce or relatively abundant, whether to consume or to save, to buy or to sell, to produce more or less of

¹ See "Morals and Weapons," the final chapter in King Solomon's Ring by Konrad Z. Lorenz who, according to Julian Huxley, is "one of the outstanding naturalists of our times." In paperback (New York: Thomas Y. Crowell Co., 1961).

² For an explanation of why the subjective theory of value is not more generally comprehended, see "The Dilemma of Value," in Talking to Myself (The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y., 1970), pp. 81-88. And for a suggestion as to how this theory can be taught to children, see "Economics for Boys and Girls." Copy on request.

this or that - market price guidelines for constant correcting.

Today, millions of exchanges are not willingly but coercively made. Samples: The part I have been forced to pay for the Gateway Arch, urban renewal and "full employment" projects, going to the moon, and so on. Reflect on the unwilling exchanges labor unions coercively exact from their own members as well as employers. The individual's judgment of value and desire to trade are disregarded. Exchanges are unwillingly effected. This is a substitution of warlike, antagonistic relationships for the peaceful, harmonious ways of the free market. This sort of exchange can no more persist or survive than can a society of thieves. Such a dog-eat-dog arrangement has to spell disaster.

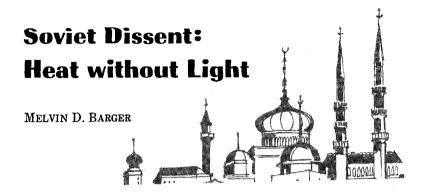
Why this economic nonsense? We have been staring into "the wild, blue yonder" and failing to heed this and other simple guidelines on the societal instrument panel. Ours is a miserable record because we are not constantly correcting.

Finally, it makes little difference what aspect of life one examines; the further we venture from the ordinary, the traditional,

the habitual, the greater the risk of losing our way.

Take my own case, for instance. I have been delving into the free market, private ownership, limited government way of life, along with its moral and spiritual antecedents for four decades, and the more I probe, the easier it is to get off course. As one explores the wonderful potentialities of the free society, the further one departs in his thinking from the socialistic world in which we live. It gets pretty misty up here in the ivory tower - the ideal - and unless one is constantly correcting that is, forever referring to the societal instrument panel with its accurate guidelines - one is hopelessly lost.

If we would edge our way out of the political interventionist hodgepodge in which we presently find ourselves, we need to heed the basic guidelines. The way we live our lives at the personal level is demonstration enough that we believe in the accuracy of these instruments. So, regardless of how far we venture, now on course and then off, constantly correct! This is the way to continuously expand our horizons in safety.



You could feel passion and spirit in the storm of protest rolling over the world intellectual community when it was announced last November that Soviet Novelist Aleksandr Solzhenitsyn would not be allowed to accept his Nobel prize in person.

Like Boris Pasternak 12 years before him, the brilliant Solzhenitsyn became an instant martyr. His case was hot news in the western press, a cause célèbre among the intelligentsia. His plight was one more depressing example of the Soviets' heavy-handed approach to the arts. It raised fears that the mild liberties of the post-Stalin era were fading, that a new period of harsh subjugation was setting in. Would it now be more concentration camps and terrorism, repeats of the thing Solz-

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henitsyn wrote about so well in his best-selling One Day in the Life of Ivan Denisovich?

There was also speculation of a hopeful nature. Solzhenitsyn and his fellow artists, so this thread of reasoning went, were really driving a thin wedge of freedom in Russia. This thin wedge would some day split apart the Kremlin walls, opening the way for real freedom of expression.

But to anybody who has studied the Soviet Union, both the fears and the hopes of the Solzhenitsyn case are unrealistic and naive. It makes good newspaper copy, but little difference in Soviet life. It also ignores the realities of socialism. It is heat without light.

One problem of the Solzhenitsyn case is that most of his champions are socialists themselves, leaning towards government ownership or control of production facilities. They do not understand the role of private property in the implementation of intellectual freedom. There is also a certain snobbishness in this defense of a distinguished author. In other words, the Soviets are wrong in suppressing a creative person, but entirely justified in regimenting factory workers and collective farmers. Finally, the intellectuals do not understand why the Soviet government, and probably any governorganized along socialist ment lines, must curtail intellectual freedom.

Outside My Field

This lack of understanding was revealed in the remarks of the noted Russian cellist, Mstislav Rostropovich, who not only defended Solzhenitsyn but also permitted the author to share his home. Rostropovich said, "The political and economic questions of our country are not my business. There are people who know these fields better than I. But please explain to me why in our literature and art the decisive word comes so often from people who are absolutely unqualified."

Rostropovich gave away the ball game by conceding that the political and economic questions were not his business. In agreeing to the right of the Soviet dictatorship to run the country from top to bottom, owning and controlling most property, he in effect signs away his right to make decisions in the fields of literature and art. Being a product of the Soviet Union and its educational system, he can be excused for this erroneous reasoning. But what can be said for his fellow intellectuals and artists in the Western nations who should know better, and yet constantly work to impose socialism on the rest of the world?

A large number of them carefully avoid any argument that lays the restrictions of Soviet artists at the door of socialism. The villain is the man Stalin, rather than socialism itself. Hence the frequent use of the term "Stalinism." The aim of this apparent differentiation may be to suggest that Stalinism is wrong and hateful, while socialism can be decent and humanitarian.

But the Soviet leaders themselves, whatever their other shortcomings, make little attempt to cooperate with this theory. They unashamedly require artists and writers to serve the system and to present only what is called socialist realism. In actual practice, this turns out to be work that follows the party line at a particular time. As for the writers and artists themselves, they must be people who do not give signs of becoming troublesome.

The Reality of Power

Solzhenitsyn was rather unique among Soviet writers in being allowed to publish One Day in the Life of Ivan Denisovich, an attack on the prison camps of Stalinist days. This was interpreted in the West as the beginning of a change in the rigidities of socialist realism. But that was only because Western intellectuals do not understand the realism of socialists in power. There was a need, on Nikita Khrushchev's part, to assign Soviet crimes to the ghost of Stalin, and the Solzhenitsyn book helped serve that end. Khrushchev had not become so liberal that he would have permitted publication of a book attacking his own programs. Nor would a book have been permitted if it argued that socialism itself had been the evil behind the concentration camps.

Far from being a change in the Soviet system itself, the liberalism of the Khrushchev days was just a minor adjustment. There was no intention at any time of permitting anything like real intellectual freedom or freedom of the press. It is doubtful that such concepts ever were understood in the Soviet Union. The men in power would no more permit an author to publish freely than they would permit a factory manager to use machines to produce and sell products under his own brand name.

This kind of thing is not perceived as being consistent with socialist realism.

In fact, one could even argue quite convincingly that Soviet leaders would be derelict in their duty if they permitted authors to publish freely. The Soviet state owns all the newspapers, magazines, and printing plants in the USSR. This is an immense publishing network which annually turns out thousands of newspapers, more than 4.000 magazines, and at least 80,000 different books and pamphlets. Like most owners of publishing facilities, the Soviet state prints the materials that get official approval, and rejects the rest. Private publishers in America and Europe do the same thing. but with a great deal more sophistication and for different purposes. A private publisher in America. for example, may print material he dislikes, if he knows that it will sell. Or he will print letters and other writings that oppose his point of view, the rationale being that it gets readership and also presents him as a fair person.

But the profit aims and fairness practices need not be observed in a socialist state where there are no alternate publishing sources. It is even doubtful that we would find all points of view being published in the United States if the government became the single

owner or regulator of all printing. Despite our long traditions of free speech and expression, a great deal of material would end up in the ash can if the U.S. Government Printing Office were the sole publisher. The author in the United States has the protection of the First Amendment, but this would be virtually meaningless if all of his likely publishers were under government ownership. It is the diversity of publishing sources as well as the First Amendment that helps advance freedom of the press.

No Credit to Private Enterprise

The astonishing thing, however, is that private enterprise gets virtually none of the credit for the free expression enjoyed by intellectuals in the Western nations. There's also irony in the fact that some of the outstanding works of Soviet writers never would have reached printed form without the hated capitalist press. Pasternak's Doctor Zhivago, for example, was first published in Italy by a private publisher with socialist views. Worse vet, even the fallen Khrushchev, though never repudiating the socialist philosophy, finally had to deal with private publishers in order to print his memoirs. One wonders how any of these people would have found self-expression had the socialist goal of worldwide state ownership of production been reached.

The writers in Western nations. if they give the matter any thought, apparently feel that a socialist America or England will always provide for the expression of different points of view. They are under this delusion because they have been accustomed to the free market place of publishing in their own countries. They easily forget that hard economic decisions are necessary in all publishing, and that somebody must decide to allocate scarce resources for the production of a certain book or pamphlet.

In the harsh Soviet regime, those decisions are made by party leaders who are guided by socialist realism rather than the profit motive. But how would publishing decisions be made in the United States or England if all ownership rights resided in the government?

Like it or not, these government publishing officials would have to be guided by socialist realism. In the early stages, they would probably make a token show of presenting all points of view. But with the consolidation of their power and the arrogance typical of social reformers, they would soon find the will and suitable rationalizations for rejecting work they did not like.

We can see the beginnings of

such practices today in the socialists who want to extend the government's control over advertising and the television networks. There is a great deal of pressure to establish government guidelines on TV programs for children. It does not take a lot of imagination to see that such controls, if accepted for one group, will soon be enlarged to include other groups. There is always a high-sounding purpose behind such measures, but they are not greatly different from socialist realism. In a governmentowned or -controlled communications system, the aims must always be the service of the state, and only secondarily the selfexpression of the creative artists. This is as true for the United States as it is for Russia or Red China.

That being the case, it is likely that we will continue having protests on behalf of the Soviet Union's Pasternaks and Solzhenitsyns, but no way will be found to implement the writer's freedom in Russia. It takes more than heated protest to provide effective dissent. It also requires the light of understanding; in this case, an understanding of how the free market place works and how it automatically provides for the expression of many points of view.

More than most people, artists and writers need the commercial world that many of them detest. They need the free market place, because the market place for goods and services is also the market place for literary and artistic works. They need to live and work in a climate of freedom - freedom for everybody, and not just privileges for the favored few who serve the regime. Until the world's intellectuals insist on that kind of freedom for the Soviet Union, they are wasting their time defending men like Solzhenitsyn. And nobody knows that fact better than the socialist realists who hold the real power in the Soviet Union.

The Question of Freedom

IDEAS ON

Δ≬Δ Liberty WE SHOULD REMEMBER that in an area controlled by such a process as national socialism, or any similar philosophy of governmental direction, the question and definition of what human personality is, and what human rights and fundamental freedoms are, rest with the dominant political power.

To a Student from Abroad

Dear ---:

I am glad to hear that you are enjoying your stay in this country and are profiting by your schooling. You say you are impressed by our great cities, the wealth of our ordinary citizens and their friend-liness. This is not surprising, considering that you come from a relatively more primitive land. America was like that not long ago. You say you would like to stay and live here; but if you did you would probably find that our people are much like those everywhere else. There are a few bad ones, some energetic ones who try to improve things according to their own various ideas, and a great majority who passively accept the leadership and example of one or the other of these natural leaders.

You were sent here, not so much to learn our ways, as to learn how to help improve your own country. You cannot convert your community into a replica of America, nor is there any reason why you should try. The people of each community have their own characteristics, standards, and ideals. Rather than try to imitate America as it is now, I suggest you study our early and frontier development to find what lessons, methods, and institutions were successfully used then in the process of our development. Some of these methods may be adaptable to the objectives and conditions of your own country. Hopefully, other ideas will suggest themselves to you which are specifically applicable in your own case.

Don't expect, when you return, that people will eagerly await your words of wisdom, all set to work and promptly convert the

area into the idealized model you have in mind for them. There will be some positive opposition to change, a lot of indifference, and in some cases older and more experienced heads who have different ideas as good as yours, if not better.

To start, I would suggest that you exert your influence by setting a personal example. Fix up your own home according to the standards of order, convenience, and sanitation you have learned. Develop a craft or product or provide a service which will be in demand. Start with something simple and well within your capability, and maintain it at a high standard. If others start imitating you and give you competition, hopefully with improvements of their own, feel flattered that you have succeeded, not only in providing the service, but in creating a demand for it. If possible, after one success, branch out similarly into other fields. Your schooling here should start you off on many ideas. Pick the ones most appropriate to your community.

Some of your projects won't work out. In that case, drop them and try something else. Many of your efforts will be ridiculed, especially when they fail. When they do succeed, someone else will try to take the credit. Don't let this discourage you. If you succeed in your programs and manage to raise your own standard of living above that of the rest of the people, envy and jealousy are likely to cause disagreeable incidents. This is the inevitable reaction of those who want the benefits of progress without contributing to it. You will have to take your satisfaction by observing the progress of your imitators and the benefits derived from the use of your innovations. I do wish you every success.

Sincerely,

Arthur R. Hercz

Mr. Hercz, retired after 26 years of Army service, recently earned a Master's degree in History in preparation for teaching.



WHEN PEOPLE ask, "What do law schools do?" the impatient say: "Why, they turn out lawyers, of course!" But such an answer is much too short, for law schools do

both more and less than turn out

lawyers.

The word "lawyer" is a loose term referring to those persons who engage in one or another aspect of the complex set of activities known as the practice of law. In order to become a lawyer, let alone a good lawyer, you will have to do a great deal more than spend three years, however studiously, in law school. On the other hand, such training as you acquire can serve you well even though you

are never admitted to the bar or never practice law a day in your life. It used to be that gentlemen who did not know what else to do with themselves in their early twenties went to law school merely in order to continue their education, or even only to pass the time. It wasn't a had idea then and isn't now. Many legally trained persons have become outstanding men of business or politicians or writers or actors or sailors or teachers and even more unlikely things. There is no reason to suppose that such careers will be closed to present or future law students. On the contrary.

What law schools do, what they must do because they are not physically capable of doing anything else as long as they are staffed by lawyers and attended mainly by

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students who want to become lawyers—what they do is impart *legal* training. In order to understand what that means you will first have to see law schools in their social setting generally and in relation to the legal system particularly.

The Purpose of the Legal System

The legal system is that set of institutions, armed with physical force and directed by reason and good sense, which mankind asks to formulate and apply the norms necessary at least to the survival and at most to the progress of society. Church, school, home, and a vast number of other experiences all share in the task of forming public opinion on right and wrong, good and bad, desirable and undesirable. Neither the legal system as a whole nor the law schools have any monopoly on virtue, any exclusive competence or expertise in matters of morality or social utility. That private property should be protected, contracts enforced, and wrongful injury to the person compensated - these principles emerged from the minds of human beings long before the legal profession did; indeed they brought legal systems into existence. It was not the other way round.

The legal system and its personnel may and do contribute to the development of moral and ethical principles. But their main business is to see that society's norms are effectuated—their unique expertise, if any, is displayed to the extent that they do so consistently, coherently, and efficiently. Society demands compliance with and enforcement of its basic norms; the legal system purports to supply that enforcement.

And the law schools necessarily preoccupy themselves with study and teaching of the ways in which the legal system goes about its tasks. Among the elements of legal training which you will acquire in law school, then, is a grasp of the "machinery of justice" and how it works. Just as every person is in part what his genetic equipment makes him, so too does history play a significant role in the make-up of society, quintessentially so in the structure and operation of the legal system. Those who patronizingly say, "That's only legal history," miss a big point about law. Law can no more dissociate itself from its history than you can from your genes.

The History of the Law

All the law that human beings can study is historical law, composed of and shaped by yet more antecedent ideas and experience. It is law made in the past — remember, yesterday is already past

- that rules the future. "Time present and time past are contained in time future, and all time is eternally present," the poet said, rightly. You will read many old cases in law school. Try not to be impatient with them. Approach them receptively and you will gain greatly. Human society did not begin the day you were born. And Somerset Maugham may have been right when he said that the central truths about mankind were much too important to its survival to go long undiscovered. The decalogue broods silently but potently among all law studies.

As you study cases, statutes, and learned commentaries, all composing the long historical sweep and evolution of legal institutions, you will become aware that human affairs are inordinately complicated and that governing those affairs is a correspondingly complex operation, challenging the highest faculties of mind and character. Your powers of reason, of identification and discrimination. of analysis and synthesis, will be tried, probably, as they have never been before. Unlike mathematics. the structure of which is shared by the formal, logical side of law, the legal system is forever dealing in empirical fact - and empirical fact involving, at that, the most complex activities known to man: his own.

No two transactions, no two relationships, hence no two cases, are ever identical. A rule or doctrine or formula which disposes beautifully of one set of facts meting out what everybody agrees is perfect justice under law to the parties involved in that case may founder if the facts change only a little. How far does a rule reach? Ah, that is the question. Before you get through law school you will be "reconciling," "distinguishing," and "harmonizing" decisions all over the place. You will have made at least a start in mastering the lawverly arts and skills: imaginatively constructing cogent theories and developing a sense of which facts are critical. which relevant, and which irrelevant. And all this despite the probability that you will never be able to formulate these processes satisfactorily because they are so subtle and complex.

As a matter of fact, perhaps most litigation occurs because lawyers differ on the questions whether this case is ruled by that, which theory is applicable, and therefore which facts are relevant. It is a serious mistake to accept the common notion that law is a haven for the dull and the unimaginative. No area of human action provides a richer field for the subtle play of intellect and imagination.

Do not fall into the error, however, of believing, because some areas of law are dubious and unclear and because some disputes can be resolved only in court, that there is no such thing as law, or that it is absolutely plastic. Like all great institutions, the law is working quietly all the time, at its best when most quietly, mainly outside the courtroom. Of the untold billions of human relationships, voluntary and involuntary. only an infinitesimally small fraction are resolved by direct recourse to the machinery of justice, and it is well that this is so; for any legal system which had to intervene physically into every human relationship would soon rupture itself. Our system of law is in the main cogent and clear and widely understood and respected. Were it not, we should be finding chaos at the center rather than at the fringes of our daily lives. Part of your legal training is concerned with going to court. All of it should be helping you to stay out of court, if your clients will cooperate.

The Study of Human Action

In performing the services which society and the legal system demand of them, the law schools must perforce attend dominantly to the kinds of tasks implicit in the foregoing; but a strange thing

happens in the process. While you dragging vourself through thousands of cases, statutes, hypothetical problems - all the while compelled to make some kind of sense of them, to understand them, and to learn how to use them - in the course of this sometimes oppressive process, you will acquire a grasp of human action, human nature, and human society exceeding in comprehensiveness and detail anything offered by any other formal course of study. You will see the plot of human life unfold in ways that make all but the greatest novels and plays seem pitifully thin. More than that, you will have the opportunity to develop habits of self-discipline, of precise thought, of tenacity in factanalysis, and of coherent theorizing, which are universally useful. not only in law practice but in every phase of life in the complex, free society. Indeed, the survival and the progress of the free society are peculiarly the responsibility of the legally trained, for they are most intimately involved in the operation of its machinery. When law school gets a bit much for you, as it likely will more than once, remember what Alexis de Tocqueville said: "Nothing is more fertile in prodigies than the art of being free - and nothing is more arduous than the apprenticeship of liberty."

I have emphasized the historical and the theoretical, the informational and the ratiocinative aspects of legal training because, as I have said, they comprehend the contributions that law schools are uniquely qualified to make. Many believe that the law schools should preoccupy themselves less with "technical training" and more with efforts to "improve the law" and thus become more "relevant." Maybe so. Society, the legal system. and the law schools are all in need of improvement, and more and more irrelevancies have crept into law-school curricula over the years, especially the recent years. However, that same legal training which has served so well in so many occupations is also the necessary prerequisite to genuine. stable progress in the law. It is fatuous to suppose that anything so infernally complicated as human society can be made to respond productively to ideas struck off impulsively by unqualified, un-

skilled, and immature persons. Durable improvement in any complex field can come only from persons profoundly conversant with that field. Cool, sustained study, knowledge as wide and full as possible, and a well-disciplined mind are indispensable to any solid contribution to the progress of society. Legal training in the classical sense is an unexcelled vehicle to the attainment of those consummately desirable objectives. If you are bound and determined while in law school to "reform" or "improve" things, try turning your energies to the improvement of your own legal training. You'll never regret it. For you will then, as all competent people finally do, learn how to focus your energies efficiently. You will curtly dismiss most "reform proposals." because most will be ill-considered, and you will concentrate on the few solid programs which, if you are fortunate, you will encounter in your life.

Private Property

IDEAS ON

WITHOUT a society in which life and property are to some extent secure, existence can continue only at the lowest levels — you cannot have a good life for those you love, nor can you devote your energies to activity on the higher level.

the Individual in Society

LUDWIG VON MISES

man is free as far as he can live

and get on without being at the

mercy of arbitrary decisions on

the part of other people. In the

THE WORDS freedom and liberty signified for the most eminent representatives of mankind one of the most precious and desirable goods. Today it is fashionable to sneer at them. They are, trumpets the modern sage, "slippery" notions and "bourgeois" prejudices.

Freedom and liberty are not to be found in nature. In nature there is no phenomenon to which these terms could be meaningfully applied. Whatever man does, he can never free himself from the restraints which nature imposes upon him. If he wants to succeed in acting, he must submit unconditionally to the laws of nature.

Freedom and liberty always refer to interhuman relations. A

frame of society everybody depends upon his fellow citizens. Social man cannot become independent without forsaking all the advantages of social cooperation.

The fundamental social phenomenon is the division of labor and its counterpart—human cooperation.

Experience teaches man that co-

Experience teaches man that cooperative action is more efficient and productive than isolated action of self-sufficient individuals. The natural conditions determining man's life and effort are such that the division of labor increases output per unit of labor expended. These natural facts are: (1) the innate inequality of men with regard to their ability to perform various kinds of labor, and (2) the

This article is extracted from his book, Human Action (Yale University Press, 1949: 3rd ed. Regnery, 1966).

Dr. Mises, now retired from active teaching, is the outstanding representative of the "Austrian school" of economics. He is a part-time advisor, consultant, and staff member of The Foundation for Economic Education.

unequal distribution of the naturegiven, nonhuman opportunities of production on the surface of the earth. One may as well consider these two facts as one and the same fact, namely, the manifoldness of nature which makes the universe a complex of infinite varieties.

Innate Inequality

The division of labor is the outcome of man's conscious reaction to the multiplicity of natural conditions. On the other hand, it is itself a factor bringing about differentiation. It assigns to the various geographic areas specific functions in the complex of the processes of production. It makes some areas urban, others rural; it locates the various branches of manufacturing, mining, and agriculture in different places. Still more important, however, is the fact that it intensifies the innate inequality of men. Exercise and practice of specific tasks adjust individuals better to the requirements of their performance: men develop some of their inborn faculties and stunt the development of others. Vocational types emerge, people become specialists.

The division of labor splits the various processes of production into minute tasks, many of which can be performed by mechanical devices. It is this fact that made

the use of machinery possible and brought about the amazing improvements in technical methods of production. Mechanization is the fruit of the division of labor. its most beneficial achievement. not its motive and fountain spring, Power-driven specialized machinerv could be employed only in a social environment under the division of labor. Every step forward on the road toward the use of more specialized, more refined. and more productive machines requires a further specialization of tasks.

Within Society

Seen from the point of view of the individual, society is the great means for the attainment of all his ends. The preservation of society is an essential condition of any plans an individual may want to realize by any action whatever. Even the refractory delinquent who fails to adjust his conduct to the requirements of life within the societal system of cooperation does not want to miss any of the advantages derived from the division of labor. He does not consciously aim at the destruction of society. He wants to lay his hands on a greater portion of the jointly produced wealth than the social order assigns to him. He would feel miserable if antisocial behavior were to become universal and its inevitable outcome, the return to primitive indigence, resulted.

Liberty and freedom are the conditions of man within a contractual society. Social cooperation under a system of private ownership of the means of production means that within the range of the market the individual is not bound to obey and to serve an overlord. As far as he gives and serves other people, he does so of his own accord in order to be rewarded and served by the receivers. He exchanges goods and services, he does not do compulsory labor and does not pay tribute. He is certainly not independent. He depends on the other members of society. But this dependence is mutual. The buyer depends on the seller and the seller on the buyer.

Self-Interest

The main concern of many writers of the nineteenth and twentieth centuries was to misrepresent and to distort this obvious state of affairs. The workers, they said, are at the mercy of their employers. Now, it is true that the employer has the right to fire the employee. But if he makes use of this right in order to indulge in his whims, he hurts his own interests. It is to his own disadvantage if he discharges a better man in order to hire a less ef-

ficient one. The market does not directly prevent anybody from arbitrarily inflicting harm on his fellow citizens; it only puts a penalty upon such conduct. The shopkeeper is free to be rude to his customers provided he is ready to bear the consequences. The consumers are free to boycott a purveyor provided they are ready to pay the costs. What impels every man to the utmost exertion in the service of his fellow men and curbs innate tendencies toward arbitrariness and malice is, in the market, not compulsion and coercion on the part of gendarmes. hangmen, and penal courts: it is self-interest. The member of a contractual society is free because he serves others only in serving himself. What restrains him is only the inevitable natural phenomenon of scarcity. For the rest he is free in the range of the market.

In the market economy the individual is free to act within the orbit of private property and the market. His choices are final. For his fellow men his actions are data which they must take into account in their own acting. The coordination of the autonomous actions of all individuals is accomplished by the operation of the market. Society does not tell a man what to do and what not to do. There is no need to enforce cooperation by

special orders or prohibitions. Non-cooperation penalizes itself. Adjustment to the requirements of society's productive effort and the pursuit of the individual's own concerns are not in conflict. Consequently no agency is required to settle such conflicts. The system can work and accomplish its tasks without the interference of an authority issuing special orders and prohibitions and punishing those who do not comply.

Compulsion and Coercion

Beyond the sphere of private property and the market lies the sphere of compulsion and coercion: here are the dams which organized society has built for the protection of private property and the market against violence, malice, and fraud. This is the realm of constraint as distinguished from the realm of freedom. Here are rules discriminating between what is legal and what is illegal, what is permitted and what is prohibited. And here is a grim machine of arms, prisons, and gallows and the men operating it, ready to crush those who dare to disobey.

It is important to remember that government interference always means either violent action or the threat of such action. Government is in the last resort the employment of armed men, of policemen, gendarmes, soldiers, prison guards, and hangmen. The essential feature of government is the enforcement of its decrees by beating, killing, and imprisoning. Those who are asking for more government interference are asking ultimately for more compulsion and less freedom.

Liberty and freedom are terms employed for the description of the social conditions of the individual members of a market society in which the power of the indispensable hegemonic bond, the state, is curbed lest the operation of the market be endangered. In a totalitarian system there is nothing to which the attribute "free" could be attached but the unlimited arbitrariness of the dictator.

There would be no need to dwell upon this obvious fact if the champions of the abolition of liberty had not purposely brought about a semantic confusion. They realized that it was hopeless for them to fight openly and sincerely for restraint and servitude. The notions liberty and freedom had such prestige that no propaganda could shake their popularity. Since time immemorial in the realm of Western civilization liberty has been considered as the most precious good. What gave to the West its eminence was precisely its concern about liberty, a social ideal foreign to the oriental peoples. The social philosophy of the Occident is essentially a philosophy of freedom. The main content of the history of Europe and the communities founded by European emigrants and their descendants in other parts of the world was the struggle for liberty. "Rugged" individualism is the signature of our civilization. No open attack upon the freedom of the individual had any prospect of success.

New Definitions, Reversing the Meaning of Words

Thus the advocates of totalitarianism chose other tactics. They reversed the meaning of words. They call true or genuine liberty the condition of the individuals under a system in which they have no right other than to obey orders. They call themselves true liberals because they strive after such a social order. They call democracy the Russian methods of dictatorial government. They call the labor union methods of violence and coercion "industrial democracy." They call freedom of the press a state of affairs in which only the government is free to publish books and newspapers. They define liberty as the opportunity to do the "right" things, and, of course, they arrogate to themselves the determination of what is right and what is not. In their eyes government omnipotence means full liberty. To free the police power from all restraints is the true meaning of their struggle for freedom.

The market economy, say these self-styled liberals, grants liberty only to a parasitic class of exploiters, the bourgeoisie; that these scoundrels enjoy the freedom to enslave the masses: that the wage earner is not free: that he must toil for the sole benefit of his masters, the employers; that the capitalists appropriate to themselves what according to the inalienable rights of man should belong to the worker; that under socialism the worker will enjoy freedom and human dignity because he will no longer have to slave for a capitalist; that socialism means the emancipation of the common man, means freedom for all; that it means, moreover, riches for all.

These doctrines have been able to triumph because they did not encounter effective rational criticism. It is useless to stand upon an alleged "natural" right of individuals to own property if other people assert that the foremost "natural" right is that of income equality. Such disputes can never be settled. It is beside the point to criticize nonessential, attendant features of the socialist program. One does not refute socialism by attacking the socialists' stand on

religion, marriage, birth control, and art.

A New Subterfuge

In spite of these serious shortcomings of the defenders of economic freedom it was impossible to fool all the people all the time about the essential features of socialism. The most fanatical planners were forced to admit that their projects involve the abolition of many freedoms people enjoy under capitalism and "plutodemocracy." Pressed hard, they resorted to a new subterfuge. The freedom to be abolished, they emphasize, is merely the spurious "economic" freedom of the capitalists that harms the common man: that outside the "economic sphere" freedom will not only be fully preserved, but considerably expanded, "Planning for Freedom" has lately become the most popular slogan of the champions of totalitarian government and the Russification of all nations.

The fallacy of this argument stems from the spurious distinction between two realms of human life and action, the "economic" sphere and the "noneconomic" sphere. Strictly speaking, people do not long for tangible goods as such, but for the services which these goods are fitted to render them. They want to attain the increment in well-being which

these services are able to convey. It is a fact that people, in dealing on the market, are motivated not only by the desire to get food, shelter, and sexual enjoyment, but also by manifold "ideal" urges. Acting man is always concerned both with "material" and "ideal" things. He chooses between various alternatives, no matter whether they are to be classified as material or ideal. In the actual scales of value, material and ideal things are jumbled together.

Preserving the Market

Freedom, as people enjoyed it in the democratic countries of Western civilization in the years of the old liberalism's triumph, was not a product of constitutions. bills of rights, laws, and statutes. Those documents aimed only at safeguarding liberty and freedom. firmly established by the operation of the market economy, against encroachments on the part of officeholders. No government and no civil law can guarantee and bring about freedom otherwise than by supporting and defending the fundamental institutions of the market economy. Government means always coercion and compulsion and is by necessity the opposite of liberty. Government is a guarantor of liberty and is compatible with liberty only if its range is adequately restricted to the preservation of economic freedom. Where there is no market economy, the best intentioned provisions of constitutions and laws remain a dead letter.

Competition

The freedom of man under capitalism is an effect of competition. The worker does not depend on the good graces of an employer. If his employer discharges him, he finds another employer. The consumer is not at the mercy of the shopkeeper. He is free to patronize another shop if he likes. Nobody must kiss other people's hands or fear their disfavor. Interpersonal relations are businesslike. The exchange of goods and services is mutual: it is not a favor to sell or to buy, it is a transaction dictated by selfishness on either side.

It is true that in his capacity as a producer every man depends either directly, as does the entrepreneur, or indirectly, as does the hired worker, on the demands of the consumers. However, this dependence upon the supremacy of the consumers is not unlimited. If a man has a weighty reason for defying the sovereignty of the consumers, he can try it. There is in the range of the market a very substantial and effective right to resist oppression. Nobody is forced to go into the liquor in-

dustry or into a gun factory if his conscience objects. He may have to pay a price for his conviction; there are in this world no ends the attainment of which is gratuitous. But it is left to a man's own decision to choose between a material advantage and the call of what he believes to be his duty. In the market economy the individual alone is the supreme arbiter in matters of his satisfaction.

Consumers Choose

Capitalist society has no means of compelling a man to change his occupation or his place of work other than to reward those complying with the wants of the consumers by higher pay. It is precisely this kind of pressure which many people consider as unbearable and hope to see abolished under socialism. They are too dull to realize that the only alternative is to convey to the authorities full power to determine in what branch and at what place a man should work.

In his capacity as a consumer man is no less free. He alone decides what is more and what is less important for him. He chooses how to spend his money according to his own will.

The substitution of economic planning for the market economy removes all freedom and leaves to the individual merely the right to

obey. The authority directing all economic matters controls all aspects of a man's life and activities. It is the only employer. All labor becomes compulsory labor because the employee must accept what the chief deigns to offer him. The economic tear determines what and how much of each the consumer may consume. There is no sector of human life in which a decision is left to the individual's value judgments. The authority assigns a definite task to him. trains him for this job, and employs him at the place and in the manner it deems expedient.

As soon as the economic freedom which the market economy grants to its members is removed, all political liberties and bills of rights become humbug. Habeas corpus and trial by jury are a sham if, under the pretext of economic expediency, the authority has full power to relegate every citizen it dislikes to the arctic or to a desert and to assign him "hard labor" for life. Freedom of the press is a mere blind if the authority controls all printing offices and paper plants. And so are all the other rights of men.

A man has freedom as far as he shapes his life according to his own plans. A man whose fate is determined by the plans of a superior authority, in which the exclusive power to plan is vested, is not free in the sense in which the term "free" was used and understood by all people until the semantic revolution of our day brought about a confusion of tongues.

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Individual Liberty and the Rule of Law

RIDGWAY K. FOLEY, JR.

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CONTEMPORARY Western society places high value upon two ideals: individual liberty¹ and the rule of law. Cursory examination of these concepts seemingly reveals the clear instance of inevitably warring propositions. The current milieu of high rebellion versus "law and order," of do-your-own-thing versus the sanctity of the traditional,² bringing into conflict personal action and public authority, does little to disabuse the notion. If law is defined as restraint on human action and liberty as the ab-

1 I use the terms "liberty" and "freedom" interchangeably in this article. Berlin suggests that there have been over 200 recorded definitions of liberty, Isaiah Berlin, Two Concepts of Liberty (Oxford University Press, 1958) 6; I do not intend to catalog or examine all these definitions. Rather, this article is concerned with the search for a precise, valid definition of liberty, one which reveals and corrects the current deterioration of the concept. Berlin, id 16, does not believe such a deterioration is taking place, but see, contra, Lon L. Fuller, "Freedom - A Suggested Analysis" 68 Harv. L. Rev. 1305 (1955).

See for a different analysis, Glanville Williams, "The Concept of Legal Liberty," Essays in Legal Philosophy (University of California Press, 1968, Summers ed.), 121-145.

² What the existent generation presently sanctifies as traditional and sacred may not normally represent the great value judgments and normative concepts of the past. Today's nominal conservative may well mimic the radical of 30 years ago. Witness the acceptance, by all but the strict libertarian or voluntarist, of social security, union monopolies, and the Federal Reserve System.

sence of restraint, the concepts are inimical and conciliation impossible. This article proposes briefly to scrutinize individual freedom and the rule of law, to determine if the working definitions are accurate, and to decide if overgeneralization has obscured the whole truth of partially valid tenets.

On the first blush, it may appear singular for a law review to consider the general quantity and quality of the law. Such considerations should have been long ago made and laid to rest. It is much more exciting to consider what the law can do to and for man, with or without his consent. Eradication of poverty, improvement of the environment, and assurance of economic equality for all men ring a more responsive chord in the breast of the sympathetic lawyer than cold, jurisprudential analysis.

The existence of past analysis does not mean that the present reiteration and refinement of essential ideas is unrewarding; we may need a gentle reminder of the past, and demonstration of its applicability to the dynamic present. It is the use of law for laudable goals at the possible expense of human freedom which commands re-examination. After all, most men agree that clean air, good housing, and a commodious job are desirable goals. The inquiry is not of goals, but of the means to secure

the goals; the end pre-exists in the means.³ If the rule of law can destroy human action, such a fact should be trumpeted to all concerned; before man surrenders his freedom for an end, he may want to know (1) if the suggested action will achieve the end sought and, if so, (2) if the end is worth the price.

Definitions of Liberty and Law

The first step toward understanding and analysis is the development of working definitions of the concepts to be studied.

(1) Elements of liberty

A meaningful concept of liberty presupposes a living, purposive, choosing human being.⁴ An inanimate object may be described as being in a "free state" and yet it would be singular to characterize it as possessing liberty in the sense that a man is free. A man, however, imprisoned in Salem, cannot be in Paris or Rome or, indeed, in any place but his cell, so he is properly described as unfree or restrained.

³ Leonard Read amplifies and refines this truth orginally enunciated by Ralph Waldo Emerson. See, e.g., Leonard E. Read, Let Freedom Reign (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1969), 78 et seq.

⁴ See Fuller, op. cit., at 1306-1307, for comments upon how the "scientific method" trend encourages thinkers to "play down" purpose.

The prisoner example indicates a second prerequisite for liberty: the human actor must have a meaningful range of alternatives. The choice between remaining in prison or being shot while attempting to escape presents little real choice at all, but it remains a choice. It becomes viable if conditions in prison deteriorate to the progressively intolerable. However, freedom does not presuppose an infinite variety of choices.5 One may live in London, or Paris, or Rome, but he cannot be present in all three places at the same instant, nor can he be on Saturn or Uranus (at this stage of space travel). Despite these limitations, an individual can be described as free. Man may be free despite his finity; one is not denuded of liberty merely because he cannot think like Albert Einstein, leap over buildings like Superman, or play basketball like Bill Russell.6

A third essential element of individual freedom is a relationship to at least one other human being. A person is meaningfully free only where his choice of alternatives is unrestricted by deliberate human interference, notwithstanding his subservience to physical or biological limitations, Robinson Crusoe, alone on his island, is neither free nor restrained. Only when he encounters natives on his rustic shore will the question of freedom arise, because only then is there possibility of deliberate human interference with individual actions.

Fourth, some element of internal and external restraint adheres in the very definition of liberty;7 it is ineffective to equate liberty solely with the absence of restraint because such a definition could also apply to a state of lack of freedom. Robinson Crusoe could be subject to no deliberate human intervention when he subdued the inhabitants of his world and became absolute monarch, but he could not be styled free if he were subject to uncontrollable fits of passion or impulsive action which he could not restrain. Thus, the internal aspect of restraint, be it denoted self-control, morality, or con-

⁵ See Berlin, op. cit., 7, and Fuller, id 1309-1310. Careful analysis of this requirement destroys the naive "economic slavery" argument. But see Marshall Cohen, "Berlin and the Liberal Tradition," 10 Phil. Quar. 216, 225 (1960).

⁶ Thus, the specious argument concerning maximization of human freedom by rendering all men "equal" is bared, Man can be free, meaningfully free, and not possess the identical natural attributes and choices of his fellows. Those who would fit all men in a Procrustean bed not only perform a disservice to those stretched and squashed, but also mock the meaning of freedom by using law in

the name of freedom to perform restraining acrobatics.

⁷ See J. Ebbinghaus, "The Law of Humanity and the Limits of State Power," 3 Phil. Quar. 14, 15 (1953).

science, is implied in the very definition of liberty.8

Some thinkers have also recognized that unlimited power of human action without external restraint could result in license, anarchy, and civil chaos. In such a society, the "inferior" persons would have only the freedom of action permitted by their more powerful neighbors; the "superior" beings might virtually enslave their less fortunate fellows, but they, too, would be unfree to the extent that they were forced to devote their time to coercive, as opposed to creative, endeavors. To the extent that the predator must dissipate his creative powers in use of force upon others, he, too, is restrained, although his rerestraint is self-imposed and by his own choice.

Berlin's analysis separates liberty into "positive" and "negative" aspects; negative liberty is concerned with the inquiry, "In what area is man left free to do what he

wishes without interference by other men, singly or in the collective?" Implicit in this question concerning liberty is the premise that some restraint on human action exists compatibly with freedom. To the extent that this area of noninterference is contracted, the individual is coerced and unfree, but the very concept of an area of noninterference presupposes some limitation.

The external restraint implicit in liberty is a recognition of freedom of action as an equal right of all purposive beings in society.10 The necessary implication is that liberty is not the total absence of restraint. The quest is for the permissible limits of restraint. In the words of Bastiat, liberty is "the freedom of every person to make full use of his faculties, so long as he does not harm other persons while doing so . . . [and] the restricting of the law only to its rational sphere of organizing the right of the individual to lawful self-defense. . . ."11 Thus, the

⁸ See Edmund A. Opitz, "Defining Freedom," THE FREEMAN, Vol. 12, No. 9 (September 1962), 3, 5: "Rather than freedom being the mere absence of restraint we begin to see that freedom is indeed the acknowledgment of certain kinds of restraints — or constraints. Inwardly a man is free when he is self-determined and self-controlling. Outwardly, a man is free in society... when the limitations he accepts for his own actions are no greater than needed to meet the requirement that every other individual have like liberty."

⁹ See generally, Berlin, op. cit., 6.

Nee Fuller, op. cit., at 1322. Both Berlin, id 8, and Fuller, at 1310-1313, criticize Mill for believing all forms of social order were undesirable; I wonder if that is the correct interpretation. Fuller claims that some order is necessary to make choice meaningful, but query, the relevancy of his examples.

¹¹ Frederic Bastiat, The Law (Dean Russell Translation, The Foundation for

workable ideal of liberty is a range of individual choice unhampered by deliberate human interference except insofar as intervention is necessary to assure equal liberty to all individuals.

Liberty has meaning because man possesses the power to choose, that is, the ability to observe, measure, test, evaluate, and select from alternatives. 12 But this does not mean that choice is meaningless unless liberty is also measured in terms of power to accomplish ends.13 The freedom to do something does not imply success; it includes freedom to try and fail. Freedom to undertake a venture may well be of profound importance to the individual sans success in the ultimate endeavor. Hayek has wisely observed14 that

the concept of liberty cannot be restricted to areas where we know the result will be "good" because that is not necessarily freedom; freedom is required to attend to the unpredictable and unknown. and is desirable because the favorable results will far outstrip the unfavorable. The libertarian 15 is not utopian; he only asserts that liberty is the best condition for the realization of the multiple goals sought by purposive individuals. He would not impose his choice upon others; he merely asks that others not interfere with his voluntary choice.

Individual freedom is the lack of formal or informal external restraints imposed by one man or group of men upon another, save for the collective coercion aimed at preventing individuals from acting forcibly or fraudulently against their neighbors. It is the absence of human impediment to the voluntary action of fellow human beings. The permissible limitation on free choice is the recognition of

Economic Education, Inc., 1950), 51. See, also, p. 6. The Law also appears in Frederic Bastiat, Selected Essays on Political Economy (D. Van Nostrand Company, Inc., Princeton, New Jersey, 1964), 51-96.

¹² W.E. Sprague, "What Is 'Freedom'?" THE FREEMAN, Vol. 12, No. 1 (January 1962), 38, 44; see also John C. Sparks, "Freedom to Decide," THE FREEMAN, Vol. 12, No. 10 (October 1962), 38. Berlin, op. cit., 15, Note 1, indicates some of the many variables to be considered in measuring the amount of freedom a human being possesses in a given situation.

¹³ This would seem to be the suggestion in Oscar and Mary Handlin, The Dimensions of Liberty (Harv. U. Press, 1961), 11, 18.

¹⁴ F. A. Hayek, "A Case for Freedom" THE FREEMAN, Vol. 10, No. 10 (October 1960), 32, 34. See generally Professor

Hayek's monumental work, The Constitution of Liberty (University of Chicago Press, 1960).

¹⁵ This term is utilized to avoid a confusion of labels fostered by the statist prostitution of the nineteenth century concept "liberal"; "Libertarian" or "Voluntarist" includes Mill (in his earlier years), Constant, De Tocqueville, Bastiat, the neoclassical economists, members of the Austrian free market school of economics, and persons in like tradition.

an equal ambit of choice to all other men.

(2) The elements of law

I do not propose here to isolate and analyze the phenomena denoted "law." For the purposes of this article, it is sufficient to identify several classes of law, well accepted as such in the contemporary United States, and to limit our analysis accordingly. This in no way pretends that the proffered classification is exclusive.

In general, law is a method of control of human behavior, ordinarily accomplished by policies, rules, orders, decisions, and regulations, operative within a given territorial unit; its ultimate authority resides in the monopoly of coercion possessed by the state. Coercion as an essential element of the legal system cannot be understated, even where compliance with law may be secured either by mere threat of force or by subtle forms of coercion.

The law is coercive insofar as it delimits the range of alternatives otherwise open to the individual actor, whether the results of noncompliance are penal sanctions in the traditional sense, or the foreclosing of legal processes for redress to the noncomplying individual. As indicated in the discussion of external restraints inherent in the definition of liberty, freedom not only presupposes a system of law but also could not survive in the absence of law.17 However, an equally valid proposition is that liberty may be destroyed by the misuse of law.18 Throughout the remainder of this article, by example and analysis, the interrelationship of law and liberty and the application of these two propositions will be explored.

Law and the Ambush of Liberty

Analysis of the relationship between law and liberty is complicated by the fact that laws which operate in society under the guise of liberty may, in fact, be inimical to the freedom ideal. All law actually premised upon such masquerading concepts may obstruct individual liberty, but the possibility of erosion of the concept is so likely that it is necessary to un-

¹⁶ The ongoing jurisprudential analysis of the concept of law cannot be ignored or treated lightly. Although subject to criticism and disagreement, the work of H. L. A. Hart stands tall among his fellows; his influence must be acknowledged. See, generally, Hart, H. L. A., The Concept of Law (Oxford at the Clarendon Press, 1961), passim. See also Ronald M. Dworkin, "Is Law a System of Rules?" Essays in Legal Philosophy (University of California Press, 1968 [Summers ed.]), 25-60.

¹⁷ See Fuller, op. cit., 1314, Berlin, op. cit., 5.

¹⁸ Bastiat, Frederic, The Law, op. cit., 11.

mask some of the most common interlopers.

(1) Strange bedfellows: Liberty, Equality, and Fraternity

When liberty is properly defined as the absence of human interference with the actions of a purposive individual except to the extent required to assure like liberty to all other individuals in society. liberty and equality become singularly discordant companions. Liberty has long survived the gravevard of dogma because the libertarian accepts man as he finds him. an extraordinarily complex, volitional being, capable of creation or destruction, searching for multiple goals;19 equality is curiously incompatible with both liberty and the nature of man, because the egalitarian refuses to accept man as he finds him. The egalitarian all too often bottoms his view on the premise that mankind is essentially brutish and incompetent. incapable of betterment and undeserving of salvation, although the same thinker may posit that man acting in the collective somehow achieves great creative powers.20 Liberty is both a desirable and achievable goal; equality is neither, unless equality means "equality before the law," equal treatment of saint and sinner found in the same posture or circumstance.

This confusion of concepts is partially caused by the association of the word "equality" with the American and French revolutions of the eighteenth century, tradi-

other men. His goal seems to be to seize control of governmental apparatus and choose for an unwilling multitude that which they "need" or "should choose," apparently if they understood the problem as well as the egalitarian liberal thinks he does. (Yet these same demented members of the mass apparently have enough native intelligence to elect our liberals to office.) Apparently it is right to help your fellow man; apparently also, to the liberal, free individuals do not assist their unfortunate brothers: therefore, the liberal takes charge and makes the choice (who and how much to help) and a swelling welfare system is nurtured and sanctioned by law.

Again, the liberal cannot accept the possibility that free individuals could carry the mail safely, quickly, and more efficiently than a public service, and thus a governmental mail system lives on at an amazing cost and grinding inefficiency.

For examples of "governmental" functions which could and have been performed more adequately by private individuals, see the interesting little book recently published, William C. Wooldridge, Uncle Sam, The Monopoly Man (Arlington House, New Rochelle, New York, 1970). For two views of the American liberal in his element, see M. Stanton Evans, The Liberal Establishment (The Devin-Adair Company, New York, 1965) and William F. Buckley, Jr., Up From Liberalism (Hillman Periodicals, Inc., New York, 1961).

¹⁹ See Wendell J. Brown, "What Liberty Is," 47 ABA J 290, 291 (1961).

²⁰ Witness the modern egalitarian liberal. He gives lip service to the concept that all men are created (or must be made) equal, yet he distrusts man and his capacity to choose; he would foreclose choice or impose his choice upon

tionally associated with the search for freedom. A literal application of the egalitarian concept may be utilized to level society by fitting men of varying potentialities to a Procrustean bed measured to the least fit. Those possessed of the least measurable potential might be made happier by this process, but the result would not be freedom. Equality is consonant with liberty only in a limited sense: the equality comprehended by the Declaration of Independence and the libertarian tradition was equality of birth, without vested privileges provided by the state, and equality before the law, an equal liberty to utilize one's faculties and potential to his own ends. to succeed or fail, to determine his own destiny without special favor of discrimination.21

Fraternity possesses a subtler but very real possibility of shrouding liberty. Berlin has clearly indicated that the cries of oppressed classes and nationalities for "liberty" often obscures their real desire, that of recognition by other men of one's own human worth.²² This search for status may lead to the worst kind of demagoguery and oppression, since the individ-

ual sacrifices his liberty for the realization of group status, and in return receives recognition by the group. It is not the motive to be recognized by one's fellow man which is wrong, for this is a very real human desire. Rather, it is the sacrifice of voluntary action in the name of liberty which results in illiberal acts committed in the name of liberty which is wrong: the submission of the individual to the group renders him less human by his escape from moral responsibility for his acts, placing responsibility and choice in the hands of the will of the group, which normally means the will of the loudest or the most violent. The fallacy lies in the fact that fraternity consonant with true liberty cannot be enforced - it must be voluntary.23

(2) Liberty and self-government: Berlin's positive liberty

Another concept masquerading as liberty is the natural desire to be self-governing, or "democracy." Berlin has analyzed the problem of liberty as confusing the question of "to what extent shall I be free in my actions from the deliberate intervention of others?" with the inquiry, "To the extent that I am to be coerced by others, who should coerce me?"²⁴ Cohen has taken issue with this analysis,

²¹ An excellent article dealing with the true nature of equality is to be found in R. Carter Pittman, "Equality Versus Liberty: The Eternal Conflict," 46 ABA J. 878 (1960).

²² Berlin, op. cit., 39-47.

²³ Bastiat, op. cit., 25.

²⁴ Berlin, op. cit., 6-19 generally.

terming it "academic, inflated and obscure." He argues that Berlin confuses the positive-negative liberty distinction with a distinction between individual liberty and public authority, and that the traditional libertarian thought was identified not only with a search for "negative" liberty, but also with the development of self-government. 26

Despite these criticisms, there is a distinction between the form of the state and the area of noninterference.²⁷ Democracy can be as subvertive of liberty as autocracy; 51 per cent of the electorate could vote to plunder and pillage the re-

maining 49 per cent; a progressive income tax obviously limits the freedom of those in the higher brackets for the alleged benefit of the majority who reside in the lower brackets. On the other hand, it is possible to hypothesize an absolute monarch who governs solely within a strictly limited sphere of state action, preventing fraud and violence, and providing for the settlement of private disputes.

Once this basic distinction is recognized. Cohen's criticism is rendered less vital. To acknowledge the distinction between liberty and self-government, and to admit the possibility of perversion of democracy into mob rule of might-makes-right, is entirely distinct from contending that selfgovernment is undesirable or less favorable than another governmental system. Certainly libertarian tradition has consistently concluded that self-government not only fulfills the basic human desire to be master of oneself, but also provides the most likely form by which to secure the condition of liberty.

But, Berlin asserts a salient proposition that the desire to be master of one's own self can degenerate into the worst kind of totalitarianism.²⁸ The demented

²⁵ Cohen, op. cit., 216.

²⁶ Cohen, *id* generally, especially 217. Of course these are not the only arguments advanced against Berlin's thesis in this well-written article. For example, at page 222, Cohen claims that economic tyranny parades as a negative liberty concept, and that people have a drive to be "free" from this oppression; it is obvious that Cohen has fallen into the economic slavery fallacy here.

²⁷ Of course, there is nothing new in what Berlin says; Bastiat, writing in 1848, stated, op. cit., 16:

[&]quot;In fact, if laws are restricted to protecting all persons, all liberties, and all properties; and if law were nothing more than the organized combination of the individual's right to self-defense; if law were the obstacle, the check, the punisher of all oppression and plunder—is it likely that the citizens would then argue much about the extent of the franchise?"

See also Berlin's contentions, op. cit., on the confusion between liberty and sovereignty, pp. 47-52.

²⁸ Id 16-19, 25-29. Again Bastiat was over a century ahead of Berlin on recognizing the dangers presented by Rous-

idealist glorification of the state influenced two vicious forms of state barbarianism in this century. national socialism and communism. Yet this very idealism commenced with the premise of a natural desire to master one's own destiny; it was perverted when it became hopelessly confused with the belief that the ends of each man, rationally measured, would always coincide with those of every other man. Therefore, the general will represented the "rational choice" of each member of society. although a given individual member might be blind to his "real self" and therefore his choice would have to be made for him by a master more rational than he.29

This is, of course, the same tired argument of all tyrants, that the state must do for man what he cannot do for himself. Since the state is a coercive, not a creative, force, there is nothing it can do, except use force, that man, singly or in voluntary association, cannot do for himself. It may, however, do things a volitional individual would not do;³⁰ this reveals an-

other evil, since an individual recognizes less responsibility for the consequences of a choice where his personal choice is one step removed from the effecting cause.

On a somewhat lesser, but no less pernicious, plane, the Fabianism sweeping the West³¹ today proceeds upon the same illogic. idolizing the expert and the planner who know better than the citizenry what the latter "wants" done in a given situation. The libertarian recognizes the vital truth that not only are the ends of man in potential conflict³² but also that individual voluntary action is the only method by which one's destiny can be completely and morally determined, even if the determination so chosen might appear "irrational" to an observer.33 To be free is to be allowed to make one's own mistakes.

prive individuals of their property (taxes) and enter into an uneconomic project—it is likely that this is the rational analysis of federal space exploration. See how private action can solve, and has solved, many problems which are posited as "necessary state action" in Wooldridge, op. cit., 20.

seau's philosophy; compare Berlin, ibid. 48-49, with Bastiat, op. cit. 44-46; see also Pittman, op. cit., generally.

²⁹ Berlin, *id* 29-39, especially p. 39, showing how liberty and authority tend to become identical.

³⁰ For example, under the specious argument that "men cannot do this for themselves" the state may coercively de-

³¹ Exemplified, for instance, in the works of John Kenneth Galbraith.

³² See Berlin, op. cit., especially 52-57.

observer. Quite often we neglect analysis of the interest of those persons who want to do something "for" us, those who pose as unbiased and disinterested experts. Their real interest is often anathema to the cause of voluntarism.

(3) Liberty and security

Security, occasionally mislabeled "liberty," is a common end sought by man. Security might be said to be the barter of freedom in order to satisfy a desire to avoid choice. agreeing to acquiesce in the choice of another. Although liberty inherently posits individual choice for oneself, it does not prevent the choice for "security" in all instances. Security is inimicable to liberty where one not only chooses not to choose, but his choice, ordinarily in the collective with other similarly situated, operates by some sanction to force that choice upon another unwilling individual.34 Man commonly desires to plan for his retirement or old age: it is not a perversion of liberty to choose to enter a voluntary arrangement whereby a private insurer plans a retirement program for consideration. However, where 51 per cent of the voters choose a state-enforced program binding all present and future citizens, it is clear that the quest for security has resulted in a deprivation to the liberty of the unwilling who

wish no program at all, or, more likely, wish to plan for the future in accordance with their unique situation.

An amazing example of confusion of terms in high places is the illogical shift in the infamous "four freedoms" speech.35 Coupled with the two accepted adjunct freedoms, expression and religion. are two interlopers, freedom from want and freedom from fear. More amazing still is the fact that these false freedoms have wormed their way into accepted political programs without criticism, accepted as respectable as though they could be achieved in fact. "Freedom from want and fear" may represent basic human desires but to call them freedom is foolish.36

(4) Enforced orthodoxy

Again, liberty may be confused with a system of enforced ortho-

³⁴ Mr. Sollitt concisely describes the situation: "We invented a fascinating new parlor game in which we all stand in a circle, each with his hand in the next person's pocket, all seeking to get richer thereby." Kenneth W. Sollitt, "Four Foundations of Freedom," VIII Essays on Liberty, 176, 181 (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1961).

³⁵ See Frederick A. Manchester, "The Tricky Four Freedoms," VII Essays on Liberty (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1960), 272.

³⁶ Unless man earnestly desires the bottled-baby routine of a brave new world, I seriously question whether "freedom from fear and freedom from want" are possible. "Fear" is a singularly internal matter which cannot be cured by state-sanctioned bread and circuses; and, as I studied economics, that whole endeavor was based upon the major premise that man's wants are insatiable and that the supply of goods is limited, so it would seem that "want" cannot be satisfied by autocratic or bureaucratic fiat.

doxy, sometimes signified the "consensus" fallacy, which provides for such a limited range of choice that the individual is not really free at all. Sunday laws are a common example of this concept, where religious freedom means freedom to be religious in the manner recognized by the community. Compulsory franchise laws, existent in both Eastern and Western nations. provide another example where a citizen must vote, although he may have a real, not a perfunctory, choice between candidates who may represent diverse positions. Freedom must include freedom to abstain or it cannot be freedom; to claim that the Soviet hegemony has free elections is a mockery. The most obvious example appears in the enforced othodoxy of conscription, now under some semblance of attack in the halls of Congress.³⁷ The concept of a conscript fighting for freedom could be humorous if the milieu were not so deadly serious. The cause of freedom has suffered much in making the world safe for democracy.

(5) The question is: Freedom for whom?

Liberty achieves its true station when it is equally applicable to each individual in society:38 this is implicit in the definition of liberty as the absence of human interference with individual actions except as is necessary to insure equal freedom for all. Yet, an "unequal liberty" may parade under the mask of liberty: this interloper may partake of some attributes of liberty, but only for a limited group of persons. For example, a slave society might be found where the ideal of liberty existed for the ruling class alone; to the extent of slavery enforced by coercion, that society is restrained, not free. In fact, the ruling class is itself less free, albeit by deliberate choice, in two senses: (a) it must allocate part of its resources to the continuation of slavery, instead of releasing these forces for creative endeavor, and (b) to the extent that the enslaved class does not operate to its creative potential because of the oppression, the rulers suffer the loss of that potential outflowing of productivity.

When examining a restrictive norm allegedly enacted or adduced to advance freedom, a relevant in-

³⁷ While the "conservative" libertarian has long recognized the diminution of freedom inherent in the Universal Military Training Act (see Candidate Goldwater's recommendations for an all-volunteer army in the 1964 presidential campaign), it is only recently that the idea has found favor with the liberal politicians and media. Now that the concept is popular, many rush for a seat on the bandwagon.

³⁸ But what of the defective, aged, and insane who must be incarcerated "for their own good"?

quiry is "freedom for whom?" If the law extends privileges to one group at the expense of others, and is not founded upon the legitimate state function of preventing fraud and violence and providing for the adjudication of private disputes, then it does not achieve liberty.³⁹

In our legitimate concern over the mistreatment of colored persons for two centuries, we now fail to see that the liberty of the employer is restricted when he is forced to hire a Negro applicant against his will, and the liberty of a storekeeper is limited when he is forced to serve those he does not wish to serve at his lunch counter. An entirely different inquiry is presented when white persons. singly or collectively, with or without authority of law, coerce colored persons and prevent them from voting, breach the doors of their church and harrass their peaceful meeting, or fail to provide an equal administration of justice for persons of all races by excluding qualified Negroes from the venire.

(6) The divisibility fallacy

Statist philosophy often obscures the essential fact that liberty is indivisible. Failure to educe this element tends to lead the less sophisticated apologist for unwarranted state intervention to justify governmental extension on the grounds that "human rights take precedence over property rights." So stated, the proposition is clearly unsound and a negation. because of the identity of subject and object. "Property" possesses no rights, any more than air, or dogs, or cinnamon possess rights; rights inhere only in individual, volitional beings. Property rights are human rights.40 Thus, the contention really means that the liberty of some persons must be curtailed and in some mystical way the liberty of other persons will be expanded.

What those propounding this argument truly mean is that certain aspects of liberty should be restricted while others remain unmolested (for the time being), but emotive words are utilized to secrete the true justification. Thus, while the United States currently witnesses a growing recognition and sanction of the constitutionally specified freedoms of speech, press, association, and religion, an

³⁹ It would seem that some of the problems presented may be reduced to the question of advisability of prior restraint, that is, whether a restrictive law ought not to be enacted because if that law is not passed there is a possibility of abuse of freedom. I think Hayek's argument, op. cit., would sufficiently answer this contention.

⁴⁰ See William Tolisches, "Private Property and Freedom," THE FREEMAN, Vol. 11, No. 2 (February 1961), 46.

over-all diminution of liberty occurs.41

The clearest present deprivation of liberty is to be found in the market place where state intervention has whittled down the individual's choice of alternatives. Because of the artificial humanrights-property-rights distinction, there has been acceptance of the tenet that freedoms of association. speech, press, and religion can somehow survive without economic freedom. This is preposterous: as the market becomes more controlled, these adjunct freedoms lose strength. Freedom of the press means little where the state controls the supply of newsprint; freedom of speech and association are fine unless the state owns all the available meeting places; freedom of religion can be destroyed if land and building materials for the construction of structures of worship belong to the state, since the state affixes conditions of use to that which it owns or controls. The rights of freedom of speech, press, association, and religion are all dependent upon economic freedom because, to be effective, they must utilize the product of the market, and where the state controls production and distribution, it controls ultimate use. Market control is not price control or rent control—it is people control.⁴²

Liberty: Encouraged or Destroyed by Law

To ascertain the relationship between liberty and the various functions which law performs as a device for securing social order, it is desirable to separate several obvious types of laws and examine their peculiar relationship to liberty, noting how each class of law can either encourage or destroy individual freedom.⁴³

(1) Criminal duty-imposing rules

Criminal law provides for the redress of harm done to individuals when the harm is such that its existence threatens the very structure of society and all per-

⁴¹ Dean Russell, "Freedom Follows the Free Market," X Essays on Liberty (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1963), 198, 200-201.

⁴² See. generally, Russell, *id*, and also his article, "Basis of Liberty," THE FREEMAN, Vol. 12, No. 7 (July 1962), 9. See also, Sparks, *op. cit*, 44. There is a current argument advanced that desirable characteristics can blossom in a severely restricted society which restrains individual liberty; this contention is supposed to obviate the contention that liberty is necessary for the morality and productivity of man. It seems clear, however, that creation in the restrictive society is not caused by state intervention but *in spite* of it.

⁴³ Bastiat, op. cit., 8-9, attributed the destruction of liberty to greed or to false philanthropy.

sons situate therein. Criminal laws are absolutely necessary to the existence of liberty because their function is to protect the individual, by deterrence and penalty, from infringements on individual liberty by those who would trespass upon the equal freedoms of others. If nothing else is achieved by the state, it should at least isolate those who would forcibly and fraudulently deprive their neighbors of life, liberty, or property. It is difficult to imagine a system where liberty could flourish without institutions to prevent individual or collective force and fraud against one's neighbors. Criminal laws restrict liberty to the extent that they inhibit the individual from his free choice. Thus, this limitation of liberty is necessary and desirable for liberty to survive.

It may seem curious to assert that criminal law, customarily so devoted to the equal protection of individual life, liberty, and property from the transgressions of others, could be perverted into a destroyer of freedom. However, a legal system which fostered plunder of property by making individual resistance thereto unlawful certainly would restrict liberty. Freedom is unduly inhibited where the criminal laws utilize and sanction that which is proper human action, not interfering with the

equal liberty of all, such as Sunday laws, usury laws, consensual crimes between adults not in the public view, and minimum wage laws.44

(2) Civil duty-imposing laws

The law performs another essential function by providing institutions for civil recovery of individual restraints on human action, commonly denoted the "administration of justice." Conduct restricted may or may not also be criminal. For example, P's freedom is obstructed when D negligently strikes him with an automobile, to the extent that P's life may be shortened, his freedom of movement hampered by a broken leg, or his property taken for the payment of medical bills. Therefore, D's freedom of action is justly restricted to the limit of

⁴⁴ Ayn Rand's epic, Atlas Shrugged (Random House, New York, 1957), graphically described a system where the criminal laws were perverted to destroy liberty.

Usury laws may be civil or criminal; in either milieu, they are untenable restrictions on voluntary action. Why should I be limited by the state in the amount I can charge for the use of my money? It is my property, after all; if the borrower doesn't want to pay the price, he can (1) go elsewhere, or (2) refuse to borrow. He need not deal with me. The recent economic upheaval in the United States has aptly demonstrated the superciliousness of usury laws. The recent prime rate high point exceeded the allowable maximum rate of interest in some jurisdictions.

taking some of his property at P's instance to compensate P for his loss: D's freedom of action is restricted but only by the consequences of his volitional act. There is no proper penalty for negligence: a restriction of liberty is valid only where D is at fault and that fault causes the deprivation of another's freedom.45 If, however, D intentionally struck P, he might be both civilly and criminally liable; not only would D restrict P's freedom of choice and action but also he would constitute a danger to society as a whole.

Civil-duty laws destroy liberty where liability is imposed upon D without any fault, or without any causal connection between his actions and P's injuries. Thus, laws providing for status or absolute liability, 46 justified only on the basis of the "deep-pocket" doctrine, or the theory of "enterprise liability," represent legally sanctioned deprivations of liberty, as does the trend toward state-enforced insurance and compensation

schemes. Where an individual is mulcted for results not of his making, where he is not "at fault," his liberty is unfairly restricted and the society falls short of the ideal of freedom. Where the individual is made to pay for the consequences of acts volitionally done (his fault), the lessening of liberty is justified.

(3) Laws channeling or conferring powers

Rules providing procedures by which the individual can achieve the results of his voluntary and consensual associations with other persons may augment the ideal of liberty. Law in the early United States, by the development many of these rules, fostered the nineteenth century outburst of creative energy.47 Even a frontier society required a law providing for the recordation of land titles.48 and norms for enforcing individagreements voluntarily reached, as well as rules for the adjudication of private disputes.

Power-conferring rules restrict liberty when they deny enforcement procedures for individual ac-

⁴⁵ See, concerning the doctrine of fault in tort law, Foley, Ridgway K., Jr., "The Doctrine of Fault; The Foundation of Ex Delicto Jurisprudence," 36 Ins. Counsel J. 338-346 (1969).

⁴⁶ See, concerning the development of the absolute liability of seaworthiness in maritime law, Foley, Ridgway K., Jr., "A Survey of the Maritime Doctrine of Seaworthiness," 46 Or. L. Rev., 369-421 (1967).

⁴⁷ See, Handlin, op. cit., c. IV; see, also, an excellent little book, James Willard Hurst, Law and the Conditions of Freedom in the 19th Century United States (U. of Wis, Press, 1956).

⁴⁸ But query, could not this be achieved privately, without state intervention except to sanction the agreements and decide disputes?

tion not following prescribed procedures: they do not prevent voluntary individual resolution of problems by other means if enforcement is not required. There is no prohibition of a sale of Blackacre by oral agreement between B and S, if both parties carry out their bargain - it is only when one party reneges that the statute of frauds prevents enforcement. Again, the law-conferring powers will not penalize B for failure to record title to Blackacre. and if no other claimants appear, B's title is secure. The power-conferring rules destroy liberty only when they are used to restrict human endeavor, to allocate market resources, or to promote favoritism.

Curiously, many writers have considered the nineteenth century United States as a laissez-faire economy where freedom was given free rein, and the government performed only the functions of a night watchman. Proceeding from this naive premise, they draw the equally absurd conclusion that law must positively restrict individual freedom in order to prevent real or imagined evils flowing from the "libertarian experiment." ¹⁹

First, nineteenth century America clearly enjoyed less restriction

on human action than any earlier society in history: however, the claim that the limitations were only those of a policeman preventing malum in se crimes ignores historical fact. Writing at midcentury. Bastiat indicated two particular areas of restraint, slavery and protective tariffs.50 To these can be added, by way of nonexhaustive example, the internal improvement schemes of Henry Clay; the fostering of public education; the grant of monopoly power to private groups in the "public interest": national control of finance: licensing and regulation of navigation and improvement of harbors: and direct or indirect encouragement of transportation: not to mention state tinkering with money, coinage, and banking in relation to the finance powers.⁵¹ Moreover, the argument falsely focuses only upon the Federal government, which, admittedly, was more concerned with the problems of federalism prior to the Civil War. One cannot overlook state and local restrictive activities, including commercial regulation, licensing, subsidies, and monopoly grants under an ex-

⁴⁹ This seems to be a common argument justifying the modern welfare state.

⁵⁰ Bastiat, op. cit., 19.

⁵¹ For a discussion of many areas of governmental action in the nineteenth century, see Hurst, op. cit., generally, and especially 6-9, 41, and 51-53. See also, Handlin, op. cit., generally.

panding concept of the police power.⁵²

Second, the "Golden Age"53 argument assumes that individual liberty was responsible for "abuses" of the nineteenth century, proceeding from the untenable tacit assumption that liberty was meant to be a panacea leading to utopia. The libertarian contention is only that voluntarism is the best system for a fallible but improvable mankind.

Likewise, the conclusion that liberty caused abuse is untenable; empirically, most "abuses" were conditioned by law, not liberty, and flow from failure to properly provide sanctions against trespass on liberties or unwarranted interdiction of human freedom, directly or by delegation to private groups.

Third, the argument overlooks the positive function performed by the law in the nineteenth century; for example, the Federal judiciary under the Interstate Commerce Clause prevented the erection of internal barriers to free trade by mercantilist states at the behest of favored local businesses, and the states followed a liberal policy of granting charters to associations and providing a remedy for failure of subscribers to a capital pooling venture to carry ou their voluntarily entered bargains.54

(4) Adjudicative laws

The development of individual freedom requires a body of law relating to the administration and settlement of private disputes. Without adjudicative rules, there would be great difficulty in effecting the rules imposing civil or criminal duties, or conferring powers, since there would be no

⁵² It is too often forgotten that state governments in the United States generally possess a residuum of power and their Constitutions merely carve out a minimum area of noninterference, while the Federal Constitution, in theory, strictly limits the exercise of national power by the concept of delegated powers. It is submitted that a residuum of power ought to vest in the individual, not in the state or local government, in order to secure the ideal of freedom. To fail to see this is to fall into the traditionalist trap of Henry George and Albert Jay Nock, who apparently believed that if the government were close to the people it would not likely abuse its powers; not only does this confuse Berlin's positive and negative liberty, but also it betrays a lack of perception of the real world.

⁵³ Berlin, among others, has treated individual liberty as a recent development, primarily limited to the North American Continent and Northern Europe, beginning with the late eighteenth century. Yet, certain salient aspects of individual liberty are present in some ancient cultures in the East, and certainly it is unwise to overlook the Sarcenic development; see Henry Grady Weaver, The Mainspring of Human Progress (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1953).

⁵⁴ See Hurst, op. cit., and Handlin, op. cit., generally.

organized institution of enforcement. Common examples of ajudicative rules are regulations relating to the qualifications, selection, and tenure of a judge, conciliation commmission or arbitrator, rules of evidence and procedure for guiding the presentation of the dispute and enforcing the official determination.⁵⁵

Adjudicative rules restrict individual liberty by narrowing the choice of alternatives in the choice of court, judge, procedure, and evidence, and excluding the choice of self-help, but they are justified on the ground of making choice meaningful. Absent the central administration of justice, civil chaos would reign. However, the ideal of liberty is perverted when adjudicative rules are used to discriminate against some persons seeking legal redress or where the law is used to unduly restrict liberty. For example, where colored people are customarily excluded from the venire, liberty is imperiled. Likewise, where the legal system no longer requires proof of fault or causation for civil recovery, but only that the defendant possess a deeper pocket, and upon such proof authorizes and enforces recovery, the law is misused and reduces the defendant's freedom.

(5) Laws for making laws

Closely related to adjudicative rules are the law-making laws; adjudicative rules make law in the sense of the law of the case and in the sense of precedent: lawmaking laws provide procedures and qualifications for the passage of general laws, limitations on law-making powers, and grants of law-making powers. Common examples of law-making laws are those setting forth qualifications and tenure of public officials: local initiative, referendum and recall: home rule: rules of procedure within legislative, executive, or administrative bodies; rules of court; and the procedural apparatus for publicizing laws.

Law-making laws also include rules against potential laws and the abuse of law-making power by providing a line beyond which there is no law-making power extant. For example, constitutional prohibitions against taking property for public use without just compensation, impairing the obligation of contracts, and the whole gamut of provisions in the Bill of Rights contain absolute restrictions to protect the indi-

⁵⁵ Id, generally. The "law-less" nineteenth century certainly produced some marked improvement in this category of law, for example, the Field Code, which attempted to limit the common-law technicalities and assure that all persons could quickly bring their disputes before an official tribunal.

vidual from collective interference.

Additional norms within the category of law-making laws are rules prescribing the proper functions of the state; here the greatest destruction of individual freedom has occurred. Where restrictions against state interference with individual liberty are perverted by legislative fiat or judicial interpretation, so as to permit the state to become a producer in the market, as occurred in the development of the Tennessee Valley Authority or Social Security Programs, individual liberty suffers as a consequence.56

The Value of Liberty and the Role of Law

To this point I have proceeded upon the major premise that a maximum ideal of individual liberty is desirable and the proper role of the law is to foster and protect that ideal. Some reasons for this premise follow:

(1) Only under conditions of individual liberty can man be a truly responsible moral agent.⁵⁷ Choice presupposes responsibility and fosters it: if a man is unable to choose because of restraint he is, to that extent, dehumanized. The choice not to choose at all but to pass that choice to a nonresponsible collective is a choice per se and the burden for the consequences of the allocation by the collective must rest, in last analysis, upon the ultimate choicemaker, the individual who refused or refrained from choosing. (2) Only with the conditions of maximum liberty can man's creative nature have full sway in the solution of his problems; liberty is a singular concept, having no fixed ends in itself, and presupposing that ends are open and only the individual can best choose for himself.58 (3) With maximum lib-

⁵⁶ To belabor the obvious, when one is compelled to participate in a bankrupt state insurance scheme, his freedom is lessened; he loses property to the state and he effectively loses his choice to plan his own future.

Again, when the state co-opts the power-producing and distribution system in an area, the individual no longer has a choice of suppliers if he wishes to use electricity, nor does he have the opportunity of entering the business in competition with the state. And, he must pay over part of his property, through taxation, to support the system and pay through subsidy for the current used by his neighbors.

Of course, the examples suggested are but two of many intrusions into the market by an expanding state.

⁵⁷ See, Sollitt, op. cit.; Clarence B. Carson, "Individual Liberty in the Crucible of History: 6. A Rebirth of Liberty," THE FREEMAN, Vol. 12, No. 10 (October 1952), 3; Sprague, op. cit.; Dean Russell. "What Freedom Means," THE FREEMAN, Vol. 11, No. 12 (December 1961), 18.

⁵⁸ See Sylvester Petro, "Freedom and the Nature of Man," THE FREEMAN, Vol. 11, No. 9 (September 1961), 9; Brown, op. cit.; Hayek, op. cit.; Russell, "Basis of Liberty," op. cit. See also, Hurst, op.

erty and the concurrent release of individual creative power, man will produce the greatest abundance of material, as well as spiritual, wealth possible. ⁵⁹

In summary, then, what is individual freedom and what is the proper function of law? Liberty is the absence of human intervention with the endeavors of an individual to utilize his life, liberty,

cit., 5-6 where he recognizes this as a major premise of the nineteenth century political thought. For further elucidation, see generally, Leonard E. Read, The Coming Aristocracy (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1969); Leonard E. Read, Talking to Myself (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1970).

No man is able to understand the variables and influences present in the decision-making milieu facing any other human being; only the actor is capable of a reasoned choice. This is not to say that it will always be the "best" or the "right" choice when viewed by a third-party observer. It is to say, however, that it is the best and right choice for the actor, certainly superior to the judgment of any other man or collective at that time, And even if the choice were not the best, it would still be desirable to allow the actor to chose, because (1) it is his destiny at stake, and (2) no group or collective is better positioned to make the choice. As Nock wrote: "The practical reason for freedom, then, is that freedom seems to be the only condition under which any kind of substantial moral fibre can be developed," Cogitations from Albert Jay Nock (The Nockian Society, Irvingtonon-Hudson, New York, 1970, Thorton ed.) 63.

and property (and all adjunct rights flowing therefrom) as he sees fit and for the ends he desires, limited only by the equal liberty of all other individuals in society. To accomplish this ideal of liberty, law must be restricted to its proper role; prevention of use of force and fraud against any individual or group by any individual or group⁶⁰ or by the state, except where necessary to prevent the actor from invading the equal freedom of another; provision of processes and institutions for adjudication and enforced settlement of private disputes: and, provision of reasonable channeling procedures through which private individuals may utilize their voluntarily chosen ends.

⁵⁹ Id. Note 57.

⁶⁰ Spatial limitations prohibit an examination of the relation between law, liberty, and the association. As Fuller points out, op. cit. 1316-1322, the problems of freedom occur in all multiple human relationships. There is a trend away from considering the problem of freedom in "Man v. State" terms, and in considering the relationship the group or the association bears to the situation. For some varying viewpoints on this situation, see Fuller, op. cit. 1316 ff.; Clarence B. Carson, "Individual Liberty in the Crucible of History: 3. Circumstances Hostile to Liberty," THE FREEMAN, Vol. 12, No. 7 (July, 1962), 11; Handlin, op. cit., c V and VI; Cohen, op. cit., particularly 221-225. See also, Louis B. Schwartz, "Institutional Size and Individual Liberty: Authoritarian Aspects of Bigness," 55 NW. L. Rev. 4 (1960); and

Bayless Manning, "Corporate Power and Individual Freedom: Some General Analysis and Particular Reservations," 55 NW. L. Rev. 38 (1960).

Unfortunately, too many analysts are not adept at careful study in this area and fail to comprehend important distinctions. For example, Fuller seems to say that the solution is to provide individual freedom within the association and associational freedom within the society, and Schwartz seems to lump all forms of organization into a single pot; but what these and similar thinkers overlook is the concept of voluntarism. There is a distinction of magnitude between associating by mutual consent and choosing to submit to agreed terms and consequences, and an association which is compelled by the sanction of loss of an essential choice. Thus, much of the bigness in society has been fostered by unwarranted and unwise governmental interference into the affairs of man; the government-inspired monopoly (railroads, utility) becomes large and powerful much more so than if these associations lacked state backing and favor: to combat this growth, the state itself looms larger. No libertarian objects to voluntary association in any group, union, church, club, or society, so long as both the membership and the individual members have rights to voluntary withdrawal and so long as society is not a criminal conspirator, such as the Mafia or the Ku-Klux-Klan, bent on doing violence to the rights and properties of others; what we do object to is government favoritism and intervention and involuntary association: a common example of lack of associational freedom is the forcing of one to become a member of a labor union. A person can hardly contend that the Oregon lawyer is free when he is compelled to belong to, and support, the integrated Oregon State Bar, particularly when that association takes moral and political stands with which the dissenting members disagree. See the interesting struggle posed, and the questionable solution in Lathrop v. Donahue, 367 U.S. 820 (1961).

June

The Rule of Law

IDEAS ON

LIBERTY

THE END of the law is, not to abolish or restrain, but to preserve and enlarge freedom. For in all the states of created beings capable of laws, where there is no law there is no freedom. For liberty is to be free from restraint and violence from others; which cannot be where there is no law; and is not, as we are told, a liberty for every man to do what he lists (For who could be free when every other man's humour might domineer over him?) But a liberty to dispose, and order as he lists, his person, actions, possessions, and his whole property, within the allowance of those laws under which he is, and therein not to be the subject of the arbitrary will of another, but freely follow his own.



THERE ARE affinities between the nineteen thirties and the nineteen sixties. There are also some significant differences. Nobody has, as yet, done a searching comparative essay on the two benighted epochs, but in default of the omission the republication of Eugene Lyon's study of the thirties, *The Red Decade* (Arlington House, \$8.95), after being out of print for thirty years, offers the best possible perch from which to view the disastrous period that is just behind us.

The parallelism between the two decades is apt. In the thirties we had terrible domestic troubles and the growth of an isolationist spirit. But the rise of European Fascism and the ferociously militant expansion of Japan broke in upon our home-grown concerns. We were induced, partly by fear and partly by feckless diplomacy that set the stage for Pearl Har-

bor, to substitute Dr. Win-the-War (Franklin Delano Roosevelt's characterization) for Dr. New Deal.

During the whole period, as Gene Lyons points out, our cultural life was subjected to the Machiavellian penetrations of a foreign power that used a bewildering variety of "Innocents Clubs" and "transmission belts" and other "fronts" to lead artists, journalscientists, teachers, labor leaders, and important political figures around by the nose. We ended up in a war for "democracy" that enabled the malevolent Josef Stalin to move further to the West in Europe than the Turk had ever been. We frustrated the Japanese attempt to dominate the Asian mainland only to see China fall to Mao Tse-tung, who believes that all power comes from the barrel of a gun and is bent on putting that gun in the hands of Red guerrillas everywhere from Tierra del Fuego to Timbuktu.

The New Isolationism

In the sixties our domestic troubles were of a different order. but their impact on our spirit was even more appalling than the effect of the street corner apple-selling and the CIO strikes of the thirties. The new isolationism grew as our difficulties in maintaining the 1945 division of the world became more onerous. We haven't had to face a big confrontation with the Moscow or Peking totalitarians, but that will come (with either a Munich or a war) if we lose faith and credibility in Vietnam and the eastern Mediterranean, Meanwhile our cultural life is subjected to the Machiavellian penetration of polycentric radicals who owe spiritual allegiance to Brezhnev, to Chairman Mao, or to Fidel Castro and the shade of Che Guevara. The modern "Innocents Clubs" are manipulated by a variety of offshore interests, which makes for a confusion but does not lessen the danger. Both the confusion and the danger are compounded by the insidious growth of the drug culture, which spreads an apathy that hurts the possibility of a return to sanity.

Oddly enough, one reads Gene Lyons's study of the thirties with a good bit of nostalgia for a period that combined, in Max Eastman's description, "the charms of the South Sea Bubble and the insane pathos of the Children's Crusade." As Mr. Lyons says in his author's preface to the new edition, "literally millions of Americans, some knowingly and most innocently, allowed themselves to be manipulated by a small group under tight control from Kremlin headquarters."

But the Muscovite Comrades could not have pulled the wool over the eves of thousands of liberals from Eleanor Roosevelt on down if the Idealisms of the thirties hadn't been compelling. After all. Hitler was a monster. From a safe distance at a Manhattan cocktail party held to raise funds for Loyalist Spain one could feel that in offering money to support the Abraham Lincoln Brigade one was doing the work of the Lord. It was only after the courageous John Dos Passos had come back from Spain with the report that the Stalinists had usurped control of the Republican armies that one could see how the American liberals had been gulled. In reading or rereading Lyons it is the surface innocence of the thirties that induces the nostalgia. Bliss was it in that dawn to have been innocent. It took time for most of us to discover what was going on in the depths.

The Unmentionable Famine — Three Million Starve

My own disillusionment with the Soviet utopia came in the middle thirties when Walter Duranty, the cynical Moscow correspondent of The New York Times, remarked casually to Simeon Strunsky and myself in the Times elevator one day that three million Russian peasants had died in a man-made famine in the Ukraine in 1932-33. The magnitude of Mr. Duranty's figures was appalling, but even more appalling to me, as an idealistic young journalist, was the fact that Duranty had never breathed a word about the famine in print. (After all, he had his return visa to Russia to consider, and what did the truth matter as against that.) Mr. Lyons lets the worst about all of us in the thirties be set down for posterity by printing the lists of those who signed the petitions and open letters that characterized the age. He is always generous, however, in telling when a Clifton Fadiman, or an Edmund Wilson, or a John Dewey, came to his senses and got off the Muscovite train. He dates my own conversion to common sense accurately, even though he wasn't aware of the reason for it.

The communists in the thirties had a virtually unshakeable grip on New York publishing, the American Newspaper Guild, the CIO unions in plants with a military defense potential, the youth movement, the liberal magazines, and some of the New Deal bureaucracies. Sometimes the grip was exercised directly, through card-carrying operatives. But more often the control was indirectly applied through trusted fellowtravelers, as I came to know as a member of the Time, Inc., Newspaper Guild unit.

Stalin Joins Hitler — Saws Off Liberal Limb

One could say, as it was often said in the thirties, that collaboration with the communists in a "front" was both honorable and harmless as long as it was a matter of fighting Nazis. But the day came when the perfidious Stalin signed his notorious pact with Hitler. On that day it was too late for the "four hundred fools" to recall their letter to the Nation expressing an ineffable trust in Stalin, a letter which happened to appear on the newsstands at the very time the headlines in the dailies were proclaiming the news of Stalin's abrupt switch, Gene Lyons extracts the last bit of farcical comedy from the discomfiture of the Stalinoid liberals in 1939 when their master sawed off the limb on which they were crowded. But Lyons is also aware of the tragedy involved when the

supposed cream of a country's intelligentsia can be deluded into thinking thistles can grow figs.

Let us come back to the sixties. when the figs-from-thistles illusion started to take hold all over again. The big question is what happened to an educational system that failed to make use of Mr. Lyons's book during all those years between 1940 and 1971. If it had been read in the colleges. wouldn't there have been a little more skepticism among the young about the aims and uses of the New Left? Since the gods themselves contend in vain against thick-headedness, the availability of one good book probably would not have made a tremendous difference. But it might have saved a few promising boys and girls from going along with the movement that wrecked Columbia University and precipitated the tragedv at Kent State.

Again, if Gene Lyons's account of the euphoria that accompanied the birth of the Popular Front in 1935 had been digested by our leaders, would we now be taken in by the ping pong diplomacy of the Red Chinese? Ping pong may be useful to us to the end of driving a wedge between Peking and Moscow, but Mr. Lyons warns us to be sure of our motivations whenever we deal with totalitarians.

▶ STUDENT VIOLENCE by Edward Bloomberg (Washington, D.C.: Public Affairs Press, 1970, 91 pp. \$3.25)

Reviewed by Allan C. Brownfeld

Most analysts of campus turmoil seek to locate responsibility for it off campus. They blame the war, or the "Establishment," or "the system." But Professor Bloomberg, of the University of California at Davis, declares that campus violence is the natural consequence of a generation of teachers who have indoctrinated students with relativism, environmental determinism, and a rejection of the past.

Most professors do not condemn violence for "absolute relativism is the fashion right now. Few intellectuals would be prepared to defend anything as absolutely true or absolutely good. The result is that many feel — without knowing precisely why — that nothing can be really false or evil. Therefore nothing is absolutely forbidden."

What, then, is the connection between the relativism of the college faculties and the absolutism and dogmatism of the radicals. In this instance, Professor Bloomberg points out, "the former encourages the latter. The relativism of adults prevents them from condemning any behavior at all, even their own vilification. Students are

thus free to follow their own inclinations wherever they lead." The unfortunate result is that many academicians are not even prepared to speak in behalf of academic freedom, which has been destroyed at too many campuses.

Those who believe in relativism. charges Professor Bloomberg, have abandoned the mission of the Academy: "reason is now in low repute with the New Left. It is relativism and its result. authoritarianism, which have given reason such a bad name. In relativism there is no truth. How. therefore, can reason, as it claims, discover truth? In authoritarianism, truth is absolute, but only authority can discover it. As there will inevitably be a conflict between authority and reason, the former rejects the latter." Thus, the barbarians storm the academy, and the faculties, devoutly believing that nothing is right and nothing is wrong, do nothing to defend it.

Professor Bloomberg carefully examines other logical contradictions and double standards in the New Left lexicon. Unlike radicals of the thirties who compared the American society to the allegedly idyllic life in Russia, today's radicals use no culture, past or present, as a point of comparison. When asked to what they are comparing American institutions, radicals

have no answer. "It is," Professor Bloomberg declares. "to their dreams that they are comparing them," He notes: "Here we see an obvious contradiction, for they insist on the one hand that if the United States is not perfect, it is perfectly corrupt (which of course does not follow), while demanding no such perfection of themselves. . . . One cannot penetrate radical 'thought' without understanding that it applies relative - and extremely lenient - moral standards to radicals, but absolute - and intransigent - ones to society (the 'system'). Radicals generally couch their complaints in Marxist terms. . . . This explains the amusing references to the exploited workers, supposed allies of the students in the revolution. There is of course no group less revolutionary (or less exploited) than American workers, but when you accept a dogma you cannot make an exception of its fundamental thesis."

Dr. Bloomberg is especially good in his analysis of environmental determinism. If "we" are wholly innocent and yet the situation is so very bad, our troubles must be the fault of "the system"; human nature has been corrupted by evil institutions. This Rousseauistic theory has always bred violence, leading those who embrace it to conclude that their

societies must be destroyed at all costs in order that human nature might display its pristine goodness. Student violence in contemporary America is sparked by a theory few students understand and fewer apply.

Students for a Democratic Society and others of the New Left are inconsistent when they condemn everyone in the so-called "Establishment." "Logically, they (the Establishment) too should be seen as victims of society rather than perpetrators of evil. This contradiction points up one of the strangest aberrations of the SDS: They arrive at two humanities. the good 'people' and the evil 'pigs,' in the fashion of those who believe man is evil. This permits them to treat 'pigs' as totalitarians treat the general population. Since, in fact, practically all Americans do fit into the pig category (most of us favor the system and own property), most of us are only getting what we deserve when we are treated violently. Pigs 'should be put in pig pens,' as SDS members are wont to say. Love becomes hate, and utopia becomes a concentration camp."

Professor Bloomberg demolishes a number of other such building blocks of radical philosophy. But the blame for campus violence does not rest with students who are immature and uninformed about both political systems and political theory. The responsibility lies elsewhere, and it is to his colleagues on the nation's college faculties that Professor Bloomberg turns in assessing the real responsibility. Wrong ideas have gained ascendancy, and our colleges cannot resume their true educational function until sounder ideas replace them.



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A GOVERNMENT OF LAW rather than of men is hardly a recent idea. It was not even a new notion in the fateful winter of 1775-1776 that had been suddenly conceived by rebellious American colonists as a pretext for revolution. There were precedents and antecedents for this belief in government by law in the British tradition, in medieval thought and practice, and among Roman thinkers in classical antiquity.

But whether government should have its source in law or in men was no pretty abstract question to be pondered by contemplative philosophers for Americans during this winter. It was rooted in problems which were practical, pressing, and immediate. Government by men had resolved itself into the question of whether or not they should any longer be governed by a single man, King George III. It was a question that burned itself into the center of the customs, habits, lovalties, rights, and prerogatives of Americans.

How hard it was to decide what to do! Blood had already been spilled in anger: the battles of



WINTER of DECISION

1775-1776

CLARENCE B. CARSON

Lexington and Concord, and of Bunker Hill had already been fought. A continental army was encamped against a British army. The Second Continental Congress had been in session since May of 1775. It had already taken action which led almost irrevocably to between England and runture America. George Washington had been appointed commander of the continental force. Congress had authorized an expedition against Quebec, approved of the construction of a navy, and sent a commission abroad to seek friends among other countries. Yet the

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"shot heard round the world" had apparently ceased reverberating. Congress affirmed its loyalty to the King of England, and George Washington and his officers toasted the health of the King during that winter

The Right to Tax

Step by step, over a period of ten years, leaders of the colonists had edged toward separation from England, When Parliament passed the Stamp Act, they had taken the position that it was unlawful because Parliament did not have the authority to levy an internal tax. When Parliament retreated to advance along a different line with the Townshend Duties, colonists took the position that Parliament could not levy external duties for the purpose of raising revenue. A chastened Parliament repealed most of these duties but then attempted to give the East India Company a monopoly of the sale of tea in the American colonies. Faced by this action, colonists denied the rightfulness of the creation of a monopoly. By 1774-1775, such varied men as James Wilson, Thomas Jefferson, and John Adams questioned that Parliament should have any legislative authority over America.

But from 1765 to 1775 it was always the powers of Parliament that were at issue. Protests were always made within the framework of preserving the connection with Britain and a professed loyalty to the King.

Why, we may well ask, did the colonists have so much trouble focusing their ire upon the King? It is likely that had a poll been taken among those who had given thought to the matter that an overwhelming number of Americans would have opted for government by law. And what better symbol of arbitrary government could have been found than that of monarchy? Hardly a century had passed since the Stuart kings had claimed that all authority stemmed from them by divine right. Were not most of the governors "royal" governors? Were not the customs agents who beset the colonists, agents of the "crown" in the final analysis? Were not the very soldiers encamped against Americans, soldiers of the king? Government by men could be traced finally to government by a man.

But the matter was not so simple. For it was not only that a few hateful laws were promulgated in the name of the king. Cherished rights and liberties could be traced to the same source. A title search for the ownership of property in colonial times would lead one backward to the source of that title—the monarch who had granted the

land to some company or proprietor from whom a colonist had acquired it. It was no different with those liberties which the colonists loved. Many of the charters upon which the colonies had been founded specifically stated that those who settled in America should retain all their rights and liberties as if they had remained in England. The right of governing themselves traced back to the rights recognized by kings in times past.

If they should cast off their ties to the monarch, what then would be the status of their property and their liberties? Thus far they had based their opposition upon the unconstitutionality of the action taken by parliament, upon their position that their rights as Englishmen had been violated. If they cast off this last tie with England, how then would they defend their life, liberty, and property?

The answer was lying ready to hand, of course. It was to be found in the arguments of the Roman Stoics, familiar to American thinkers. It had been given fairly recent statement by John Locke in his justification of the Glorious Revolution in England. The French philosophes had embroidered upon it. Many Americans had embraced — philosophically — beliefs which would pro-

vide a new foundation for liberties. This new foundation was that this universe is ruled by natural law, that this is a law above and beyond the power of man to alter, and that it requires no human sanction for it to prevail. The most that man can do is to recognize it and live in accord with it.

Common Sense

In that winter of decision, then, all that was needed was for the breath of life to pass into these new foundations. It required only that abstract ideas be given the force of human will and be made relevant to the American situation. That man, more than any other, who performed this task for America was Thomas Paine, Paine had only lately come to America. He could be aptly described as a man with a nose for revolution an itinerant revolutionist. He published a pamphlet called Common Sense in January, 1776. It sold by the tens of thousands, spreading like a wildfire through the colonies, confirming men in a new determination and galvanizing them to action. Paine went to the heart of the matter, minting deep philosophical beliefs into the coin of slogans and shibboleths.

He hacked into shreds the arguments against the final break. "But Britain is the parent coun-

try, say some. Then the more shame upon her conduct. Even brutes do not devour their young nor savages make war upon their families. . . ." More, "Ye that tell us of harmony and reconciliation, can ye restore to us the time that is past? Can ye give to prostitution its former innocence? Neither can ye reconcile Britain and America. The last cord now is broken, the people of England are presenting addresses against us."

As for the matter of a king, Paine went straight to the jugular vein. "But where, say some, is the king of America? I'll tell you, friend, he reigns above, and does not make havoc of mankind like the royal brute of Britain." Let the world know, he declares, — and this is the crux of his argument — "that in America the law is king. For as in absolute governments the king is law, so in free countries the law ought to be king; and there ought to be no other."

We do not know after what readings, following which discussions, after what lonely contemplation, particular Americans made their decisions. We do know that when a resolution was introduced to Congress in 1776 for independence that the Congress approved. We know that a committee was appointed to draw up a declaration, and that the task of preparing a draft fell to Thomas

Jefferson. And we know that Jefferson based his declaration upon the new foundations, and cast into unforgettable phrases the argument for government by law.

Read again the introductory paragraphs of the Declaration of Independence:

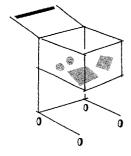
"When in the Course of Human events it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness...."

With the adoption of this declaration, the Continental Congress and with them — as it turned out — the American people, turned their back on the last relics of government by men and turned their faces toward the rule of government by law.

That was the decision which had issued from that winter of deliberation.

When rationing comes



LEONARD E. READ

PERHAPS the most effective way to begin a commentary on the rapidly deteriorating plight of the individual in our society is to trace present policies to their logical conclusion. For unless there be general awareness of the utter disaster that lies ahead, assuming no change in direction, we will continue merrily along to a complete loss of freedom. National doom, as some would say, but, more important I believe, self-destruction of the individual.

The course we are on must lead inevitably to rationing.

Such a prognosis does not frighten many people these days. Americans do not appear upset by the prospect, and even the people most strictly rationed — doubtless the Russians, where the rule is to obey or lose your life — no more resent rationing than they regret

the lack of automobiles. Why? These are conditions of life into which they were born and to which they have grown accustomed. Rationing is no more deplored by Russians than are speed limits by Americans.

Why are Americans so little disturbed by the threat of rationing? Partly because we have had so little experience with this type of repressive law, but mostly because rationing laws have rarely been obeyed or enforced here. There was some rationing during World War I and much more during World War II; but obedience, such as existed, was cushioned by the patriotic fervor that attends some wars. I repeat, rationing has worked slight hardship because it was never made "to work" in the U.S.A. As with all nonsensical law - prohibition, for instance -

rationing has resulted in mass "underground" movements. Black markets thrived. And otherwise first-rate citizens by the millions became lawbreakers, schemers, liars, and looked upon their departures from rectitude with approval and humor — as an outguessing game!

Painless, ves; costless, no! The long-run cost would be far less had we obeyed and suffered the pain of these politico-economic outrages. Had we obeyed, we would now despise and fear rationing and would do all in our power to avoid a recurrence of this ultimate in authoritarianism. We chose the painless but costly course: a lowering of the exemplary standards. Hardly any virtue - not even honesty - remained sacred. And this is disastrous: to abandon everything sacred is to forego the possibilities of a society in which individuals thrive best.

A Shocking Contrast

People who have no fear of rationing—the vast majority—can be said to lack a politico-economic turn of mind. Obviously, such persons cannot relate what they do not understand to that which has not happened. Only a sharp and shocking contrast could bring this horror acutely to their appreciation.

Let us imagine an instant trans-

plant of a typical American family from Omaha to Omsk-take them from where they are and from what they are accustomed to and drop them suddenly into that authoritarian situation of which rationing is a logical and inevitable part. The first order of business would be to secure food. Mother would have no phone: but that would not matter, for there are no deliveries. She is without a car to go shopping: cars are rationed to commissars and their aides. No taxies! So she walks to a government store and lines up at the end of a queue. At long last, it's her turn. What are the choices? She can either accept or refuse the rationed items and in the quantities set by government. What a contrast from yesterday in the U.S.A.! Mother, in that case would understand what rationing means. Shocking, to say the least

No need to labor the point Father would experience the sam thing, as would the children. Fo anyone who can read the languag of economic cause and effect, retioning is failure on parade!

Why are most goods and service rationed in Russia? Because the Russian economy is a failure; is not productive. Why will good and services be similarly ration in the U.S.A. if we continue the present course? For precisely the same reason that the last bar

of water is rationed on a ship lost at sea: short supply — that is, not enough to go around. Socialism — the planned economy and welfare state — is woefully lacking in productivity; it results in scarcity. When we in the U.S.A. substitute socialism for free market practices to the extent the Russians have, our failure will match theirs; productivity will be no greater here than there. There won't be enough to go around.

It Can't Happen Here!

The attempted rebuttal runs thus: Americans will no more heed rationing regulations in the future than they have in the past. No government can ever do this to us—we think! Such optimistic forecasting is naive. When the real crunch comes, there will be no choice.

Americans could flout rationing in the past and get away with it because there was private ownership. Sugar or gasoline or whatever was always obtainable for some black market price. Such markets, however, presuppose something more than a barrel of water for a lot of thirsty people; they presuppose each having something of his own to trade!

When and if real scarcity obtains in our country, as in Russia, rationing will be *made* "to work." There will be no alternative except

to abandon the entire socialistic rigmarole. Otherwise, any political hierarchy too tenderhearted to use the required violence to enforce rationing will be run out of office by those who are indifferent to human life. The worst, as Hayek says, will get to the top. Given real scarcity, it has to be this way.

Why do people accept rationing? Those who envision its debilitating effect on individuals may wish to explore its antecedents in sequential order. For causes cannot be removed until they are known, which is to say that rationing is inevitable unless we know its derivation.

Rationing is the effect of a cause but that cause is the effect of a prior cause, and so on. What then is the cause that immediately precedes rationing? Scarcity, as already suggested!

Scarcity a Fact of Nature

Now, scarcity is one of the facts of nature, in the sense that life is always a struggle. Largely by trial and error, some men at some times and in some parts of the globe have hit upon specialization and trade, voluntary cooperation in market fashion, to make the best

¹ See "Why the Worst Get on Top," in *The Road to Serfdom* by F. A. Hayek (Chicago: The University of Chicago Press, 1967), pp. 134-152.

possible use of scarce resources. In other words, they have developed the principles and practices of private ownership and free trade, with government limited to keeping the peace — no man-concocted restraints against the release of creative energy: freedom!

But not all men subjected to the competition of the market are content with the results. And their efforts to by-pass the market, or do away with it, result inevitably in what I would call a contrived scarcity. This is what we witness in Russia and will experience here short of a turnabout. This kind of scarcity emerges from coercive interventions in the market: state ownership and control of the means as well as the results of production. Socialism!

Contrived scarcity, the cause of rationing, is itself an effect of still another cause. What is *its* immediate antecedent — that is, what are the components of coercive intervention? Wage, price, production, and exchange controls!

A few samples will suffice to make my point. Import embargoes and their variants, quotas and tariffs, make for scarcity. Impose embargoes on all exchange, domestic as well as foreign, and everyone, except the few who could survive by foraging, would perish. Contrived scarcity!

Minimum wage laws and arbi-

trary labor union wage rates make for unemployment and, thus, lower production. More contrived scarcity!

Paying farmers not to farm is an instance of production control — a political contribution to scarcity.

Medicare, where government, not the patients, pay the everincreasing prices, is already making for a scarcity of hospital beds and, as socialized medicine progresses, there will be a scarcity of doctors.²

Holding Prices Down

These and countless other political interventions are a form of price control - contrived scarcity driving prices upward. Sooner or later, as this trend becomes intolerable, government will "come to the rescue" with the opposite and generally accepted concept of price controls - limiting prices. that is, holding them down. Rent control falls in this latter category. observe – whether Merely controls are invoked in France. Sweden, or New York City - that a housing scarcity follows.3

This form of price control can

² See "Why I Left England" by Dr. Edward L. McNeil, THE FREEMAN, May, 1971.

³ For an enlightening study of rent control and its effects in France, see No Vacancies by Bertrand de Jouvenel. Copy on request.

no longer be taken lightly. Congress has given the President powers to invoke these counteracting controls at his discretion. Already, threats of such imposition have been directed at certain "key" industries. As prices continue to soar, we can expect the application of controls to all aspects of the economy. So long as present trends prevail, there is no political alternative.

Controls are invoked to cope with the constantly rising prices of which consumers complain. What, it may be asked, brings on these inordinate prices? Seeking the cause which is pushing all prices upward we come to the next antecedent, *inflation*.

The Nature of Inflation

Inflation is a dilution of the medium of exchange, an artificial expansion of the money supply. Inflation differs from counterfeiting in that it is legal and, also, it is an act of government rather than of individuals. But whether the money results from inflation or from counterfeiting, a dollar is a purchase order, and no one inquires into its source. A transaction involving counterfeit or inflation dollars is not an exchange of goods and services for goods and services but an exchange of paper money for goods and services. As the volume of paper

money increases and as the quantity of goods and services decreases, everything else being equal, prices correspondingly rise. The equation is simple: Assume goods and services to be what they are now. Double the amount of money and prices will be twice as high.

However, inflation itself is the effect of a cause. What is *its* antecedent? The answer: excessive governmental expenditures!

Whenever governmental expenditures rise beyond the point where it is no longer politically expedient to defray them by direct tax levies, governments have only two choices: (1) go into nonrepayable debt or (2) inflate the money supply. The latter, a means of siphoning personal savings into the coffers of government, is the better political expedient because it is less understood and, thus, not so much opposed. Added to the billions collected by direct tax levies are these additional billions of expropriated private property. This is how overextended governments "balance" their budgets. Testimony to the general awareness that inflation depletes private savings is the attempt by millions of citizens "to hedge against inflation."

Overextended government is the weightiest of all the causes of scarcity for it lies at the very root

of the formidable and dreaded rationing that looms ahead. Government doing the wrong things is the origin of all the aforementioned effects. Does out-of-bounds government, in turn, have a causal antecedent? If so, it cannot be stated with any more precision than a reference to the vagaries of human nature! Why is it that human beings behave as they do?

Vagaries of Human Nature

As this is written, I read of many distinguished men, reputedly free enterprisers to the core, who are pleading for Federal aid to bail out their ailing industry or community, or to compensate them for losses inflicted by droughts, or whatever. It seems that "private enterprisers" in trouble are, with few exceptions, as prone to turn to government as the socialists who revel in utopian dreams!

The tendency of those who say they favor private enterprise and related institutions is to blame socialists, communists, liberals, welfare staters, and the like for our deteriorating situation. Yet, when the chips are down and the going gets tough, the critics can hardly be distinguished from those they criticize. The former run to the Federal trough and turn the U.S.A. toward socialism as much as the latter. Such observations pronounce a harsh but humble

verdict: we are well advised to look to ourselves as a major part of the problem. Why do we behave this way? Doubtless, there are more explanations than anyone knows, but here are a few suspected reasons.

- The tendency to satisfy desires along the lines of least resistance, regardless of where such a course leads; in other words, a breakdown or failure of moral discipline.
- An inability to reason from cause to consequence, from means to ends.
- A failure to understand that government is essentially organized force, the uses of which are limited at best; in brief, no discernment as to what is or is not the appropriate role of government.
- The naive assumption that government has funds of its own—a bottomless pot of gold—available for the asking.
- The notion that feathering one's own nest at the expense of others is not robbery if it is legalized or has political sanction.
- The wishful thinking that others have a moral obligation to cover our mistakes and satisfy our wants; that wishes are rights.
- A faith in socialism because the alternative is unknown, which is to say, an ignorance of the mira-

cles that are wrought by men functioning freely in the market.

• And then there is the tug of tradition, the heritage of political authoritarianism which with rare and brief exceptions, has featured human existence since the dawn of social organization. It is the ageless urge for security sought from a king; it is the reluctance to take the risks of self-responsibility, the refusal to become one's own man.

Perhaps there is nothing better we can do about the current dilemma than for each to openly acknowledge: "The fault is mine." For who among us adequately understands and can competently explain the freedom way of life we would uphold. Not one!

I have tried here to pose the likelihood of rationing if we continue on the present course, and then to examine the cause of each effect - going backwards, so to speak, to where we now are. Admittedly, cause and effect are not always as precisely ordered as I have made them out to be: they are confusingly intertwined at times. But generally they follow in this sequence: (1) the vagaries of human nature ranging from "I want to be king" to "I want a king," (2) excessive government, (3) inflation, (4) controls, (5) scarcity, and (6) rationing with its stifling of individual growth and creativity, its smothering of the human spirit.

A recognition of where the present course leads should be enough to bring about a change in course, to do away with these numerous layers of intervention, to put government in its proper place, and to restore a reliance on the free market. Men free to produce and trade as they choose need not rely on rations for subsistence.

Thoughts and Details on Scarcity

IDEAS ON

LIBERTY

OF ALL THINGS, an indiscreet tampering with the trade of provisions is the most dangerous, and it is always worst in the time when men are most disposed to it: — that is, in the time of scarcity. Because there is nothing on which the passions of men are so violent, and their judgment so weak, and on which there exists such a multitude of ill-founded popular prejudices.



I Pledge Myself to Help Strengthen America

I will honor God.

Acknowledging the imperfections of human society and the fallibility of man, I will rely on my personal concept of the Creator, remembering Him as the source and repository of all that which is good, true, and beautiful.

I will respect law and order.

I know that true freedom is possible only in an ordered society, and I will accept the necessity of complete obedience—in spirit as well as in letter—of the civil statutes which bind my American society together. I recognize that this in no way prevents me from peacefully working for the changes I feel should be made in improper or unjust laws, but I will at all times obey statutes while they are in effect.

I will instruct my children in the principles of moral order.

Drawing from the Judeo-Christian traditions, I will lay for my children a foundation of morality from which all right human action — private and public — must spring. I will not default on this parental responsibility and leave it to chance in the public schools or in the churches.

I will strive always to be financially independent.

I will look first to providing for myself and my family. Thereafter, I will recognize my responsibilities in charity to others. I will seek at all costs to avoid becoming partly or wholly dependent upon public welfare.

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I will help protect my country's fiscal integrity

— by rendering full value for the things I sell, whether they be my labor, my goods, or my intellect. I will prevail upon my elected representatives to engage in no deficit spending. I will set aside in savings some of my earnings, and I will purchase only those things for which I have a real need, or am in a financial position to afford. I will ask my elected representatives to have first consideration for the benefit and welfare of the nation as a whole, and to place less emphasis on sectional demands. I will not request nor applicate to be my lateral politics.

I will make economic opportunity my first rule of business

— and will place tax advantage at a secondary place in the scale of criteria for making business decisions. I will do this even under the penalty of tax disadvantage in order to help wean American business and industry away from dependence on the social engineers who have written the present American tax laws.

I will not give aid and comfort to my country's enemies.

I will not contribute to the financial support of those who would subvert our American culture with alien ideas. I will not purchase publications which predominantly feature writers who mock our institutions, our moral values, or our cultural heritage. I will refuse to attend theater and motion pictures which deprave American social norms, American ideals, and which legitimatize degeneracy.

I will respect my personal image.

Although costume and appearance is not the final determinant of what a person is, I believe that unkemptness is a mark of indifference toward the best in life. I will therefore strive for cleanness and neatness in my personal appearance. I will take particular pains that I accept nothing in my style and habits that will emulate or honor the extreme practices of those who have made slovenly appearance a badge of protest and dissent.

I will restrain my personal appetites

- keeping my bodily and psychological desires in rein. I recognize them as healthy drives, but only when I control them; not when they control me.

I will reflect a good image.

By my speech and demeanor, I will strive to recapture the true image of the American citizen: a person of confidence, kindness, good manners, and a willing worker.

I will not desecrate the landscape.

In all my activities I will ever be mindful of my stewardship of the land. I will keep my private property in a neat and orderly appearance. I will respect the private property of others. I will not damage my interest in public property through acts of vandalism, carelessness, or neglect.

I will pay my taxes willingly.

In recognition that there is a price to be paid to maintain a safe America, I will pay every tax legally levied upon my produce and my property. I will work to reform those taxes I believe unjust, unnecessary, or inequitable.

I will be an informed citizen

— acquiring knowledge on matters of public interest. I recognize that education is a continuing process, and I will read about and discuss with others matters that are important to the preservation and ongoing of my country. I will maintain regular contact with my elected representatives.

I will maintain an active membership in my church

- and will not surrender it to the theological radicals, social militants, and other disruptive elements whose presence is only a passing phase in two thousand years of church history.

I will do my part to return charity to its rightful place

- by involving myself in some good work where I personally know the people and the problems involved. I will give willingly and joyfully that others might know the reality of human compassion and concern.

I will be a good steward of time

- refusing to waste it in idleness, unprofitable conversation, or foolish and vain activities.

I will say a good word for my country wherever I may have the opportunity.

· MARKET LOSED ·

PAUL L. POIROT

This little piggy went to market. But the market was closed—indefinitely—by order of the government.

There had been a lot of complaints about the market:

- It takes a person at his word and holds him responsible for his actions.
- It allows unwanted resources to go unclaimed and unused.
- It permits scarce and valuable resources to be owned and controlled by the highest bidder.
- It allows foreigners to compete on equal terms with domestic suppliers and buyers.
- It lets prices for goods and services rise or fall in response to demand and supply.
- It permits people to hire or to work for one another on terms mutually agreeable.
- It lets buyers and sellers use anything they please as money.

- It lets the owner consume, save, offer for sale, or otherwise use, waste, pollute, or abuse his property as he chooses.
- It allows a person to succeed or fail in accordance with his decisions and actions.
- It allows a person to specialize in any business or profession, or to live a life of self-subsistence, as he chooses.
- It allows people to congregate in centers of trade and culture.

In short, the market respects the dignity of every human being and lets him do just as he pleases with what is properly his own, leaving him free to reap the benefits and suffer the consequences of his own actions.

A market economy can hardly be described as a natural development, such as might be found among plants, bees, birds, or animals in the wild. It is the result, rather, of human reason applied to the problems of the individual in society. The theory or premise behind the market is that the most practicable and desirable form of society is one that maximizes personal freedom of choice and minimizes violence among men. Insofar as possible, let man do as he pleases, acting alone or in strictly voluntary association with others. And this is the purpose of the market: to facilitate voluntary association and trade.

However, by definition and by nature, a voluntary association is unable to police itself, has no means of enforcing the rules of the association within its own membership and no means of protecting itself from nonmembers. The market, for instance, has no market method of coping with a buyer or a seller who resorts to coercion or fraud to effect a trade, no way to keep the market open and operating in the face of those who would close it by violent methods.

So, the human reason that calls for a market economy, in order to maximize the exercise of personal freedom of choice, also demands a framework of government, a government strictly limited in scope and function to policing the market, protecting the life and property of everyone who comes to trade in peace, and making sure that no person or group is per-

mitted to block any peaceful trader from the market. This appears to be the minimum governmental force required to police the market and thus maximize the freedom of the individual, release his creative energies for peaceful production and trade, reduce his incentive and temptation to resort to violence to obtain or defend what he wants.

In other words, the optimum release of creative human energy requires a framework - or perhaps a leavening - of organized police power, a government of strictly limited scope and purpose to minimize violence among men. If this reasoning be correct, it suggests a corollary proposition: Any expansion or extension of governmental force beyond the minimum required to police the market necessarily and inevitably drives individuals and groups to acts of violence against one another. Such aggravated violence involves destruction of human and other resources that might otherwise have been turned to peaceful and constructive use.

The Ultimate Intervention

Such was the situation on the fateful day our hypothetical "little piggy" went to market and found it closed. Not satisfied with the risks and pressures of open competition, this and that person and

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group had sought and obtained government intervention in its own hehalf

- protection against foreign suppliers of goods and services.
- a special license or exclusive trading privilege.
- a right to strike and keep competitors from taking the job vacated.
- zoning ordinances to force neighbors to keep their distance.
- unlimited supplies of money and credit.
- fair trade laws to prevent price cutting.
- minimum wage laws.
- laws to hold prices up, or to hold prices down.
- rent control laws.
- low-cost public housing projects.
- guaranteed income in old age, or at any age.
- free schooling, medical care, dental care, legal aid, food stamps.
- a little privilege here, a little pressure there, and so forth and so on.

Yet, the more the government is asked to intervene on behalf of some persons and groups at the expense of others, the more difficult it is for anyone to compete in the open market to serve himself by peacefully serving others. No sooner is a special privilege granted by government to a particular person or group than other

persons or groups begin fighting to obtain "their fair share." And whatever the grant of privilege or power, it is never enough; the beneficiaries demand more, and turn to violence to get it.

From Violence to Famine

The market cannot cope with violence, which destroys savings and investments, tools and facilities of production, the incentive to specialize and trade. This coercive detour of the market leads back toward conditions of famine and starvation chronically suffered by slaves, serfs, and socialists. People unfree or unwilling to compete in the market for possession and use of scarce resources inevitably find themselves trying to subsist on rations. Instead of faring each according to his ability and his effort, each hopes to share according to his need. The individual ceases to be responsible for what he produces or consumes: these choices are made for him by someone else. He stands to gain or lose nothing by producing more or less. Nor is it to his advantage to save, since his savings would be confiscated. The share rationed to him is in proportion to his lack of productivity. When violence closes the market, famine cannot be far behind.

One need not rely on theory or imagination to test the procedures

the latter part of the twentieth century. Indeed, one need not look beyond quite recent domestic experiments and experiences in agriculture for necessary proof of the failure of coercive practices and the reasons why nothing is to be gained by any person or group through further ventures in that

Julu

and effects of closing the market. In the Communist Manifesto of 1848. Karl Marx drew up the blueprint, spelled out various of the most important measures "to centralize all instruments of production in the hands of the state." The blueprint has been followed, the measures applied, in Russia, China, Cuba, and other lands. The markets have been closed, displaced by coercive collectivism. And the inevitable consequence in each case has been degrading poverty and famine.

In a sense, and in the light of the trend of developments in the United States in recent decades. Marx seems to have been remarkably prophetic in his list of ten steps toward compulsory collectivism. On the other hand, it should have required no great flash of insight by some genius, even as far back as 1848, to foresee what might be some of the consequences if a system of coercion were to displace the market system of open competition and voluntary ex-

direction.

Experiences in Agriculture

change.

In any event, whether or not Marx realized what he was doing. understood what he was saying, or knew where his ideas were leading in 1848, there would seem to be little excuse for confusion about the results of coercion in

What, for instance, have the cotton growers of the United States gained for their efforts over the past fifty years to get more for their product than the competitive market would allow? True, they have gotten some subsidy payments from taxpayers, but along with the subsidies have come stringent government regulations and controls and quotas and restraints of one kind and another. The values of quotas and allotments have been built into the price of the land to which they are tied, and that higher priced land carries ever higher taxes. Further. the withholding of American grown cotton from the market has opened the door inadvertently, not only to foreign growers of cotton but more especially to domestic producers of rayon, nylon, and a host of other synthetic fibers. Instead of competing in the open market, American cotton growers are finding themselves more or less bound and gagged on an artificial political pedestal, their own political power dwindling and no bright prospect of a large bloc of satisfied consumers from whom political support might be forthcoming.

Similar, if not identical, experiences could be reported for American growers of wheat, corn, tobacco, rice, peanuts, sugar cane and beets, various fruits, vegetables, nuts, and other specialty crops under marketing orders. agreements, or cartel grants of one kind and another. Nor does the attempted producer-monopoly seem to hold up with greater success when bolstered by international commodity agreements such as those for wheat, cotton, sugar, coffee, and so on. The mathematics of political power simply doesn't work out right to give a relatively small group of specialized producers a great and generous handout from a larger group of frustrated consumers.

A Cauliflower Cartel

Aside from the political impracticality, consider the simple economics of the producer-cartel or monopoly. For the sake of argument or illustration, let's suppose there are 1,000 growers of cauliflower in the United States. Why shouldn't they form an association for the more orderly marketing of high quality cauliflower? In other words, put their heads together

and form a monopoly in order to hold supplies from the market and thus obtain higher prices!

Of these thousand growers, one of them is the largest and one the smallest commercial producer of cauliflower in the nation. And there's every likelihood that the larger one achieved his position through efficient production. Chances are that the relatively few of the very large growers are the low-cost, efficient ones, whereas several of the smaller producers may be operating at no profit, perhaps at a loss. (Size, of course, does not necessarily mark success: the point is that some growers are more efficient than others.) Of the thousand growers, no doubt the majority of smaller producers would be very happy to see the few larger ones cut back their output. But why should any large, efficient grower want to thus restrict trade or take himself out of the market? And if he did, what would stop 10,000 other farmers from trying to supply the cauliflower market he had just vacated? Of course, a law would be needed to prohibit cauliflower production by those who could show no previous records of production. And it also would be necessary to prohibit imports of cauliflower from abroad, if the domestic monopoly were to be effective.

So, there would be production

and marketing quotas for each of the 1,000 privileged growers, not to mention endless quality controls and other governmental rules and regulations. An efficient cauliflower grower should want no part of any such "protective" arrangement. And if he only knew it, neither should the inefficient loser among the growers wish to be artificially shielded from or blinded to his failure. Far better to know the truth, so that he might turn his labor and other resources immediately to something more potentially profitable to him than cauliflower growing.

Finally, it is not to be supposed that a cauliflower monopoly begins and ends with cauliflower growers. This coercive action affects other persons and groups, some seeking a comparable special privilege for themselves, others seeking opportunities to return to the open market. If all the devious consequences of coercive intervention could be foreseen and understood, it seems unlikely that mature and responsible adults would ever want to try to price themselves out of the market.

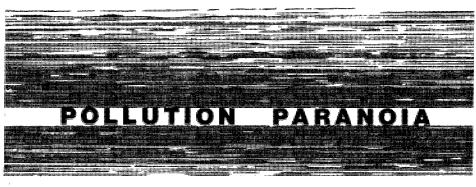
Free Market: Who Needs It?

Many people will not be greatly concerned about the producers who may suffer as a consequence of closing the market. Their professed concern is rather for the poor. Who cares about a few producers, some of whom had accumulated sizable fortunes! Why keep the market open for that type of person? Why not try some form of profit-sharing or dividing the wealth or other socialistic program to give the millions of the poor a better chance?

The fact is that the successful businessman or entrepreneur probably would make out pretty well for himself under any system. Whatever "the rules of the game," he'd find his way toward the top. And, sad to say, the poor within a market economy would still be the poor, for the most part, under any other arrangement.

So, it is the poor who stand to lose the most, comparatively, as a consequence of closing the market. The competitive market economy is the only system that channels the creative efforts of the most aggressive and capable individuals into serving the needs and wants of the poor. That is really why we can't afford to let the market be closed.





JOHN W. CAMPBELL

SOMEONE writing a letter to *Chemical & Engineering News* came up with a definition of three kinds of pollution — "actual, political, and hysterical." The gentleman is obviously correct.

The extent of the hysterical class of pollution has made the subject of immense emotive force leading to almost unlimited political pollution. The vote-getting publicity-achieving possibilities lead to the Instant Authority syndrome in hundreds of would-be-important nonentities.

And that is a major disaster; there is real pollution, and curing it becomes enormously harder because of the wolf-crying about unreal pollution. Energies are diverted from real problems to unreal and meaningless pseudo-problems.

The latest example of hysterical pollution was the recent hoorah set off by discovering mercury in canned tuna fish. A certain fact was demonstrated: canned tuna fish contained quantities of mercury up to and beyond the Federally allowable limits set by the Food & Drug Administration. (The FDA, of course, has been known to go off half-cocked before this.) This fact was immediately widely publicized, and thousands of dollars worth of canned tuna were declared toxic, forcing canners to recall their product, food merchant operations to go into high-speed reverse, and worrying people all over the country.

And, of course, increasing the political pollution about those awful, wicked, selfish, uncaring manufacturers who knowingly dump their poisonous wastes in our seas.

The problem of pollution is a

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problem which demands some very honest witnesses — and a recognition of that fundamental law of the Universe: You cannot get something for nothing.

There Is a Cost — and It May Be Disaster

In the effort to solve pollution problems, a second fundamental law of reality must be recognized; you can get what you want if you can pay the necessary cost - but you will pay that cost, like it or not, willynilly, if you try to take what you want. And the cost may bankrupt you - and the bankruptcy penalty imposed by the Universe is Disaster. A great and arrogant star, burning its hydrogen fuel profligately at 10,000 times Sol's rate, can shine bold and dominant for a while; bankruptcy in this case is called "a supernova explosion." It leaves a shriveled remnant ten or so miles in diameter called a neutron star, a shrunken corpse rapidly cooling into cold death.

You can't get something for nothing.

You can get what you want provided you can pay for it in the Universe's terms of time and energy; if you can't pay the fee, Disaster collects.

Therefore, it's essential that judgment be used; you've got to balance the cost and the gain, and

forsake the hope you'll get it for nothing.

The elephant's immense size and strength means he need not fear lions, tigers, or other carnivores—but it also means he cannot cross a six-foot deep ditch, because of that size. He can't stand a six-foot drop, and if the ditch is wider than he can stride across—he's helpless.

A mouse, on the other hand, can stand an unlimited fall—a fall from 20,000 feet wouldn't damage him appreciably. His small size and weight mean that air resistance to his fall will allow him to land at a speed within the shockabsorption capability of his bones and muscles. Of course, he does have trouble with owls in the air, and cats when he lands.

You pay for what you get, in other words.

And if you don't use judgment, the payment is almost certain to be Disaster.

But the essence of judgment is to balance all the factors—not just the ones you like. You must get both sides of the question, or all sides, for many times there are far more than two factors.

Mercury in Tuna

The FDA and the political polluters joined in with the hysterical polluters on that mercury-in-tuna business without making even a half-hearted effort to get the full story before blasting off in all directions.

The thing looked decidedly fishy to me from the start - and I don't mean just tuna-fishy. Item: mercurv has been used in medicines for centuries. Item: sodium cvanide is terrifically deadly, and this does not mean that sodium is poisonous. Item: methyl mercury, it has recently been discovered, is highly toxic, and is produced by living bacteria in contact with metallic mercury. Item: there is, and always has been, mercury in seawater - and it's known that mercuric chloride is highly toxic. With some 35,000,000 tons of mercury in the sea, and the sea full of chloride, the sea remains "the mother of life."

Just because mercury is in tuna does not automatically mean that it must be toxic; there's sodium in tuna, too, and as I say, sodium cyanide is terribly poisonous. I'll even go further; sodium cyanide is made up of sodium, carbon, and nitrogen, and they're all in your tuna-fish salad sandwich!

Perhaps the most familiar mercury medication is Mercurochrome — which has been used as a systemic antiseptic by direct injection into the bloodstream. Mercurous chloride — ous not ic! — has been taken by mouth as a remedy for many centuries. Lord knows

how many doses of mercury metal have been swallowed by children who chewed on the familiar fever thermometers.

It just didn't seem that that report of 50 parts per million of mercury in tuna was all that devastating....

So, after a few weeks of study and research, the boys finally got around to the conclusion that they'd really goofed high, wide, and handsome.

Tuna fish naturally contains from 10 to 100 parts of mercury per million — and always has. Studies of tuna canned forty-five years ago showed the same level of mercury. Study of a preserved, dehydrated tuna from a museum collection, known to be about seventy years old, showed the same level.

An organism that lives at the top end of a food chain, with all its food base swimming in a sea containing mercury, tends to accumulate some of the mercury. If it couldn't handle that much mercury, it wouldn't have evolved to sit on top of that food chain. The tuna is way, way up on the food chain; he gets into our cans because we're one step higher!

That tuna-fish scare is a Grade A #1 example of political and hysterical pollution taking off when there was no actual pollution.

For the planet Earth, mercury

in the environment is normal-natural.

That does *not* deny that excessive local concentrations of mercury are being caused by certain industrial wastes.

However, let's be a little judicious, and stay alive longer. Men of good will pulled a major boner in screaming "Pollution!" when they found that tuna contained mercury; men of equally good will—and equally blank ignorance—pulled an exactly similar ignorant-boner by dumping metallic mercury in streams and lakes and saying, "No pollution."

They had no information that the mercury could be dangerous; metallic mercury is quite inert, not exceedingly toxic, and according to all then-known scientific data, would simply sink harmlessly into the mud.

The industrial polluters were no more guilty of their ignorance than the FDA was guilty of ignorance in their screams of "Pollution!" in the tuna. And . . . no less guilty.

They're Called Volcanoes

The greatest trouble with the pollution problem is recognizing the basic laws of nothing-for-nothing, and you-can-if-you-accept-a-cost.

Consider the matter of sulfur dioxide pollution.

Sulfur dioxide is poured into the Earth's atmosphere by the cubic mile, in stupendous quantities. It is being dumped into the atmosphere, and the thing we must remember and weigh is that it always has been - from chimneys thousands of feet high, and miles in diameter. They're called volcanoes. Belching out of these immense throats come vast quantities of carbon dioxide, carbon monoxide, and the even more poisonous hydrogen sulfide. And I don't mean dribbles - I mean quantities on a planetary, not a mere industrial scale!

Every living organism is absolutely dependent on sulfur in its metabolism; most of your proteins depend on sulfur-bond cross-linkages to hold them in shape. Quite literally, a little sulfur's good for a man!

But anything in excess is poisonous—including oxygen, nitrogen, water, sugar, salt—anything. Sugar and salt are used for preserving foods, because in concentration they kill almost all living cells. And no organism can live without them.

Balance and judgment are required—and what we get in the current political and hysterical pollution is imbalance and insanity. Actual pollution is lost sight of, and practical balances that could be achieved are being made

impossible by the hysterical demands of absolute elimination.

You want pure water to drink? O.K., friend—try the flavor of laboratory standard pure water, "conductivity water" so pure that it is an insulator.

You don't want *pure* water; you want a reasonable amount of flavoring substances added — some air, carbon dioxide, various salts and minerals — the kind of water your species evolved on!

Solar Pollution

Let's consider a Perfect Power Plant. Ideally, it would burn no fuel whatever, deliver power of the type we want directly, have no exhaust whatever, weigh nothing, and occupy no space.

You want to wait for it?

Well, how about a power plant that delivers immense quantities of power, causes no sulfur, carbon dioxide, carbon monoxide, or hydrocarbon pollution, and requires no attention but simply sends out its floods of power unceasingly, while we don't have to supply any fuel to keep it going?

That one's available right now. It's called the Sun, and isn't very portable, and does cause a great deal of radiation pollution — it keeps throwing out X rays, cosmic rays, high-energy particle radiation, and lethal photons of ultraviolet. The shielding we have

is inadequate; the ultraviolet that leaks through is known to cause considerable cancer, and the particle radiation is also known to cause thousands of mutations and cancers, and to produce aging effects in human beings.

So we really ought to do something about that pollution, and order the Sun turned off?

Moreover, the Earth itself has been very badly constructed; many of the atoms it's built of — potassium, thorium, and uranium in the common granites, for instance, and in seawater — are poorly constructed and keep falling apart. They give off lethal radiation, and the heavier ones keep contaminating the air with an exceedingly toxic gas, radon, which, on being inhaled, causes radiation damage inside the body.

People living on the Colorado Plateau get a considerable dosage from the uranium and thorium deposits in the local rocks; they should force the Original Constructor of the place to replace the defective atoms with good ones, maybe?

Let's get really hysterical about this pollution business and throw all judgment out, and demand *absolute* perfection, and see what sort of system we wind up with, shall we?

Now we can't tolerate the mining and burning of coal, because

coal contains radioactive material that's been safely buried away under thick rock. When it's mined and burned, it releases radioactive materials into our air, water, and ground. And because everybody knows radioactivity is terribly dangerous, we'll enact laws to stop that poisoning of our environment.

Then since oil and gas release hydrocarbons into the air and water, and those produce smog which is very toxic, we'll have to stop all use of those dangerous, polluting materials.

Of course we can't have nuclear power plants; everybody knows radioactivity causes cancer and mutations, and we can't have that.

And we'll just have to do something about the radiation pollution the Sun is causing, and cut off those carcinogenic ultraviolet rays.

So move the Earth into intergalactic space — and drop dead. You can't take the hazards of life.

One antiradiation hysteric fanatic—he has a degree in science, which means he knows facts, but evidently doesn't use much judgment—says the present AEC standards of permissible radiation from nuclear power plants would cause some tens of thousands of added mutation deaths per year in the United States.

I doubt his figures, to begin with; nobody knows enough to make any such guesses. Dr. Hermann Muller, the Nobel medalist in genetics, given for his studies of radiation-induced mutations, was deeply concerned about radioactive mutations because, while the total organism can tolerate some radiation, and make repairs, he was sure that when radiation damaged a gene, there would, necessarily, be a mutation—that genetic cells could tolerate no damage from radiation; that, therefore, the only permissible radiation dosage for genetic cells would have to be zero.

That was his position just after WW II, when the atomic problems were just being studied — and before the RNA-DNA chemistry of genes was discovered.

We now know that genes have built-in self-repair kits, and can very rapidly and neatly repair damage to the genes caused by radiation or other disruptive forces — within limits, of course!

What those limits are, we don't know—and the bird who comes out with figures on how many mutations and cancers a given amount of radiation will cause has no more solid data than Dr. Muller had. The "reasonable level of radiation" obviously must be greater than zero—there is self-repair. But nobody knows what it is, and we're a long way from finding out.

Moreover, remember the second

basic law - you can get what you want if you can pay the cost.

We want electric power. The cost is not just so many dollars; it, like the automobile, will have a cost in terms of human lives. And don't think you can escape it. Even the Sun takes a toll in lives, with its radiations causing deaths, mutations, and cancers. (And deaths by exposure to its heat, too.)

Let's assume that the wild-guess figure of 30,000 deaths, mutations, et cetera, a year resulted from widespread use of nuclear power plants. (That's a wild assumption, completely unprovable, and almost certainly wrong — but assume it for discussion.)

Compare those 30,000 deaths and maimings per year with the life-cost per year of the automobile. And the way things are going, it's evident that we hold that the mobility that the automobile gives us would be cheap at twice the price; the death rate is rising, and yet no one says anything about banning the use of the deadly machines.

Of course, the automobile is the principal cause of death by smog, too. There's great to-do about antipollution devices to attach to the car—but nobody is proposing laws that end the problem once and completely by banning the automobile.

With respect to the automobile, in other words, there is none of the hysterical absolutistic, all-one-sided solution of "Ban the car!"

But the hysterical and political pollution on the "Ban the power plant!" is going great guns.

Of course, we demand our full quota of electric power; we just want them to give it to us from a power plant that produces no pollution whatever, and we want it now.

Too bad.

Even God's design of power plant gives off radiation leakage.

May I suggest that we'll get a lot better results if we accept that the Universe gives nothing for nothing, and that there will be a cost for every worthwhile thing.

That there is no such thing as a Perfect Solution, and the use of good judgment and design are an Optimum Enginering Compromise.

As of right now, there is a lot of far-from-optimum design in use; it can be cleaned up and damned well has to be before we start paying the bankruptcy price the Universe charges those who don't acknowledge their bills. Disastrous Collapse.

But we can *not* solve the actual pollution problem with either political or hysterical pollution.

It calls for judgment — not paranoia on the subject.

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POVERTY and POPULATION

HENRY HAZLITT

SINCE THE END of the eighteenth century every meaningful study of the causes of poverty has at some point referred to the growth of the population. It was the achievement of Malthus to have pointed out the connection in so impressive a way that it could never again be ignored.

The thesis of his first Essay on Population, published in 1798, was that dreams of universal affluence were in vain, because there was an inevitable tendency of population to exceed the food supply. "Population, when unchecked, increases in a geometrical ratio. Subsistence increases only in an arithmetical ratio." There is a fixed limit to the supply of land

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and the size of the crop that can be grown per acre. Malthus spells out what he sees as the fateful consequences of this disproportion:

"In the United States of America, where the means of subsistence have been more ample . . . than in any of the modern states of Europe, the population has been found to double itself in twentyfive years. . . . We will take as our rule, and say, that population, when unchecked, goes on doubling itself every twenty-five years, or increases in a geometrical ratio. ... Taking the population of the world at any number, a thousand millions, for instance, the human species would increase in the ratio of -1, 2, 4, 8, 16, 32, 64, 128, 156, 512, &c. and subsistence as -1, 2, 3, 4, 5, 6, 7, 8, 9, 10, &c. In two centuries and a quarter the population would be to the means of subsistence as 512 to 10: in three centuries as 4096 to 13," etc.

This fearful arithmetic led Malthus to a despairing conclusion. He had started with two postulates: "First, that food is necessary to the existence of man. Secondly, that the passion between the sexes is necessary and will remain nearly in its present state." And as he saw no voluntary way, except a "continence" which he did not believe was possible, to prevent the geometrical increase in population, he concluded that population will always tend to expand to the limit of subsistence and be held there by misery, war, pestilence, and famine. "That population does invariably increase where there are the means of subsistence. the history of every people that ever existed will abundantly prove."

Malthus Made a Concession

The appearance of this *Essay* brought down on the author's head a storm of criticism and vituperation. As a result, Malthus published five years later, in 1803, a second edition of the *Essay*. It was much longer, in effect an entirely new book, and it became the basis of the six subsequent editions.

There were two main changes. Malthus attempted to support his original thesis with a great mass of factual data on population

growth and checks taken not only from history but from contemporary conditions in a score of other countries. But in addition to bringing in this supporting evidence. Malthus made a concession. "Throughout the whole of the present work," he wrote in the preface to his second edition, "I have so far differed in principle from the former, as to suppose the action of another check to population which does not come under the head either of vice or misery." This other check was "moral restraint" - that is, "the restraint from marriage which is not followed by irregular gratifications" - the deliberate restraint of the great majority of mankind, by the use of forethought, prudence, and reason, from giving birth as individual couples to an excessive number of children. In contemporary Europe, Malthus now found, moral restraint "was the most powerful of the checks on population."

The Principle Stands

Hostile critics have contended that in making this concession Malthus in effect abandoned his theory altogether. "The introduction of the prudential check ('moral restraint')," wrote Joseph A. Schumpeter, "makes all the difference. . . . All the theory gains thereby is orderly retreat with the artillery lost." Even a more sympathetic critic like Gertrude Himmelfarb writes:

"Thus the principle of population ceased to be a fatal obstacle to man's dreams and ideals. Indeed the principle itself was no longer as inexorable as he had earlier suggested. It now appeared that population did not necessarily outrun food supply, or necessarily keep up with every increase in food. . . . Men were no longer at the mercy of forces outside their control: 'Each individual has, to a great degree, the power of avoiding the evil consequences to himself and society resulting from it [the principle of population] by the practice of a virtue dictated to him by the light of nature, and sanctioned by revealed religion.' Liberated from the eternal menace of overpopulation and the eternal evils of misery and vice, society could now look forward to the union of 'the two grand desiderata, a great actual population and a state of society in which abject poverty and dependence are comparatively but little known: two objects which are far from being incompatible."2

Yet in spite of these quotations

from Malthus himself, the contrast between the first and subsequent editions of the Essay was not as great as these critics imply. The change in tone was greater than the change in substance. Malthus had been stunned by the savagery of the attacks on his despairing conclusions, and wanted to blunt this by emphasizing as much as he could any element of hope. In his first edition he had failed to admit the possibility of a really effective "moral restraint" on the part of the great majority of mankind: in his subsequent editions he did admit that possibility but certainly not that probability. In fact, as he would have been appalled by the "vice" of our modern mechanical and chemical methods of birth control (now ironically called "neo-Malthusianism"), even if he had foreseen them, how could he have believed in the probability of the almost life-long refrainment from sexual relations necessary to prevent each couple, without "birth control" methods, from having no more than two or three children?

What Did He Say?

The trouble with most discussions of Malthus is that they have either tried to prove him wholly right on wholly wrong. Let us try to see, rather, exactly what he did contribute, and both what was right and what was wrong with it.

¹ History of Economic Analysis, (Oxford University Press, 1954), p. 580.

² Introduction to Modern Library edition (1960) of Thomas Robert Malthus, On Population, p. xxx.

The great contribution of Malthus was to be the first to state clearly, and in relation to each other, two very important propositions. The first was the tendency of all populations, animal and human, to increase in the absence of checks at a geometrical ratio - or. in more modern technical terms. at an exponential rate. Malthus spoke of populations doubling every 25 years, in the United States of his day, or every 40 years, say, in the England of his day. He wrote of rates of growth as measured in generations. Today demographers usually discuss population growth in terms of an annual rate. But any percentage rate. if continued, is compounded. A population growing at a rate of "only" 2 per cent annually would double itself every 35 years; a population growing at a rate of 3 per cent annually would double itself in 24 years; and so on. Some hostile critics of Malthus have attempted to dismiss this proposition as "trivial" or "obvious." Its implications are anything but trivial, and it was obvious only after Malthus pointed it out.

Law of Diminishing Returns

Malthus's second great proposition, based on the limited supply and productivity of land, was in fact the first clear though crude statement in English of what afterwards came to be known as "the law of diminishing returns." No statement of this law is to be found in Adam Smith. (A remarkably good formulation of it was made by the French economist, Turgot, in 1767, but Malthus appears not to have been familiar with it.) By the time we get to John Stuart Mill's *Principles of Political Economy* in 1848, however, we find a careful and qualified statement:

"Land differs from the other elements of production, labor and capital, in not being susceptible of indefinite increase. Its extent is limited, and the extent of the more productive kinds of it more limited still. It is also evident that the quantity of produce capable of being raised on any given piece of land is not indefinite. . . .

"It is commonly thought... that for the present limitation of production or population from this source is at an indefinite distance, and that ages must elapse before any practical necessity arises for taking the limiting principle into serious consideration.

"I apprehend this to be not only an error, but the most serious one to be found in the whole field of political economy. The question is more important and fundamental than any other; it involves the whole subject of the causes of poverty. . . .

"After a certain, and not very advanced, stage in the progress of agriculture, it is the law of production from the land, that in any given state of agricultural skill and knowledge [italics supplied], by increasing the labor, the produce is not increased in an equal degree; or, to express the same thing in other words, every increase of produce is obtained by a more than proportional increase in the application of labor to the land.

"This general law of agricultural industry is the most important proposition in political economy. . . .

"The produce of land increases, caeteris paribus, in a diminishing ratio to the increase in the labor employed."³

Advancing Technology

Several points are to be noticed about this formulation. It discards the unrealistic 1-2-3 "arithmetical" rate of increase of subsistence postulated by Malthus for a more generalized and accurate statement. And it includes the indispensable qualification that I have italicized. The law of diminishing returns applies only to a given state of technical knowledge. Mill constantly emphasized this: "There is another agency in habitual antagonism to the law of diminishing re-

turn from land"; this is "no other than the progress of civilization," especially "the progress of agricultural knowledge, skill, and invention."

It is because Malthus overlooked this vital qualification that "Malthusianism" fell into disrepute about half a century after his book appeared and then remained so for a full century. For he was writing practically at the beginning of the Industrial Revolution. During that Revolution (about 1760 to 1830) there was an unprecedented increase in the British population and at the same time an unprecedented increase in per capita production. Both of these increases were made possible by the relatively sudden introduction of new productive inventions and techniques. As Malthus's statement had utterly failed to allow for this, the law of diminishing returns was thought to have been proved untenable. Fears of excessive population growth were dismissed as groundless.

It should be pointed out here parenthetically that the law of diminishing returns as applied to land is now seen to be only a special case of a much wider principle governing both increasing and decreasing returns. Decreasing returns do not apply solely to agriculture and mining, as the midnineteenth century economists

³ Mill's Principles, Book I, Chap. XII.

thought, nor increasing returns specifically to manufacturing. In its modern form, the law of returns simply points out that there is an optimum ratio in which, in any given state of technique, two or more complementary factors of production can be employed for maximum output; and that when we deviate from this optimal combination by, say, increasing the quantity of one factor without increasing the quantity of the others. we may indeed get an increase in production, but it will be less than proportionate. The law can be most satisfactorily stated in algebraic form.4 But the old law of diminishing returns from land, properly qualified, remains valid as a special case.

To resume: Malthus was right in postulating a tendency for population, if unchecked, to increase at a "geometrical" rate. He was right in postulating a law of diminishing returns from land. But he was wrong in refusing (in his first edition) to recognize the possibilities of voluntary population restraint. He failed to foresee the possibilities of contraception by

mechanical and chemical means. He was wrong, again, when he formulated his law of diminishing returns, in failing to recognize the enormous potentialities of technical progress.

So developments in the United States and Europe, in the century and three-quarters since his book appeared, have made Malthus look in some respects like the worst prophet ever. Population in these "developed" countries has increased at an unparalleled rate, vet per capita economic welfare has also been advancing to levels once undreamed of. There are no signs that this rate of technical progress will diminish. Professor Dudley Kirk of the Food Research Institute at Stanford University. insisted in 1968, for example, that "far from facing starvation. the world has the best food outlook in a generation." He attributed this to a new "green revolution," based on new seed grains and wider fertilizer use

A New Hysteria

In spite of the serious errors in Malthus, we have witnessed in the last decade an outburst of "neo-Malthusianism," a new widespread fear, sometimes verging on hysteria, about a world "population explosion." Paul Erlich, professor of biology at Stanford University, in a book entitled *The Popu-*

⁴ See, e.g., Ludwig von Mises, Human Action (Henry Regnery, 1966 edition), pp. 127-31 and 341-50; Murray N. Rothbard, Man, Economy, and State (D. Van Nostrand, 1962), pp. 28-32, and Joseph A. Schumpeter, History of Economic Analysis (Oxford University Press, 1954), p. 587, and passim.

lation Bomb, warns us that we are all doomed if we do not control population growth. Professor Dennis Meadows of the Massachusetts Institute of Technology says:

"It used to take 1,500 years to double the world's population. Now it takes about 30 years... Mankind is facing mass starvation, epidemics, uncontrollable pollution and wars if we don't discover new methods of population and industrial control and do it fast. If our society hasn't succeeded in ten years in coming to grips with these problems, I think it will be too late."

Even the usual current estimates are almost as alarming. They run something like this: It was not until about 1830 that the world's population had reached a billion. By 1930 it had reached two billion. Now there are about three-and-a-half billion. President Nixon estimated in 1970 that, at present rates of growth, world population will be seven billion at the end of the century and thereafter an additional billion would be added every five years or less.

Most of these predictions are reached by simply extrapolating recent annual growth rates and assuming that they will continue, come what may. When we look at the projections country by country, however, we find that the real problem is created by what is happening, not in Europe and in the United States, but in the so-called "underdeveloped" countries in Asia, Africa, and Latin America.

Based not on simple progression but on calculations of changing birth and death rates and other factors, the United Nations, in its Bulletin of Statistics, estimated in April, 1971, that Mainland China's population, assumed to have been 740 million in 1969, would rise to 1,165 million in the year 2000. India is expected to leap from 537 million in 1969 to 1.084 million in 2000. By the year 2000 the U. N. statisticians estimate that the world population will reach 6,494 million - but 5,040 million will be in the less developed countries, and only 1,454 million in the more developed. In other words, the study foresees an average growth rate of only about 1 per cent a year in the more developed countries, but of about 2.2 per cent in the less developed countries - i.e., most of Asia, Africa, and Latin America.

At the Edge of Subsistence

This outlook is at least a partial vindication of Malthus. His central thesis, supported in the later editions of his *Essay* by a wealth of research, was that every advance in the arts of increasing subsistence had been absorbed in

⁵ National Enquirer, May 16, 1971.

the past by a consequent increase of population, thus preventing any rise in the general level of living. He was right regarding the past; he is still right in his forecasts so far as most of the world is concerned. It is widely estimated that of the world's present three-and-a-half billion people, nearly two billion are underfed. And it seems to be precisely where they are already underfed that they tend to multiply fastest, to the edge of subsistence.

Though the problem of population growth is most urgent in the backward countries, it exists evervwhere. Those who are most concerned about overpopulation in the advanced countries today see it less as an immediate menace to the food supply than as a menace to "the quality of life." They foresee overcrowding, still bigger cities, "urban sprawl," more automobiles, more roads, more traffic jams, more waste products, more garbage, more sewage, more smoke, more noxious fumes, more pollutants, contaminants, and poisons.

Though these fears may be exaggerated, they have a rational basis. We may take it as a reasonable assumption that in most parts of the world today, even in the advanced countries, population has already reached or passed its optimum level in purely economic terms. In other words, there are

very few places left in which it is probable that additional hands would lead to a more than proportionate increase in returns. The opposite is nearly everywhere more likely. Therefore we may assume that any increase in population will reduce per capita production, not necessarily in absolute amount, but in comparison with what it could be without a further population growth. From this standpoint the problem of overpopulation is not merely one for some distant future, even in the advanced countries, but one that exists now.

The Macro Solution, by Government Coercion

What, then, is the solution? Most of the neo-Malthusians, unfortunately, are collectivist in their thinking; they want to solve the problem in the aggregate, and by government coercion. They not only want governments to flood their countries with propaganda for The Pill, The Loop, and other methods of contraception, encouraging even abortion; they want to sterilize men and women. They demand "Zero Population Growth Now." A professor of "human ecology" at the University of California declares that the community cannot "watch children starve." Therefore: "If the community has the responsibility of

keeping children alive it must also have the power to decide when they may be procreated. Only so can we save ourselves from the degradation of runaway population growth."6

The professor surely has the courage of his premises.

It is the great merit of Malthus to have been not only the first to see the problem clearly but also the first to propose the proper path to its solution. He was a relentless critic of the poor-laws of his day:

"The poor laws of England tend to depress the general conditions of the poor.... Their first obvious tendency is to increase population without increasing the food for its support. A poor man may marry with little or no prospect of being able to support a family without parish assistance. They may be said, therefore, to create the poor which they maintain....

"If it be taught that all who are born have a right to support on the land, whatever be their number, and that there is no occasion to exercise any prudence in the affair of marriage so as to check this number, the temptations, according to all the known principles of human nature, will inevitably be yielded to, and more and more will gradually become de-

pendent on parish assistance."7

Malthus's strictures did influence the Poor Law Reform of 1834. But no government in the world today is willing to accept his unpalatable conclusions. Nearly all continue to subsidize and reward indigent mothers or families in direct proportion to the number of children they bring into the world, legitimately or illegitimately, and cannot support.

Malthus was an individualist and a libertarian. His own proposed remedy for overpopulation was both voluntary and simple:

"I see no harm in drawing the picture of a society in which each individual is supposed strictly to fulfill his duties. . . . The happiness of the whole is to be the result of the happiness of individuals, and to begin first with them. No co-operation is required. Every step tells. He who performs his duty faithfully will reap the full fruits of it, whatever be the number of others who fail. This duty is intelligible to the humblest capacity. It is merely that he is not to bring beings into the world for whom he cannot find the means of support."8

If each of us adhered to this principle, no overpopulation problem would exist.

⁶ Garrett Hardin in The New York Times, May 6, 1971.

⁷ Essay on Population, Book III, Chaps. VI and VII.

⁸ Ibid., Book IV, Chap. III.

FREEDOM: Antidote to Political Power

HAVEN GOW

SERIOUS PROPONENTS of liberty long have warned that cultural, economic, and especially political power must be diffused, balanced, and limited. When too much power is concentrated in the hands of the government, we find a corresponding dissolution of personal freedom. What has happened in this country, especially in the past decade, has served to reinforce the suspicion of concentrated power.

Robert Nisbet in his important and valuable work, The Quest for Community, tells us that increasing atomization exists in our society because the government, unfettered by sufficient restraints upon its power, has implemented urban renewal programs which have tended to destroy cultural diversity and centers of community life. Dr. Edward Banfield of Harvard University in The Unheavenly City and Jane Jacobs in

Mr. Gow is a junior, majoring in English and Philosophy, at Southeastern Massachusetts University. The Death and Life of Great American Cities explain how governmental programs, intended to help the poor, have rather added to the woes of the unfortunate. There is a growing awareness among scholars that political interventions fail accomplish to their proclaimed economic ends. Peter Drucker, for example, tells us in The Age of Discontinuity that the only thing that the government has been able to do effectively is wage war and inflate the currency. What increasing numbers are saving is that the augmentation of governmental power inexorably leads to the diminution of personal freedom.

Implicit in this view of government's limited role is the rejection of the notion that all problems are reducible to the politico-economic sphere, and therefore demand politico-economic solutions. It holds, rather, to Irving Babbitt's view that the economic problem blends into the political, the political

ical into the philosophical, and the philosophical into the religious. But during the past decade we have been innundated with talk about how legislation and socioeconomic planning would help create "The Great Society." Enact the civil rights bills, we were led to believe, and there will be an end to race problems that have drained the moral resources of our nation for over a hundred years. Increase the GNP and provide material benefits to our citizens so that happiness and peace of mind will prevail in our society. Unfortunately, the passage of civil rights legislation, though successful in achieving some goals, has not made blacks and whites love one another nor has it secured domestic tranquillity. And, regrettably, all the material benefits that young people enjoy have not made them realize that drug-taking, thrillseeking, and "free sex" are merely substitutes (tedious, at best) for the ultimately more rewarding pleasures that emanate from selfdiscipline, self-restraint, self-cultivation. Ever mindful of the demands of man's nature, the proponent of liberty recognizes that most of the problems facing man can be dealt with only through a resuscitation of the human spirit. To be sure, it is a sad mistake to assume that politico-economic remedies can resolve what really are disorders of the mind and spirit requiring philosophical and religious solutions. As Burke so trenchantly observed, you cannot resolve the agonizing problem of evil by merely decreeing that monarchies shall no longer exist.

Natural Inequality in Matters of Body, Mind, and Spirit

The proponent of liberty also has recognized that there exists among men a natural inequality in most matters of body, mind, and spirit. As a consequence, he has not been deluded by visionary schemes which have as their purpose the leveling of men. Motivated by the leveling impulse, ideologues within the past ten years have attempted through legislation and socio-economic planning to create a synthetic equality. But the natural distinctions among men persist, for the only genuine equality is metaphysical. John Adams recognized this when he said:

That all men are born to equal rights is true. Every being has a right to his own, as clear, as moral, as any sacred being has. This is as indubitable as a moral government in the universe. But to teach that all men are born with equal influence in society, to equal property and advantages through life, is as gross a fraud, as glaring an imposition on the credulity of the people as ever

was practiced by monks, by Druids, by Brahmins, by priests of the immortal Lama, or by the self-styled philosophers of the French revolution.¹

In line with the recognition of the natural inequality among men is the realization that any society requires leaders who have developed the ethical and intellectual refinement needed to distinguish between truth and error, right and wrong, the permanent and the purely ephemeral. This is a function of education, as Dr. Russell Kirk sees it:

The function of the college is not to gratify the immediate appetite, but rather to introduce the rising generation to long views. The function of the college is not to rouse young people to revolt against the nature of things, but rather to acquaint them with the wisdom of our ancestors. The function of the college is not to promulgate an impractical ideal of human perfectibility, but rather to teach us what Unumuno called the tragic view of life - the greatness and fallibility of man, as described in humane letters. The function of the college is not to inflame the passion, but rather to lead us toward right reason through philosophy.2

However, when educators at our great colleges and universities become intoxicated with the mania of ideology and relinquish their responsibilities as intellectual midwives and transmitters of the immense cultural heritage of the West, we see the tragic consequences: riots at Berkeley; the burning of important research papers; the illicit and forcible occupation of buildings; the shoutings of slogans and obscenities; Columbia University; Kent State; and the bombing at Harvard University and the University of Wisconsin.

A Delicate Balance

Central to the survival of any society is a delicate balance between freedom and order, tradition and change. It is essential that we observe the norms and traditions of civility. For when there is an inordinate emphasis on either freedom or order, when thinking in slogans and speaking with bullets replace rational discourse. when speakers are shouted down. and when the spirit of religion and the spirit of the gentleman are considered "behind the times," we see, as we have witnessed in this nation, the alarming disintegration of the civil social order.

Perhaps the events of recent years may bring a new appreciation of the vital necessity of personal freedom under limited government. Let us hope and pray that if and when this happens, the hour will not already be too late.

¹ The Works of John Adams, Volume VI, pp. 453-4.

² National Review, June 18, 1968.

F. A. HARPER

To MANY PERSONS, the Welfare State has become a symbol of morality and righteousness. This makes those who favor the Welfare State appear to be the true architects of a better world; those who oppose it, immoral rascals who might be expected to rob banks or to do most anything in defiance of ethical conduct. But is this so? Is the banner of morality, when applied to the concept of the Welfare State, one that is true or false?

Now what is the test of morality or immorality to be applied to the Welfare State idea? I should like to pose five fundamental ethical concepts, as postulates, by which to test it. They are the ethical precepts found in the true Christian religion – true to its original foundations; and they are likewise found in other religious faiths, wherever and under whatever name these other religious concepts assist persons to perceive and practice the moral truths of human conduct.

Moral Postulate No. 1

Economics and morals are both parts of one inseparable body of truth. They must, therefore, be in harmony with one another. What is right morally must also be right economically, and vice versa. Since morals are a guide to betterment and to self-protection, economic policies that violate Moral Truth, will, with certainty, cause degeneration and self-destruction.

This postulate may seem simple and self-evident. Yet many econo-

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mists and others of my acquaintance, including one who was a most capable and admired teacher, presume to draw some kind of an impassable line of distinction between morals and economics. Such persons fail to test their economic concepts against their moral precepts. Some even scorn the moral base for testing economic concepts, as though it would somehow pollute their economic purity.

An unusually capable minister recently said that only a short time before, for the first time, he had come to realize the close connection and inter-harmony that exist between morals and economics. He had always tried to reserve one compartment for his thought and another religious separate one for his economic thought. "Fortunately," he said, in essence, "my economic thinking happened to be in harmony with my religious beliefs; but it frightens me now to realize the risk I was taking in ignoring the harmony that must exist between the two."

This viewpoint — that there is no necessary connection between morals and economics — is all too prevalent. It explains, I believe, why immoral economic acts are tolerated, if not actively promoted, by persons of high repute who otherwise may be considered to be persons of high moral standards.

Moral Postulate No. 2

There is a force in the universe which no mortal can alter. Neither you nor I nor any earthly notentate with all his laws and edicts can alter this rule of the universe, no matter how great one's popularity in his position of power. Some call this force God. Others call it Natural Law. Still others call it the Supernatural. But no matter how one may wish to name it, there is a force which rules without surrender to any mortal man or group of men - a force that is oblivious to anyone who presumes to elevate himself and his wishes above its rule.

This concept is the basis for all relationships of cause and consequence - all science - whether it be something already discovered or something yet to be discovered. Its scope includes phenomena such as those of physics and chemistry; it also includes those of human conduct. The so-called Law of Gravity is one expression of Natural Law. Scientific discovery means the unveiling to human perception of something that has always existed. If it had not existed prior to the discovery - even though we were ignorant of it it could not have been there to be discovered. That is the meaning of the concept of Natural Law.

This view - there exists a Natural Law which rules over the

affairs of human conduct - will be challenged by some who point out that man possesses the capacity for choice; that man's activity reflects a quality lacking in the chemistry of a stone and in the physical principle of the lever. But this trait of man - this capacity for choice - does not release him from the rule of cause and effect. which he can neither veto nor alter. What the capacity for choice means, instead, is that he is thereby enabled, by his own choice, to act either wisely or unwisely that is, in either accord or discord with the truths of Natural Law. But once he has made his choice. the inviolate rule of cause and consequence takes over with an iron hand of justice, and renders unto the doer either a prize or a penalty, as the consequence of his choice.

It is important, at this point, to note that morality presumes the existence of choice. One cannot be truly moral except as there exists the option of being immoral, and except as he selects the moral rather than the immoral option. In the admirable words of Thomas Davidson: "That which is not free is not responsible, and that which is not responsible is not moral." This means that free choice is a prerequisite of morality.

If I surrender my freedom of choice to a ruler - by vote or

otherwise — I am still subject to the superior rule of Natural Law or Moral Law. Although I am subservient to the ruler who orders me to violate Truth, I must still pay the penalty for the evil or foolish acts in which I engage at his command.

Under this postulate—that there is a force in the universe which no mortal can alter—ignorance of Moral Law is no excuse to those who violate it, because Moral Law rules over the consequences of ignorance the same as over the consequences of wisdom. This is true whether the ignorance is accompanied by good intentions or not; whether it is carried out under the name of some religion or the Welfare State or whatnot.

What, then, is the content of a basic moral code? What are the rules which, if followed, will better the condition of men?

Moral Postulate No. 3

The Golden Rule and the Decalogue, and their near equivalents in other great religions, provide the basic moral codes for man's conduct. The Golden Rule and the Decalogue are basic moral guides having priority over all other considerations. It is these which have guided the conduct of man in all progressive civilizations. With their violation has come the downfall of individuals and civilizations.

Some may prefer as a moral code something like: "Do as God would have us do," or "Do as Jesus would have done." But such as these, alone, are not adequate guides to conduct unless they are explained further, or unless they serve as symbolic of a deeper specific meaning. What would God have us do? What would Jesus have done? Only by adding some guides such as the Golden Rule and the Ten Commandments can we know the answers to these questions.

The Golden Rule – the rule of refraining from imposing on others what I would not have them impose on me - means that moral conduct for one is moral conduct for another: that there is not one set of moral guides for Jones and another for Smith; that the concept of equality under Moral Law is a part of morality itself. This alone is held by many to be an adequate moral code. But in spite of its importance as part of the moral code of conduct in this respect, the Golden Rule is not, it seems to me, sufficient unto itself. It is no more sufficient than the mere admonition, "Do good," which leaves undefined what is good and what is evil. The murderer, who at the time of the crime felt justified in committing it, can quote the Golden Rule in self-defense: "If I had done what

that so-and-so did, and had acted as he acted, I would consider it fair and proper for someone to murder me." And likewise the thief may argue that if he were like the one he has robbed, or if he were a bank harboring all those "ill-gotten gains," he would consider himself the proper object of robbery. Some claim that justification for the Welfare State, too, is to be found in the Golden Rule. So, in addition to the Golden Rule, further rules are needed as guides for moral conduct.

The Decalogue embodies the needed guides on which the Golden Rule can function. But within the Ten Commandments, the two with which we shall be especially concerned herein are: (1) Thou shalt not steal. (2) Thou shalt not covet.

The Decalogue serves as a guide to moral conduct which, if violated, brings upon the violator a commensurate penalty. There may be other guides to moral conduct which one might wish to add to the Golden Rule and the Decalogue, as supplements or substitutes. But they serve as the basis on which others are built. Their essence, in one form or another, seems to run through all great religions. That, I believe, is not a happenstance, because if we embrace them as a guide to our conduct, our conduct will be both morally and economically sound. This third postulate embodies what are judged to be the principles which should guide individual conduct as infallibly as the compass should guide the mariner. "Being practical" is a common popular guide to conduct; principles are scorned, if not forgotten. Those who scorn principles assert that it is foolish to concern ourselves with them: that it is hopeless to expect their complete adoption by everyone. But does this fact make a principle worthless? Are we to conclude that the moral code against murder is worthless because of its occasional violation? Or that the compass is worthless because not everyone pursues to the ultimate the direction which it indicates? Or that the Law of Gravity is made impractical or inoperative by someone walking off a cliff and meeting death because of his ignorance of this principle? No. A principle remains a principle in spite of its being ignored or violated - or even unknown. A principle, like a compass, gives one a better sense of direction, if he is wise enough to know and to follow its guidance.

Moral Postulate No. 4

Moral principles are not subject to compromise. The Golden Rule and the Decalogue, as representing moral principles, are pre-

cise and strict. They are not a code of convenience. A principle can be broken, but it cannot be bent.

If the Golden Rule and the Decalogue were to be accepted as a code of convenience, to be laid aside or modified whenever "necessity seems to justify it" (whenever, that is, one desires to act in violation of them), they would not then be serving as moral guides. A moral guide which is to be followed only when one would so conduct himself anyhow, in its absence, has no effect on his conduct, and is not a guide to him at all.

The unbending rule of a moral principle can be illustrated by some simple applications. According to one Commandment, it is wholly wrong to steal all your neighbor's cow; it is also wholly wrong to steal half your neighbor's cow, not half wrong to steal half your neighbor's cow. Robbing a bank is wrong in principle. whether the thief makes off with a million dollars or a hundred dollars or one cent. A person can rob a bank of half its money, but in the sense of moral principle there is no way to half rob a bank: you either rob it or you do not rob it.

In like manner, the Law of Gravity is precise and indivisible. One either acts in harmony with this law or he does not. There is no sense in saying that one has only half observed the Law of Gravity if he falls off a cliff only half as high as another cliff off which he might have fallen.

Moral laws are strict. They rule without flexibility. They know not the language of man; they are not conversant with him in the sense of compassion. They employ no man-made devices like the suspended sentence—"Guilty" or "Not guilty" is the verdict of judgment by a moral principle.

As moral guides, the Golden Rule and the Decalogue are not evil and dangerous things, like a painkilling drug, to be taken in cautious moderation, if at all. Presuming them to be the basic guides of what is right and good for civilized man, one cannot overindulge in them. Good need not be practiced in moderation.

Moral Postulate No. 5

Good ends cannot be attained by evil means. As stated in the second postulate, there is a force controlling cause and consequence which no mortal can alter, in spite of any position of influence or power which he may hold. Cause and consequence are linked inseparably.

An evil begets an evil consequence; a good, a good consequence. Good intentions cannot alter this relationship. Nor can

ignorance of the consequence change its form. Nor can words. For one to say, after committing an evil act, "I'm sorry, I made a mistake," changes not one iota the consequence of the act: repentance, at best, can serve only to prevent repetition of the evil act. and perhaps assure the repenter a more preferred place in a Hereafter. But repentance alone does not bring back to life a murdered person, nor return the loot to the one who was robbed. Nor does it. I believe, fully obliterate the scars of evil on the doer himself.

Nor does saying, "He told me to do it," change the consequence of an evil act into a good one. For an evildoer to assert, "But it was the law of my government, the decree of my ruler," fails to dethrone God or to frustrate the rule of Natural Law.

The belief that good ends are attainable through evil means is one of the most vicious concepts of the ages. The political blueprint, *The Prince*, written around the year 1500 by Machiavelli, outlined this notorious doctrine. And for the past century it has been part and parcel of the kit of tools used by the Marxian communist-socialists to mislead people. Its use probably is as old as the conflict between temptation and conscience, because it affords a seemingly rational and pleasant detour

around the inconveniences of one's conscience.

We know how power-hungry persons have gained political control over others by claiming that they somehow possess a special dispensation from God to do good through the exercise of means which our moral code identifies as evil. Thus arises a multiple standard of morals. It is the device by which immoral persons attempt to discredit the Golden Rule and the Decalogue, and make them inoperative.

Yet if one will stop to ponder the question just a little, he must surely see the unimpeachable logic of this postulate: Good ends cannot be attained by evil means. This is because the end pre-exists in the means, just as in the biological field we know that the seed of continued likeness pre-exists in the parent. Likewise in the moral realm, there is a similar moral reproduction wherein like begets like. This precludes the possibility of evil means leading to good ends. Good begets good: evil, evil. Immoral means cannot beget a good end, any more than snakes can beget roses.

The concept of the Welfare State can now be tested against the background of these five postulates: (1) Harmony exists between moral principles and wise economic practices. (2) There is

a Universal Law of Cause and Effect, even in the areas of morals and economics. (3) A basic moral code exists in the form of the Golden Rule and the Decalogue. (4) These moral guides are of an uncompromising nature. (5) Good ends are attainable only through good means.

Moral Right to Private Property

Not all the Decalogue, as has been said, is directly relevant to the issue of the Welfare State. Its program is an economic one, and the only parts of the moral code which are directly and specifically relevant are these: (1) Thou shalt not steal. (2) Thou shalt not covet.

Steal what? Covet what? Private property, of course. What else could I steal from you, or covet of what is yours? I cannot steal from you or covet what you do not own as private property. As Dr. D. Elton Trueblood has aptly said: "Stealing is evil because ownership is good." Thus we find that the individual's right to private property is an unstated assumption which underlies the Decalogue. Otherwise these two admonitions would be empty of either purpose or meaning.

The right to have and to hold private property is not to be confused with the recovery of stolen property. If someone steals your car, it is still — by this moral right

-your car rather than his; and for you to repossess it is merely to bring its presence back into harmony with its ownership. The same reasoning applies to the recovery of equivalent value if the stolen item itself is no longer returnable: and it applies to the recompense for damage done to one's own property by trespass or other willful destruction of private property. These means of protecting the possession of private property, and its use, are part of the mechanisms used to protect the moral right to private property.

Another point of possible confusion has to do with coveting the private property of another. There is nothing morally wrong in the admiration of something that is the property of another. Such admiration may be a stimulus to work for the means with which to buy it, or one like it. The moral consideration embodied in this Commandment has to do with thoughts and acts leading to the violation of the other Commandment, though still short of actual theft.

The moral right to private property, therefore, is consistent with the moral codes of all the great religious beliefs. It is likely that a concept of this type was in the mind of David Hume, the moral philosopher, who believed that the

right to own private property is the basis for the modern concept of justice in morals.

Nor is it surprising to discover that two of history's leading exponents of the Welfare State concept found it necessary to denounce this moral code completely. Marx said: "Religion is the opium of the people." And Lenin said: "Any religious idea, any idea of a 'good God' . . . is an abominably nasty thing." Of course they would have to say these things about religious beliefs. This is because the moral code of these great religions, as we have seen, strikes at the very heart of their immoral economic scheme. Not only does their Welfare State scheme deny the moral right to private property, but it also denies other underlying bases of the moral code, as we shall see.

Moral Right to Work and to Have

Stealing and coveting are condemned in the Decalogue as violations of the basic moral code. It follows, then, that the concepts of stealing and coveting presume the right to private property, which then automatically becomes an implied part of the basic moral code. But where does private property come from?

Private property comes from what one has saved out of what he has produced, or has earned as a productive employee of another person. One may also, of course, obtain private property through gifts and inheritances: but in the absence of theft, precluded by this moral code, gifts come from those who have produced or earned what is given. So the right of private property, and also the right to have whatever one has produced or earned, underlies the admonitions in the Decalogue about stealing and coveting. Nobody has the moral right to take by force from the producer anything he has produced or earned, for any purpose whatsoever - even for a good purpose, as he thinks of it.

If one is free to have what he has produced and earned, it then follows that he also has the moral right to be free to choose his work. He should be free to choose his work, that is, so long as he does not violate the moral code in doing so by using in his productive efforts the property of another person through theft or trespass. Otherwise he is free to work as he will, at what he will, and to change his work when he will. Nobody has the moral right to force him to work when he does not choose to do so, or to force him to remain idle when he wishes to work, or to force him to work at a certain job when he wishes to work at some other available job. The belief of the master that his judgment is superior to that of the slave or vassal, and that control is "for his own good," is not a moral justification for the idea of the Welfare State.

We are told that some misdoings occurred in a Garden of Eden, which signify the evil in man, And I would concede that no mortal man is totally wise and good. But it is my belief that people generally, up and down the road, are intuitively and predominantly moral. By this I mean that if persons are confronted with a clear and simple decision involving basic morals, most of us will conduct ourselves morally. Most everyone, without being a learned scholar of moral philosophy, seems to have a sort of innate sense of what is right, and tends to do what is moral unless and until he becomes confused by circumstances which obscure the moral issue that is involved.

Immorality Is News

The content of many magazines and newspapers with widespread circulations would seem to contradict my belief that most people are moral most of the time. They headline impressive and unusual events on the seamy side of life, which might lead one to believe that these events are characteristic of everyday human affairs. It is to be noted, however, that their

content is in sharp contrast to the local, home-town daily or weekly with its emphasis on the folksy reports of the comings and goings of friends. Why the difference? Those with large circulations find that the common denominator of news interest in their audience is events on the rare, seamy side of life; widely scattered millions are not interested in knowing that in Centerville, Sally attended Susie's birthday party last Tuesday.

It is the rarity of evil conduct that makes it impressive news for millions. Papers report the event of yesterday's murder, theft, or assault, together with the name. address, age, marital status, religious affiliation, and other descriptive features of the guilty party because these are the events of the day that are unusual enough to be newsworthy. What would be the demand for a newspaper which published all the names and identifications of all the persons who yesterday failed to murder, steal, or assault? If it were as rare for persons to act morally as it is now rare for them to act immorally. the then rare instances of moral conduct would presumably become the news of the day. So we may conclude that evil is news because it is so rare: that being moral is not news because it is so prevalent.

But does not this still prove the dominance of evil in persons? Or,

since magazines and newspapers print what finds a ready readership in the market, does not that prove the evilness of those who read of evil? I believe not. It is more like the millions who attend zoos, and view with fascination the monkeys and the snakes: these spectators are not themselves monkevs or snakes, nor do they want to be; they are merely expressing an interest in the unusual without envy. Do not most of us read of a bank robbery or a fire without wishing to be robbers or arsonists?

What else dominates the newspaper space, and gives us our dominant impressions about the quality of persons outside our circle of immediate personal acquaintance? It is mostly about the problems of political power; about those who have power or are grasping for power, diluted with a little about those who are fighting against power. Lord Acton said: "Power tends to corrupt. and absolute power corrupts absolutely." This dictum seems to be true, as history has proved and is proving over and over again. So we can then translate it into a description of much of the news of the day: News is heavily loaded with items about persons who. as Lord Acton said, are either corrupt or are in the process of becoming more corrupt.

If one is not careful in exposing himself to the daily news—if he fails to keep his balance and forgets how it contrasts with all those persons who comprise his family, his neighbors, his business associates, and his friends—he is likely to conclude falsely that people are predominantly immoral. This poses a serious problem for historians and historical novelists to the extent that their source of informaion is the news of a former day—especially if they do not interpret it with caution.

To Steal or Not to Steal

As a means of specifically verifying my impression about the basic, intuitive morality of persons, I would pose this test of three questions:

- 1. Would you steal your neighbor's cow to provide for your present needs? Would you steal it for any need reasonably within your expectation or comprehension? It should be remembered that, instead of stealing his cow, you may explore with your neighbor the possible solution to your case of need; you might arrange to do some sort of work for him, or to borrow from him for later repayment, or perhaps even plead with him for an outright gift.
- 2. Would you steal your neighbor's cow to provide for a known case of another neighbor's need?

3. Would you try to induce a third party to do the stealing of the cow, to be given to this needy neighbor? And do you believe that you would likely succeed in inducing him to engage in the theft?

I believe that the almost universal answer to all these questions would be: "No." Yet the facts of the case are that all of us are participating in theft every day. How? By supporting the actions of the collective agent which does the stealing as part of the Welfare State program already far advanced in the United States. By this device. Peter is robbed to "benefit" Paul, with the acquiescence if not the active support of all of us as taxpayers and citizens. We not only participate in the stealing - and share in the division of the loot - but as its victims we also meekly submit to the thievery.

Isn't it a strange thing that if you select any three fundamentally moral persons and combine them into a collective for the doing of good, they are liable at once to become three immoral persons in their collective activities? The moral principles with which they seem to be intuitively endowed are somehow lost in the confusing processes of the collective. None of the three would steal the cow from one of his fellow members as an individual, but collectively

they all steal cows from each other. The reason is, I believe, that the Welfare State—a confusing collective device which is believed by many to be moral and righteous—has been falsely labeled. This false label has caused the belief that the Welfare State can do no wrong, that it cannot commit immoral acts, especially if those acts are approved or tolerated by more than half of the people, "democratically."

This sidetracking of moral conduct is like the belief of an earlier day: The king can do no wrong. In its place we have now substituted this belief: The majority can do no wrong. It is as though one were to assert that a sheep which has been killed by a pack of wolves is not really dead, provided that more than half of the wolves have participated in the killing. All these excuses for immoral conduct are, of course, nonsense. They are nonsense when tested against the basic moral code of the five postulates. Thievery is thievery, whether done by one person alone or by many in a pack - or by one who has been selected by the members of the pack as their agent.

"Thou Shalt Not Steal, Except"

It seems that wherever the Welfare State is involved, the moral precept, "Thou shalt not steal,"

becomes altered to say: "Thou shalt not steal, except for what thou deemest to be a worthy cause, where thou thinkest that thou canst use the loot for a better purpose than wouldst the victim of the theft."

And the precept about covetousness, under the administration of the Welfare State, seems to become: "Thou shalt not covet, except what thou wouldst have from thy neighbor who owns it."

Both of these alterations of the Decalogue result in complete abrogation of the two moral admonitions — theft and covetousness — which deal directly with economic matters. Not even the motto, "In God we trust," stamped by the government on money taken by force in violation of the Decalogue to pay for the various programs of the Welfare State, can transform this immoral act into a moral one.

Herein lies the principal moral and economic danger facing us in these critical times: Many of us, albeit with good intentions but in a hurry to do good because of the urgency of the occasion, have become victims of moral schizophrenia. While we are good and righteous persons in our individual conduct in our home community and in our basic moral code, we have become thieves and coveters in the collective activities of the

Welfare State in which we participate and which many of us extol.

Typical of our times is what usually happens when there is a major catastrophe, destroying private property or injuring many persons. The news circulates, and generates widespread sympathy for the victims. So what is done about it? Through the mechanisms of the collective, the good intentions take the form of reaching into the other fellow's pocket for the money with which to make a gift. The Decalogue says, in effect: 'Reach into your own pocket - not into your neighbor's pocket - to finance your acts of compassion; good cannot be done with the loot that comes from theft." The pickpocket, in other words, is a thief even though he puts the proceeds in the collection box on Sunday, or uses it to buy bread for the poor. Being an involuntary Good Samaritan is a contradiction in terms.

When thievery is resorted to for the means with which to do good, compassion is killed. Those who would do good with the loot then lose their capacity for self-reliance, the same as a thief's self-reliance atrophies rapidly when he subsists on food that is stolen. And those who are repeatedly robbed of their property simultaneously lose their capacity

for compassion. The chronic victims of robbery are under great temptation to join the gang and share in the loot. They come to feel that the voluntary way of life will no longer suffice for needs; that to subsist, they must rob and be robbed. They abhor violence, of course, but approve of robbing by "peaceful means." It is this peculiar immoral distinction which many try to draw between the Welfare State of Russia and that of Britain: The Russian brand of violence, they believe, is bad; that of Britain, good. This version of an altered Commandment would be: "Thou shalt not steal, except from nonresisting victims,"

Under the Welfare State, this process of theft has spread from its use in alleviating catastrophe, to anticipating catastrophe, to conjuring up catastrophe, to the "need" for luxuries for those who have them not. The acceptance of the practice of thus violating the Decalogue has become so widespread that if the Sermon on the Mount were to appear in our day in the form of an address or publication, it would most likely be scorned as "reactionary, and not objective on the realistic problems of the day." Forgotten, it seems, by many who so much admire Christ, is the fact that he did not resort to theft in acquiring the means of his material benefactions. Nor did he advocate theft for any purpose — even for those uses most dear to his beliefs.

Progress of Moral Decay

Violation of the two economic Commandments - theft and covetousness - under the program of the Welfare State, will spread to the other Commandments: it will destroy faith in, and observance of, our entire basic moral code. We have seen this happen in many countries. It seems to have been happening here. We note how immorality, as tested by the two economic Commandments, has been spreading in high places. Moral decay has already spread to such an extent that violations of all other parts of the Decalogue, and of the Golden Rule, have become accepted as commonplace even proper and worthy of emulation.

And what about the effectiveness of a crime investigation conducted under a Welfare State government? We may question the presumed capability of such a government — as distinct from certain investigators who are admittedly moral individuals — to judge these moral issues. We may also question the wisdom of bothering to investigate the picayune amounts of private gambling, willingly engaged in by the participants with their own money, when untold bil-

lions are being taken from the people repeatedly by the investigating agent to finance its own immoral program. This is a certain loss, not even a gamble.

Once a right to collective looting has been substituted for the right of each person to have whatever he has produced, it is not at all surprising to find the official dispensers deciding that it is right for them to loot the loot - for a "worthy" purpose, of course. Then we have the loot used by the insiders to buy votes so that they may stay in power; we have political pork barrels and lobbying for the contents; we have political patronage for political loyalty even for loyalty to immoral conduct; we have deep freezers and mink coats given to political or personal favorites, and bribes for the opportunity to do privileged business with those who hold and dispense the loot. Why not? If it is right to loot, it is also right to loot the loot. If the latter is wrong, so also is the former.

If we are to accept Lord Acton's axiom about the corrupting effect of power — and also the reasoning of Profesor Hayek in his book, The Road to Serfdom, about why the worst get to the top in a Welfare State — then corruption and low moral standards in high political places should not be surprising. But when the citizens come

more and more to laugh and joke about it, rather than to remove the crown of power and dismantle the throne, a nation is well on its way to moral rot, reminiscent of the fall of the Roman Empire and others.

Nor should we be surprised that there is some juvenile delinquency where adult delinquency is so rampant, and where the absence of any basic moral code among adults precludes even the possibility of their effectively teaching a moral code that will prevent delinquency in the young. If, as adults, we practice collective thievery through the Welfare State, and advocate it as right and good, how can we question the logic of the youths who likewise form gangs and rob the candy store? If demonstration is the best teacher, we adults must start with the practice of morality ourselves, rather than hiring some presumed specialist to study the causes of similar conduct among the youngsters; their conduct is the symptom, not the disease.

Thievery and covetousness will persist and grow, and the basic morals of ourselves, our children, and our children's children will continue to deteriorate unless we destroy the virus of immorality that is embedded in the concept of the Welfare State; unless we come to understand how the moral code of individual conduct must

apply also to collective conduct, because the collective is composed solely of individuals. Moral individual conduct cannot persist in the face of collective immorality under the Welfare State program. One side or the other of the double standard of morals will have to be surrendered.

Appendix: The Welfare State Idea

The concept of the Welfare State appears in our everyday life in the form of a long list of labels and programs such as: Social Security; parity or fair prices; reasonable profits; the living wage; the TVA, MVA, CVA; Federal aid to states, to education, to bankrupt corporations; and so on.

But all these names and details of the Welfare State program tend only to obscure its essential nature. They are well-sounding labels for a laudable objective - the relief of distressing need, prevention of starvation, and the like. But how best is starvation and distress to be prevented? It is well, too, that prices, profits, and wages be fair and equitable. But what is to be the test of fairness and equity? Laudable objectives alone do not assure the success of any program; a fair appraisal of the program must include an analvsis of the means of its attainment.

The Welfare State is a name that has been substituted as a more acceptable one for communism-socialism wherever, as in the United States, these names are in general disrepute.

The Welfare State plan, viewed in full bloom of completeness, is one where the state prohibits the individual from having any right of choice in the conditions and place of his work; it takes ownership of the product of his labor; it prohibits private property. All these are done ostensibly to help those whose rights have been taken over by the Welfare State.

But these characteristics of controlled employment and confiscation of income are not those used in promotion of the idea of the Welfare State. What are usually advertised, instead, are the "benefits" of the Welfare State - the grants of food and housing and whatnot - which the state "gives" to the people. But all these "benefits" are merely the other side of the forfeited rights to choose one's own occupation and to keep whatever one is able to produce. In the same sense that the Welfare State grants benefits, the slave-master grants to his slaves certain allotments of food and other economic goods. In fact, slavery might be described as just another form of Welfare State, because of its likeness in restrictions and "benefits."

Yet the state, as such, produces nothing with which to supply these "benefits." Persons produce everything which the Welfare State takes, before it gives some back as "benefits"; but in the process, the bureaucracy takes its cut. Only by thus confiscating what persons have produced can the Welfare State "satisfy the needs of the people." So, the necessary and essential idea of the Welfare State is to control the economic actions of the vassals of the state, to take from producers what they produce, and to prevent their ever being able to attain economic independence from the state and from their fellow men through ownership of propertv.

To whatever extent an individual is still allowed freedom in any of these respects while living under a government like the present one in the United States, then to that extent the development of the program of the Welfare State is as yet not fully completed. Or perhaps it is an instance of a temporary grant of freedom by the Welfare State such as when a master allows his slave a day off from work to spend as he likes; but the person who is permitted some freedom by the Welfare State is still a vassal of that state just as a slave is still a slave on his day off from work.



ARE SCHOOLS NECESSARY?

V. ORVAL WATTS

ABE LINCOLN never went to high school or college. In fact, he spent very little time in any kind of "educational institution."

But was he uneducated? On the contrary, he ranks high among the well-educated men of all centuries, including our own.

When Benjamin Franklin first went to Paris as envoy from the newly formed Confederacy of American States, crowds lined the street to see him ride to and from his lodgings. This was not because he represented an upstart little nation fighting for its independence. Instead, it was because he was already world famous as a scholar,

scientist, and philosopher. Of formal schooling he had almost none; but even by today's standards, he was a highly educated man.

Does this mean that the great complex of "educational institutions" in this country represents only wasted effort and wealth?

Not altogether, of course. No doubt a Ben Franklin could profit greatly from an opportunity to use the equipment of a modern laboratory, and a teacher might save him from electrocuting himself and shorten his learning time by demonstrating the use of the equipment.

But one excuse often heard for the vast expenditures on compulsory, institutionalized schooling I should like to question. It is said that few young people have the thirst for learning or the genius of a Franklin or Lincoln, and that because of this we need schools and school teachers to make learning easier and even to compel the "average" individual to travel part way on the road to an education.

Too often, however, I believe that institutionalized schooling has precisely the opposite effect. Instead of starting students on the road to education, it tends to rob parents and young people of their sense of responsibility for developing the individual's powers of self-development.

Dr. Watts is Director of Economic Education, Northwood Institute, Midland, Michigan. Among his numerous publications is his Free Market or Famine (Midland, Mich.: Pendell Publishing Co., 1967).

How Schools Cripple Students

A conversation with a young graduate from a high-prestige eastern college illustrates this point. He was enrolled in the training program of a large grocery chain and was currently working as an assistant manager of one of the branch stores. I asked him how he liked his work.

"I don't," he said.

"Then why don't you quit and try something else?" I asked.

"Well," he admitted, "I really would like to get into advertising."

"What's keeping you from it?"

His reply points to a fatal flaw in our modern craze for institutionalizing the educational process. Sadly he said, "I never had a course in advertising."

Sixteen years of "the best schools" in the country had given this young man a sense of dependency that would cripple him for life if he did not somehow discover the secret of Ben Franklin's scholarship or of Abe Lincoln's high level of literacy and breadth of learning: an individual becomes truly educated only as he learns to educate himself.

Schools and colleges cannot cram education into the heads of passive pupils as we pour water into an empty pitcher.

Too often, the young victims of mass schooling get the habit of depending on their teachers to predigest the assigned readings, correct their bad guesses on tests, and pass them on to the next grade at the end of the school year with little or no regard to the students' progress in knowledge, skills, or habits of work. This is not an educational process.

By moderately attentive listening in class, with perhaps a hasty skimming of a prepared digest of the readings, the average student in many of our "educational institutions" can get a high school certificate or even a college diploma with little or no serious mental effort.

When a college does what it should—as some do—it serves as a correctional institution rather than a diploma mill. It seeks to develop healthy attitudes toward work and responsibility rather than to cram the students' minds with facts.

The easy road to a diploma or degree does not develop the ability or habits of *study*, and, as Douglas Woodruff says, "a college degree is a poor substitute for an education."

Education requires effort on the part of the student, and the quality of his education is directly proportional to the effort he puts forth. Ability and willingness to study, to work hard at acquiring new knowledge and new skills, are essential for the life-long, self-pro-

pelling educational process that makes human life meaningful and worthwhile.

It is easy to understand that some learning ability may be necessary to hold a job in this age of rapid technological change; and it may help to improve one's place and status in industry or social life.

Education, a Life-long Process

But why, one may ask, is continued learning necessary to give value and meaning to life apart from its occupational or social usefulness?

The answer, I think, is a simple one. The habit and skills of learning give the individual hope that his future may be better than the present, and "it is hope alone that makes us willing to live."

For man, the pursuit of happiness means the pursuit of lifepromoting goals that keep advancing even as we near them.

The theory that education should always be "fun," "interesting," "enjoyable" may be useful in devising ways to keep young people in school longer, but it bars the way to an education for anyone who holds it.

The notion that sweat and strain have no necessary place in a good life, that responsibilities cause only ulcers and high blood pressure, is producing youthful dropouts from school and adult dropouts from the continuing, organized effort necessary to maintain a humane existence. It condemns its victims to the hell of boredom, self-doubt, and pursuit of life-destroying dissipations.

Enduring interests develop as we exert effort to learn, to understand, and to acquire new skills so that we may solve new problems and accomplish more difficult tasks.

Appreciation of the worth of hard work is one necessary element in true education. Developing the habits of strenuous effort is the other side of the coin of good living. Both come to our young people only as they find human examples of such living and as they come to understand its meaning and worth.

A school or college worthy of the name, therefore, must choose its teachers for character and wisdom, as well as for their fund of knowledge as attested by degrees or length of service.

Someone has well said, "Education is what you retain after you have forgotten everything you learned." In other words, education is not a fund of facts so much as habits, attitudes, and principles that we call character, personality, and wisdom that should develop as the years advance.

A SLANTED PICTURE

I was in Chicago for the week of the 1968 Democratic Convention. What I saw on TV and in the streets and hotels were two different things. The TV coverage, coming in for climactic shots, invariably missed the provocations that led to the violence. Continuity was utterly ignored in the TV convention week "story." Moreover, one had to be there in person to experience the ghastly smells that pervaded the besieged Conrad Hilton lobby due to the spreading of some not easily eradicated chemical. If I had not realized it before. I knew then that pictures often convey less than meets a person armed not only with sight but with all the other senses. It was borne in on me that it is simply not true that a picture is worth a thousand words, for words can convey the evidence of the five senses as images on a screen cannot. If the "medium is the message," then the Age of Gutenberg provided us with a better medium—and more truthful messages. It is too bad that Gutenberg is no longer considered "with it"; he could have saved us from many of our troubles.

In The Left-Leaning Antenna (Arlington, \$8.95) Joseph Keeley, former editor of the American Legion Magazine, confines himself to the subject of political bias in television. The bias obviously stems from the fact that most of the people who work in TV news rooms and in developing the vari-

ous shows are liberal in the modern, or nonclassical, sense. The news, as he says, gets "pre-cooked" by left-leaning network staffs, so that even when it is read by an unbiased broadcaster it comes out skewed. What Spiro Agnew — and TV Guide's Edith Efron before Agnew — said about the subjective twist imparted to TV news coverage is absolutely true. But this does not get to the root of the matter, which is that TV is not a good medium for instruction even when it is in well-disposed hands.

TV Is Show Business

Mr. Keelev senses this when he says that TV is primarily show business. Since show business demands the spectacular, a Woodstock rock festival, with its weird costume effects and its sense of being a latter-day tribal rite, is obviously worth more to the TV cameraman than a familiar Boy Scout jamboree. Jerry Rubin, Abbie Hoffman, and Rennie Davis have become the self-annointed TV spokesmen for their generation because they accurately diagnosed the networks' natural craving for theater. The cameramen could presumably have discovered an overwhelming majority of sober citizens in the Chicago of August, 1968, but would they have lent themselves to the portrayal of a good show? Obviously not,

So it isn't just that the studios are under the control of "liberals." Mr. Keeley has an interesting chapter on TV news coverage of Vietnam, called "The War Away From Home." In part, it is the "liberal" bias of the media that has made the Vietnam War seem "immoral." Well. all wars murderous and thus break the Commandment. But if you get right down to it this war is actually less immoral than some other wars we have fought. One does not need to apologize for our motives in trying to save any part of the world from communism, which is an immoral form of society. The Mexican War, which was a grab for territory, was less justified than our Vietnam venture. And. by comparison with Vietnam, our Indian wars were really genocidal.

Nevertheless. Vietnam has affronted the American people as no other war in our history has affronted them. The prime reason. again, is that the TV coverage of the war has been a matter of climactic shots without bothering with provocation or motivation or continuity. As Mr. Keeley points out, we see our troops burning villages while old men, women, and children stare and weep. What we don't see is General Giap or Mao Tse-tung or Lin Piao elaborating the guerrilla strategy that has compelled us to wipe out a village in

order to remove a focal point of poison.

The bigger question is whether TV could have covered the war with an honest concern for provocation, motivation, and continuity even if the cameramen had been veritable saints of objectivity. One doubts it; the camera doesn't act that way. From now on all wars, even those that are most justified, will seem morally insupportable unless a strict censorship is invoked and the cameramen are banished from the front.

The Sight of the Camera Modifies the Subject

Another trouble with getting the truth about society from the camera is that it is hard to sneak a picture. The TV paraphernalia advertises the approach of the pictorial reporter, and this automatically transforms the scene into a stage. It brings out the ham even in shy people. Would Abbie Hoffman and Jerry Rubin have become what they are if they had been limited to answering questions offcamera? Would they have attracted an army of followers?

Unlike the camera reporter, the old-style journalist could mingle with a crowd incognito. He could listen to people talking among themselves and expressing their natural fears and hopes. He could take part in conversations without

revealing his occupation, drawing out the multi-faceted truth that can be conveyed only in words. By being a bit of a snoop, the old-fashioned reporter could, paradoxically, remain an honest man. Contrariwise, the cameraman, working in the open, is condemned to telling an essentially dishonest story.

Mr. Keeley does not do much philosophizing about the fundamental shortcomings of the camera other than to indicate that TV in war can't get behind the lines into enemy territory. He is more hopeful than I am that TV could balance its coverage of the Rubins and Hoffmans by taking "positive" pictures of sane happenings. While it is perfectly true that the TV networks could carry out their functions with more decency and sobriety than has been the custom. there is a built-in reason why they must always be defective carriers of the truth.

Take Kent State, for example. The radical planning that eventually forced the confrontation with the National Guard had been in the works for a couple of years before the final tragedy. An SDS activist, Terry Robbins, had been given much of the responsibility for radicalizing the campus. But there were hundreds of other campuses in a state of turmoil in 1969 and 1970, and how would TV

know which one was destined to boil up into something that would end in the killing of four students? The point is that the TV camera couldn't be there to catch Terry Robbins' activities in their early stages. A word man such as James Michener, however, could go in and, by sitting around and "rapping" with many people, students

and townsmen, get at a many-faceted truth.

Mr. Keeley's study of bias in TV is first-rate. His proposals for keeping a tighter watch on the application of the fairness doctrine are all good. But he doesn't answer the larger question of whether it will ever be possible to get the truth out of pictures.



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CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

1

The American Epic: 1760-1800

Several years ago. I introduced and undertook to teach a college course called "The Founding of the American Republic." Several things moved me to do it. One was my long term interest in the period. Another was the belief that such a course would offer one of the best means for covering the basic political principles on which these United States were founded. covering them with sufficient detail that they would be more likely to be remembered by students than the usual much briefer coverage in broader courses. Yet another reason was an idea that there was some sort of unity within these years that warranted treating them in a separate course.

One difficulty, of sorts, presented itself to offering such a course effectively. There was not a textbook which dealt with the period I had in mind in a unitary fashion. This could be attributed, in part, to the fact that I proposed to take the course down to the year 1800. Books which looked by their titles as if they might be appropriate did not do this. For example, Merrill Jensen's The Founding of a Nation covers the years 1763-1776, while Forrest McDonald's The Formation of the American Re-

Dr. Carson is Chairman, Social Science Department, Okaloosa-Walton College. He is a noted lecturer and author, his latest book entitled *Throttling the Railroads*.

public deals mainly with the years 1776-1790. Books which treat the American Revolution mostly deal in detail with only a small portion of the period. Richard B. Morris's The American Revolution concentrates on the years 1763-1783, and John R. Alden's The American Revolution covers the years 1775-1783. Books of readings cover a shorter period, too, as a rule. For example, Jack P. Greene has edited two extensive anthologies -Colonies to Nation and The Reinterpretation of the American Revolution - both of which are for the years 1763-1789.

A Time to Remember

There are numerous books that deal with some aspect of this period: the background to it, the coming of the revolt, the Declaration of Independence, the War for Independence, the years under the Articles of Confederation, the Constitutional Convention, and the early years of the Republic. In addition there are biographies of most of the leading figures of the period, numerous monographs on such specialized subjects as religion, economics, ideas, and so on. It may well be the most written about period of American history; most certainly, the period has been most extensively mined for documents to collect and reprint. A few titles will suggest something of the depth in which it has been covered: Max Savelle, Seeds of Liberty and The Colonial Origins of American Thought; Robert A. Rutland, The Birth of the Bill of Rights; Nathan Schachner, The Founding Fathers; Leslie F. S. Upton, Revolutionary versus Loyalist; Peter N. Carroll, ed., Religion and the Coming of the American Revolution; Douglas S. Freeman, George Washington in seven volumes.

Moreover, the events, movements, developments, and men of this time have been the subject of a great variety of interpretations and some of the most active controversies among historians. Professor Greene divides the older interpretations into three broad categories: the Whig Conception, the Imperial Conception. and Progressive Conception. To this, he would add a panorama of interpretations that have come since World War II, many of which are revisions of earlier interpretations.

He says that the "new investigations have focused upon seven major problems: (1) the nature of the relationship between Britain and the colonies prior to 1763; (2) the nature of social and political life within the colonies and its relationship to the coming of the Revolution; (3) the reasons for the estrangement of the colonies

from Britain between 1763 and 1776; (4) the explanations for the behavior of the British government and its supporters in the colonies between 1763 and the loss of the colonies in 1783; (5) the revolutionary consequences of the Revolution; (6) the character of the movement for the Constitution of 1787 and its relationship to the Revolution; (7) the nature and meaning of the Revolution to the men who lived through it."

This list shows, too, how fragmented and specialized the study of this period has become. Interpretations have not generally been of the whole period but of some briefer span within it. Such questions as the following have been subjected to intensive study. What was the impact of British mercantilism on the American movefor independence? ment many people from what areas and which segments of the population voted for delegations to ratification conventions in the states? What was the role of merchants in fomenting revolt against the Britigh?

Just to touch upon the outlines of some of the interpretations that have been made will suggest some of the angles from which the happenings of these years have

been viewed. Many of these focus upon why the colonies broke from England, and upon the years 1763-1776. The oldest and most enduring interpretation is that it was a movement for liberty and from British oppression -a view that is sometimes called the Whig theory. There is a mercantile thesis. which may include the idea that the British followed a policy of "salutary neglect" during most of the colonial period, only to reverse this policy a decade or so before the revolt. Or, the mercantile theorv may deal much more complexly with the inner contradictions of mercantilism, their adverse effects on trade and relations among nations. There is the maturity thesis - vigorously set forth by Lawrence H. Gipson - which holds that many of the American colonies had reached such a level of political and economic maturity that they no longer needed or wanted the British connection.

A Class Struggle

A major effort has been made to subsume the whole of this epoch into a class struggle theory. The inception of the conflict is particularly difficult to place in this framework, but there is something to go on in pitting the British landed class against the merchant class both in England and America. From some such point of

¹ Jack P. Greene, ed., The Reinterpretation of the American Revolution (New York: Harper and Row, 1968), pp. 18-19.

view, the struggle might have arisen from the efforts of Americans both to resist mercantile restrictions and the payment of their debts. Much more fertile, for class struggle theorists, was the conflict within individual colonies between tidewater aristocrats and piedmont yeomen, particularly in North Carolina. On this view the revolt from England was accompanied by a civil war within the colonies. The contest continued over the years and involved such questions as easy money, a moratorium on debts, the powers of the states versus the Confederation. and eventually split the country over the question of ratifying the Constitution.

Many historians in the twentieth century have insisted upon telling the story of the years 1763-1800 in the context of a series of contests between Liberals and Conservatives. The terms were not in use at the time, and those who pursue their use must have some of their characters reversing their positions from time to time in ways that the men need not have been conscious of doing, if they did. Still, those who wanted to break from England 1774-1776 must be, by these writers, denominated "Liberals," while those favoring continuing the British connection would be "Conservatives." Those who favored ratification of

the Constitution of 1787 would be "Conservatives," while those opposing it would be "Liberals."

There have been other interpretations, but the above examples give some idea of what has gone on. The epic character of the founding period of American history has frequently been obscured by the attention focused on contending interpretations, by the dredging up of selected facts which serve as grist for the mills for some partial view, by the concentration on minutiae which results in losing sight of the forest amidst the trees and shrubs, by the amplification of debates which had frequently long since been decently interred before the participants were themselves, by the quest for failings among great men and the search for imperfections among people, and by the fragmenting into parts of something which has a basic unity.

History Hangs on a Philosophy

Many of these tendencies have been aggravated by the tendency among historians toward empirical data unillumined by philosophy but given its meaning by ideology. This is not to be taken to mean that facts are not indispensable to history, nor that the work of finding and substantiating details is not valuable, nor that anyone attempting to write an account of these years can be anything but grateful for the scholarship that has gone before. It is rather to observe that the fruits of research and study have so often been presented in such a way that the mind loses hold or does not grasp much that is momentous about the founding of these United States.

There is no need, of course, to go to the opposite extreme, to ignore the debates and the divisions. to glorify riotous behavior, to describe the Founders as if they had not personal interests involved in their decisions, or to pretend that there was unity where there was diversity. The epic character of these years does not depend upon the purity of all the participants nor the disinterestedness of their behavior. It depends upon grasping what they wrought by pursuing a course over the period of a generation despite their imperfections, their divisions, their selfishness, and their shortsightedness. By their fruits ve shall know them, we are told in Scripture, and it is these fruits which give unity to an era and an epic cast to what was done.

The Story Unfinished in 1789

The American epic occurred between 1763-1800, with a background laid before that time and some filling out occurring after. The political foundations of these

United States were set during these years. Seventeen eighty-nine does not make a good terminal date for the founding of the Republic; the Constitution was at that point only a "piece of paper." It had not yet had the breath of life breathed into it by the determination and actions of men: it did not even have a Bill of Rights. An experiment began to become an actuality within the next decade or so, and the story needs to be continued for several years beyond the inauguration of the government in 1789.

Strictly speaking, there is no American epic, or, if there is, it is according to the fifth meaning in the American College Dictionary, i. e., "something worthy to form the subject of an epic." An epic, essentially, is a "poetic composition in which a series of heroic achievements or events, usually of a hero, is dealt with at length as a continuous narrative in elevated style." The models for the epic in Western Civilization are the *Iliad* and the Odyssey. Epics frequently have as their subject the founding of a city, a nation, or the coalescing of a people. They usually have to do with legends and myths. with early accounts of a people that go back before any historical record, accounts that have been passed along by word of mouth.

But this serves mainly to point

up the differences between the founding of the United States and most countries which had preceded it in history. The origins of most nations are available to us mainly in myths and legends: they go back to a time when the memory of man does not run contrary to their existence. Little enough is known of the coming of the Anglo-Saxon peoples to what then became England, much less about their antecedents on the continent. The establishment of English monarchy is, for us, a tangled web of chronicle, legend, lore, and historical glimpses of shadowy figures who had acquired such sobriquets as Ethelred the Redeless. Even more so was this the case with Rome and Greece, and it is only somewhat less so with France and Spain.

The Characters Were Real

These United States, by contrast, came into being in what is for us modern times with what that connotes of literary record, events substantiated from many independent sources, and the characters definitely historical ones with not even a shadow of a doubt that some of them might have been mythical or combinations of several actual persons.

Poetry has rough going in dealing with prosaic factual materials. Heroes can hardly surface or survive the minute probing of their lives by modern biographical techniques. Elegant language requires an informing vision which has not fared well in the midst of a naturalistic outlook. Prosaic history under the tutelage of professionals has replaced epic poetry; irreducible facts which will stand careful scrutiny have tended to supplant elegantly worded narratives. We have gained in exact knowledge quite often at the expense of impoverishing the spirit: those who seek sustenance from the past have asked for bread and been tendered a stone instead.

Even so, there are the makings of an epic in the men, events, documents, and developments of the years 1763-1800. Every schoolboy once learned the rudiments of the stuff of epics: "Give me liberty or give me death"; the midnight ride of Paul Revere; "the shot heard round the world"; "Taxation without representation is tyranny"; the making of the flag by Betsy Ross; Nathan Hale's "I regret that I have but one life to give for my country"; the heroism of George Washington: at Kip's Bay, crossing the Delaware, at Valley Forge: the villainous treason of Benedict Arnold; "millions for defense but not one cent for tribute," and so on.

An epic is not for schoolboys alone; hence, it must probe more

deeply into the background of a people. These years had an unusual crop of men, major and minor characters who would fit well amidst the elegant language of an epic: James Otis, Patrick Henry, Samuel Adams, John Dickinson, Benjamin Franklin, George Washington. John Hancock. Thomas Paine. Thomas Jefferson, Gouverneur Morris, Horatio Gates, Baron von Steuben, Marquis de Lafayette, James Madison, John Adams, Alexander Hamilton, John Marshall, and many, many others who have been well called Founding Fathers.

Events abound, many of which have a symbolic ring to them. events which call to mind crises, resolutions, and climaxes, such as: the Stamp Act, the Stamp Act Congress, the Boston Massacre, the Tea Act, the Boston Tea Party, the Coercive Acts, Lexington and Concord, the meeting of the Second Continental Congress, the declaring of independence, the Battle of Saratoga, the Franco-American Alliance, the Battle of Yorktown, the Treaty of Paris, Shay's Rebellion, the Constitutional Convention, the XYZ Affair.

Even the documents of these years have an epic quality to them: the elegance of the language, their philosophical tone, and the vision with which they call an imperial rule to account as well

as set forth the new direction for a people. The story of these years is encapsulated in the documents for which these titles stand: the Suffolk Resolves, the Circular Letters, Letters from a Pennsulvania Farmer, the Novanglus Letters, the Olive Branch Petition, Summary View of the Rights of British America, Common Sense, the Declaration of Independence. The Crisis, the Articles of Confederation, the Virginia Bill of Religious Liberty, the Constitution, the Federalist. Hamilton's Report on Manufactures. Washington's Farewell Address, and the Virginia and Kentucky Resolutions.

Conflicting Ideas at Work

What gives dramatic character to any series of episodes which make up an epic is conflict. Of conflicts, there were more than enough during these years: Parliament versus colonial assemblies. King against American congresses, the opposition of loyalists to revolutionaries, Redcoats against Continentals. Federalists versus anti-Federalists. Conservatives (or whatever they should be called) against Jacobins, the partisan conflict between Federalists and Jeffersonian Republicans, and nationalists versus states-righters. not to mention such more subtle conflicts as those between establishmentarians (or antidisestablishmentarians) and disestablishmentarians or between mercantilists and proponents of laissez-faire. What was right and who wrong may not always have been as clear as partisans liked to think, but many of the conflicts were worthy

What takes these men, events, documents, developments, and conflicts out of the ordinary and raises them to epic proportions are the great ideas which were espoused, which informed and enlivened them. Professor Clinton Rossiter has noted the habit the people of this time had "of 'recurring to first principles,' of appealing to basic doctrines.... Few men were willing to argue about a specific issue . . . without first calling upon rules of justice that were considered to apply to all men everywhere."2 The following are some of these ideas: natural law. natural rights, balance of power, separation of power, limited government, freedom of conscience, free trade, federalism, and republican forms of government. As Rossiter says, "The great political philosophy of the Western world enjoyed one of its proudest seasons in this time of resistance and revolution." To which should be added, it had its finest season in the laying of the political foundations during the constitution making years.

Perhaps the greatest wonder of all during these years is what these men wrought out of revolution. The modern era has had revolution aplenty, and then some. All too often they have followed what is by now a familiar pattern, that is, great proclamations of liberty and fraternity, the casting off of the old rules and restrictions, the subsequent loosening of authority, the disintegration of the society. and the turning to a dictator to bring a more confining order. Though some have tried to tell the story of America during these years along such lines, the interpretations are always strained. Clearly, the Americans avoided most of the excesses associated with revolutions.

Building Upon a Heritage

Many things may help to explain this, but one thing is essential to any explanation. Americans did not cut themselves off from their past experience, from ideas and practices of long standing, or from older traditions and institutions. In their building they relied extensively upon ancient and modern history and that which had

² Clinton Rossiter, The Political Thought of the American Revolution (New York: Harcourt, Brace and World, 1963), p. 52.

³ Ibid.

come to them through the ages. What separates this as an epic from abortive revolutions is that these men brought to a fertile junction their heritage—which contained several great streams, namely, the Classical, the Christian, and the English—, their experience, and contemporary ideas. The Founders stood on the shoulders of giants, though it sometimes requires giants also to attain such heights.

An epic poem might well ignore these antecedents in order to attribute all that was accomplished to the heroes of the time. An historical account—even one which acknowledges the epic proportions of what occurred—cannot well do so.

Thus, it is appropriate now to relate something of the heritage and experience which went into the founding of the American Republic.

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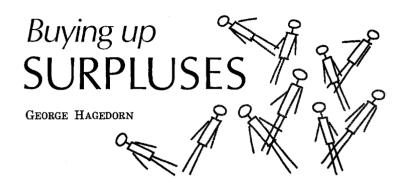
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THERE ARE presently before Congress two proposals which make an interesting combination. One proposed measure would seek to relieve unemployment by creating large numbers of public service jobs; this would involve the expenditure of some \$4 billion in government money during the next four years. The other proposal would raise the statutory minimum wage from its present level of \$1.60 to \$2 an hour (or even more in some variants).

What this combination reminds us of is the course of action government pursued for many years in the field of agriculture price supports. Prices of certain agricultural products were set at a higher level than they could have commanded in the market without

Mr. Hagedorn is Vice-President and Chief Economist of the National Association of Manufacturers. This column appeared in NAM Reports, May 24, 1971. government intervention. This meant that more was produced than markets would absorb at that price. The "solution" was for government to buy up the surplus at the taxpayers' expense and store it away.

The two proposals we have mentioned as currently before Congress would, in combination, have a similar effect on the labor market. The increase in the legal minimum wage would maintain an artificially high price for labor particularly the unskilled segment of the labor force. The resulting surplus of labor would then be taken off the market by government and assigned to public service jobs, at the taxpayers' expense. The public would be paying to buy up surplus labor in much the same way as it has paid to buy up surplus grain.

We would regard enactment of

either of these two proposed measures as a serious mistake in economic policy. The two together represent an approach to manpower problems which is both costly and futile. The nation would simultaneously be making unskilled labor less employable in the private sector, and offering them make-work jobs in government. It is hard to see how anyone would be better off, and the taxpayer would most certainly be worse off.

With Friends Like These

Both proposals are advocated by the reputed "friends of labor." But we wonder why anyone who desires to create more job opportunities for unskilled labor would advocate making it more expensive — which would be the obvious effect of an increase in the minimum wage.

The labor market is not exempt from the elementary rule which applies to any market—the more costly you make whatever it is you wish to sell, the less you are likely to sell of it. Raising the price which must be paid for an hour's work by an unskilled worker is the surest way of cutting down on his chances for employment.

The proposal for creating new public service jobs, although it seems to have been primarily intended to help the unskilled members of the labor force, also provides that up to one-third of the jobs in any area may be filled by unemployed professionals — with annual salaries up to \$12.000.

The argument used by supporters of this approach is that, since there are useful things that could be done in the public sector, and since there are unemployed people in the country, it is a good idea to bring the two together. In that way the unemployed people would have jobs and would be doing something that needs to be done.

But we must assume that the services these people would be performing would be of very low priority and impossible to justify by any ordinary comparison of costs and benefits. If that were not so, the case should have been made for them in the ordinary process of budget making.

The answer to this may be that it is better for people to be performing low-priority functions than to be doing nothing at all. That answer might have some validity if it were not for the fact that government make-work jobs impede the process by which job opportunities are created in the private sector. Their effect is to preserve, rather than correct, the economic distortions which led to unemployment in the first place. Buying up surpluses is a way of insuring that surpluses will continue.

Keeping unemployment to a minimum may be simply described as preserving a reasonable balance between supply and demand in the labor market. And this requires a reasonable balance between what employers can get for their output and what they have to pay for their labor. We won't try to describe all the factors which may affect that relationship-they range over the whole subject of economics. But one thing is sure: providing a protected refuge in government employment for workers who are displaced by imbalances between labor costs and prices in the private sector is a good way of preventing the imbalances from ever disappearing.

Where Does It End?

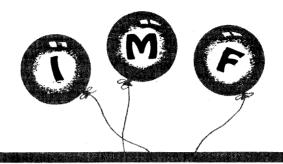
Government programs for taking surpluses off the market—whether of farm products or of labor—are easy to start but hard to terminate. We would fear that measures for creating large numbers of "public service" jobs, although proposed as an emergency measure, might become a permanent burden on the taxpayer.

Their effect would not be that more jobs would be available, but that more of the available jobs would be in government and fewer in the private sector. More people would be performing low-priority functions in government, and fewer would be working in the private sector where the market enforces more exacting standards of usefulness.

The analogy with the farm price-support program suggests some other disturbing possibilities. In both cases, a government commitment to take surpluses off the market clearly necessitates government restraints on the customary freedoms of individuals.

When the government undertook to support the prices of certain farm products, they were eventually forced to impose acreage restrictions to keep supply down to manageable proportions. This amounted to a rationing among farmers of the right to produce certain products. Will we, as the logical consequence of a government undertaking to support the labor market, see a rationing of the right to hold a job?

HENRY HAZLITT

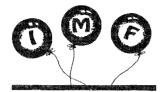


WORLD INFLATION FACTORY

THE LATEST CRISIS in the foreign exchanges illustrates once more the inherent unsoundness of the International Monetary Fund system. That should have been obvious when it was first set up at Bretton Woods, N. H., in 1944. The system not only permits and encourages but almost compels world inflation.

There follows a reprint of the article I wrote in *Newsweek* of October 3, 1949, at the time of another major world monetary crisis. I do this to emphasize that today's crisis could have been predicted twenty years ago. It is not merely the result of mistakes in the recent economic and monetary policies of individual nations, but a consequence of the inherently inflationary institutions set up in 1944 under the leadership of Lord Keynes of England and Harry Dexter White of the United States.

In an epilogue I discuss the measures needed to extricate ourselves from the present international monetary crisis and to prevent a repetition.



WORLD INFLATION FACTORY

Auaust

The World Monetary Earthquake

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W ITHIN a single week 25 nations have deliberately slashed the values of their currencies. Nothing quite comparable with this has ever happened before in the history of the world.

This world monetary earthquake will carry many lessons. It ought to destroy forever the superstitious modern faith in the wisdom of governmental economic planners and monetary managers. This sudden and violent reversal proves that the monetary bureaucrats did not understand what they were doing in the preceding five years. Unfortunately, it gives no good ground for supposing that they understand what they are doing now.

This column has been insisting for years, with perhaps tiresome reiteration, on the evil consequences of overvalued currencies. On Dec. 18, 1946, the International Monetary Fund contended that the trade deficits of European countries "would not be appreciably narrowed by changes in their currency parities." I wrote in Newsweek of March 3, 1947: "It is precisely because their currencies are ridiculously overvalued that the imports of these countries are overencouraged and their export industries cannot get started." In the issue of Sept. 8, 1947, as well as in my book, Will Dollars Save the World? I wrote: "Nearly every currency in the world (with a few exceptions like the Swiss franc) is overvalued in terms of the dollar. It is precisely this overvaluation which brings about the so-called dollar scarcity."

Y ET until Sept. 18 of this year the European bureaucrats continued to insist that their currencies were not overvalued and that even if they were this had nothing to do, or negligibly little to do, with

their trade deficits and the "dollar shortage" that they continued to blame on America. And the tragedy was that former Secretary of State Marshall, the President, and Congress, completely misunderstanding the real situation, accepted this European theory and poured billions of the American taxpayers' dollars into the hands of European governments to finance the trade deficits that they themselves were bringing about by their socialism and exchange controls with overvalued currencies.

In time the managers of the Monetary Fund learned half the lesson. They recognized that most European currencies were overvalued. They recognized that this overvaluation was a real factor in causing the so-called "dollar shortage" and unbalancing and choking world trade. But they proposed the wrong cure.

They did not ask for the simple abolition of exchange controls. (Their own organization in its very origin was tied up with the maintenance of exchange controls.) They proposed instead that official currency valuations be made "realistic." But the only "realistic" currency valuation (as long as a currency is not made freely convertible into a definite weight of gold) is the valuation that a free market would place upon it. Free-market rates are the only rates that keep demand and supply constantly in balance. They are the only rates that permit full and free convertibility of paper currencies into each other at all times.

Sir Stafford Cripps fought to the last against the idea that the rate of the pound had anything to do with the deepening British crisis. Trying to look and talk as much like God as possible, he dismissed all such contentions with celestial disdain. But at the eleventh hour he underwent an intellectual conversion that was almost appallingly complete. We "must try and create conditions," he said, "in which the sterling area is not prevented from earning the dollars we need. This change in the rate of exchange is one of those conditions and the most important one" (my italics). And on the theory that what's worth doing is worth overdoing, he slashed the par value of the pound overnight from \$4.03 to \$2.80.

There are strong reasons (which space does not permit me to spell out at this time) for concluding that the new pound parity he adopted was well below what the real free-market level of widely usable sterling was or would have been on the day he made the change. What he did, in other words, was not merely to adjust the pound to its market value as of Sept. 18 but to make a real devaluation.

The first consequence was to let loose a world scramble for com-

petitive devaluation far beyond anything witnessed in the '30s. Most nations fixed new rates lower than their existing real price and cost levels called for. These countries, therefore, will now undergo still another epidemic of suppressed inflation. Their internal prices and living costs will start to soar. Unions will strike for higher wages. And if the past (or Sir Stafford's Sept. 18 talk) is any guide, the governments will try to combat this by more internal price-fixing and rationing, continued or increased food subsidies, unbalanced budgets, and wage fixing.

In this country, on the contrary, the tendency will be to drag down our price level somewhat by lowering the dollar price of imported commodities and forcing reductions in the dollar price of export commodities. This will increase our problems at a time when the unions are pressing for a wage increase in the camouflaged form of insurance-pension benefits.

It will be necessary to re-examine our whole foreign economic policy in the light of the new exchange rates. Marshall-plan aid with overvalued European currencies was largely futile; Marshall-plan aid with undervalued European currencies should be unnecessary. In fact, we may soon witness the reversal of the world flow of gold. For the first time since 1933 (if we omit the war years 1944 and 1945) gold may move away from, instead of toward, our shores.

But getting rid of overvalued currencies, even in the wrong way, is nonetheless a tremendous gain. The chief barrier that has held up a two-way flow of world trade in the last five years has at last been broken. The chief excuses for maintaining the strangling worldwide network of trade restrictions and controls have at last been destroyed. Were it not for the echoes of the atomic explosion in Russia, the outlook for world economic freedom would at last be brighter.

The best British comment I have read since the devaluation comes from *The London Daily Express:* "Let every foreign country pay what it thinks the pound is worth . . . But the socialists will never consent to free the pound. It would mean abandonment of their system of controls. . . . If you set money free you set the people free."



WORLD INFLATION FACTORY

Epilogue 1971

THE PREDICTION made in this 1949 piece, that the flow of gold would be reversed, proved correct. The deficit in our balance of payments, in fact, began in 1950. Our 1949 gold stock of nearly \$25 billion proved to be its high point. Thereafter it declined. The decline accelerated after 1957 when our balance-of-payments deficits started to reach major proportions.

But all this should not have been too difficult to predict. For on top of the great world realignment of currency values in 1949, our monetary authorities began to inflate our own currency at a greatly increased rate. The dollar "shortage" disappeared, and was soon succeeded by a dollar flood. What would otherwise have been a slight tendency for our prices to fall was offset by an expansion of our money supply. In September, 1947, two years before the 1949 crisis. the U.S. money stock (currency in the hands of the public plus demand bank deposits) was \$111.9 billion. In September, 1949, it was only \$110 billion. But by December 1950 it had reached \$115.2 billion, and by December, 1951, \$122 billion. The figure at the end of May, 1971, was \$225 billion.

It is important to remember that the present world monetary system is not a natural growth, like the old international gold standard, but an arbitrary scheme devised by a handful of monetary bureaucrats who did not even agree with each other. Some of them wanted inconvertible paper currencies free to fluctuate in the foreign exchange markets and "managed" by each country's own bureaucrats solely in accordance with "the needs of the domestic economy." Others wanted "exchange stability." which meant fixed values for each currency in relation to the others. But none of them wanted constant convertibility of his country's currency by any holder into a fixed weight of gold on demand. That had been the essence of the classic gold standard.

So a compromise was adopted. The American dollar alone was to be convertible into a fixed amount (one thirty-fifth of an ounce) of gold on demand. But only on the demand of official central banks. not of private holders of dollars. In fact, private citizens were forbidden to ask for or even to own gold. Then every other nation but the U.S. was to fix a "par value" of its currency unit in terms of the dollar; and it was to maintain this fixed value by agreeing either to buy or sell dollars to whatever extent necessary to maintain its currency in the market within 1 per cent of its parity.

The Burden of Responsibility

Thus there was devised a system which appeared to "stabilize" all currencies by tying them up at fixed rates to each other—and even indirectly, through the dollar, tying them at a fixed ratio to gold. This system seemed to have also the great virtue of "economizing" gold. If you could not call it a gold standard, you could at least call it a gold-exchange standard, or a dollar-exchange standard.

But the system, precisely because it "economized reserves," also permitted an enormous inflationary expansion in the supply of nearly all currencies. Even this expansion might have had a definite limit if the U.S. monetary managers had constantly recognized the awesome burdens and responsibilities that the system put upon the dollar. Other countries could go on inflationary sprees without hurting anybody but themselves; but the new system assumed that the American managers, at least, must always stay sober. They would refrain from anything but the most moderate expansion to keep the dollar constantly convertible into gold.

But the system was not such as to keep the managers responsible. Under the old gold standard, if a country overexpanded its money and credit and pushed down interest rates, it immediately began to lose gold. This forced it to raise interest rates again and contract its currency and credit. A "deficit in the balance of payments" was quickly and almost automatically corrected. The debtor country lost what the creditor country gained.

Just Print Another Billion

But under the gold-exchange or dollar standard, the debtor country does not lose what the creditor country gains. If the U. S. owes \$1 billion to West Germany, it simply ships over a billion paper dollars. The U. S. loses nothing, because in effect it either prints the billion dollars or replaces those shipped by printing another billion dollars. The German Bundesbank then uses these paper dollars, these American I. O. U.'s, as "reserves" against which it can issue more D-marks.

This "gold-exchange" system began to grow up in 1920 and 1921. But the Bretton Woods agreements of 1944 made things much worse. Under these agreements each country pledged itself to accept other countries' currencies at par. When holders of dollars shipped them into Germany, the Bundesbank had to buy them up to any amount at par with Dmarks. Germany could do this, in effect, by printing more paper marks to buy more paper dollars. The transaction increased both Germany's "reserves" and its domestic currency supply.

So while our monetary authorities were boasting that the American inflation was at least less than some inflations in Europe and elsewhere, they forgot that some of these foreign inflations were at least in part the result of our own inflation. Part of the dollars we were printing were not pushing up our own prices at home because they went abroad and pushed up prices abroad.

The IMF system, in brief, has been at least partly responsible

for the world inflation of the last twenty-five years, with its increasingly ominous economic, political, and moral consequences.

What Should Be Done Now?

As long as the world's currencies continue to consist of inconvertible paper there is no point in setting new fixed parities for them. What is a "realistic" rate for any currency today (in terms of others) will be an unrealistic one tomorrow, because each country will be inflating at a different rate.

The first step to be taken is the one that West Germany and a few others have already taken. No country should any longer be obliged to keep its currency at par by the device of buying and selling the dollar or any other paper currency at par. Paper currencies should be allowed to "float," with their prices determined by supply and demand on the market. This will tend to keep them always "in equilibrium," and the market will daily show which currencies are getting stronger and which are getting weaker. The daily changes in prices will serve as early warning signals both to the nationals of each country and to its monetary managers.

Floating rates will be to some extent disorderly and unsettling; but they will be much less so in

the long run than pegged rates supported by secret government buying and selling operations. Floating rates, would, moreover, most likely prove a transitional system. It is unlikely that the businessmen of any major nation will long tolerate a paper money fluctuating in value daily.

The next monetary reform step should be for the central banks of all countries to agree at least not to add further to their holdings of paper dollars, pounds, or other "reserve" currencies.

Let Citizens Own Gold

The next step applies to the U. S. alone. There appears to be no alternative now to our government doing frankly and de jure what for the last three years it has been doing without acknowledgment but de facto: it should openly announce that it can no longer undertake to convert dollars into gold at \$35 an ounce. It owns only about \$1 in gold for every \$45 paper dollars outstanding. Its dollar obligations to foreign central banks alone are now more than twice its holdings of gold. If it really allowed free conversion it would be bailed out of its remaining gold holdings within a week.

The government should also announce that until further notice it will neither buy nor sell gold.

Simultaneously, however, the United States should repeal all prohibitions against its citizens owning, buying, selling, or making contracts in gold. This would mean the restoration of a really free gold market here. Incidentally, because of distrust of floating paper currencies, it would mean that international trade and investment would soon be increasingly conducted in terms of gold. with a weight of gold as the unit of account. Gold. even if not "monetized" by any government, would become an international money, if not the international money. On the foreign-exchange markets national paper currencies would be quoted in terms of gold. Even if there were no formal international agreement, this would prepare the way for the return of national currencies, country by country, to a gold standard.

Stop the Reckless Government Spending that Brings Inflation

All this concerns technique. What chiefly matters is national economic and monetary policy. What is essential is that the inflation in the U. S. and elsewhere be brought to a halt. Government spending must be slashed; the budget must be consistently balanced; monetary managers as well as private banks must be deprived of the power of constantly and

recklessly increasing the money supply.

Only abstention from inflating can make a gold standard workable; but a gold standard, in turn, provides the indispensable discipline to enforce abstention from inflating.

David Ricardo summed up this reciprocal relation more than 160 vears ago:

"Though it [paper money] has no intrinsic value, vet, by limiting its quantity, its value in exchange is as great as an equal denomination of coin, or of bullion in that coin. . . .

"Experience, however, shows that neither a state nor a bank ever has had the unrestricted power of issuing paper money without abusing that power; in all states, therefore, the issue of paper money ought to be under some check and control: and none seems so proper for that purpose as that of subjecting the issuers of paper money to the obligation of paying their notes either in gold coin or bullion." ۹

Misplaced Trust

A SENTIMENT of trust in the legal money of the state is so deeply implanted in the citizens of all countries that they cannot but believe that some day this money must recover a part at least of its former value. To their minds it appears that value is inherent in money as such, and they do not apprehend that the real wealth, which this money might have stood for, has been dissipated once and for all. This sentiment is supported by the various legal regulations with which the Governments endeavor to control internal prices, and so to preserve some purchasing power for their legal tender. Thus the force of law preserves a measure of immediate purchasing power over some commodities and the force of sentiment and custom maintains, especially amongst peasants, a willingness to hoard paper which is really worthless.

IDEAS ON

LIBERTY

JOHN MAYNARD KEYNES. The Economic Consequences of the Peace (1920)



BY ANY MEASURE of contemporary comment or activity, the inevitability of inflation seems assured. True, political commentary often seems to indicate a concern over the effects of inflation as great shows of consternation accompany every announcement of a new rise in prices. Rhetoric against inflation is popular, and promises abound of future stability. The arguments are always the same: our past excesses are lamented and a call is made for future temperance, much like the solemn pledge of the reforming drunk . . . tomorrow morning!

The attack, of course, is always against the rising prices that accompany inflation. The popular misconception that rising prices and inflation are synonymous gives rise to the heated debates that rage today. It is higher prices that

Professor Anderson teaches economics at Hillsdale College in Michigan. are condemned and concern over the effects of inflation that gains our attention.

The failure to distinguish cause from effect in the discussion of inflation is leading to disastrous consequences. This concentration on rising prices brings "solutions" that are complicating the problem and resolving nothing. The danger in defining inflation as a general rise in prices is that it commingles inflation with many other economic phenomena that could have had the same effect.

This erroneous concept of inflation (rising prices) leads to proposals for wage and price controls—lately referred to as National Incomes Policy—foreign exchange controls, "government guidelines," and other such socialistic "remedies." The insidious nature of these proposals lies in the illusion that, if they were adopted, they would eliminate inflation. As Pro-

fessor Ludwig von Mises has long contended, this false understanding of inflation can lead only to false remedies.¹ Following such "remedies" yields a more collectivized society, where individual effort is stifled, thus resulting in net losses in productive capacity. But unfortunately, inflation will still be very much with us! The paradox is that while inflation's effects are unpopular, its cause, an increase in the quantity of money, goes largely unchallenged.

Not Whether to Inflate, but How Much?

Whether increases in the quantity of money will continue is no longer even seriously debated in economic circles. Opinion favoring "monetarism" (manipulation of the money supply) is so overwhelming in the academic community that the only current controversy concerns when, and by how much, the money supply should be expanded or contracted. An understanding of the forces leading to this state of affairs is essential in order to grasp why inflation seems to be here to stay.

Inflation is not something that happens because we like its effects. It is not something to be charged to the acts of devious and sinister men. To seek base motives for the existence of inflation would be futile. Inflation exists because the body politic sees it as an effective solution to another problem — a problem fundamental to the statist society — that of government financing.

Governments are not of themselves productive, wealth-creating entities. They derive their economic capacity from their power to extract resources from the private, productive segment of society, i.e., working individuals and businesses. The point is that governments can give nothing to anyone without first taking it from someone. In order to spend, governments must tax!

Further, it appears to be in the nature of governments to seek ever more power and, thus, ever more revenue. Eventually, the governmental burden exceeds the willingness of citizens (or subjects) to contribute by the traditional methods of taxation. Given these two facts, the obvious result is disguised taxation . . . inflation!

Government Expansion

The problem is well illustrated in a study of the growth of public finance in the United States in this century. In 1902, total government expenditure as a percentage of gross national product was slightly more than 8 per cent.

¹ Ludwig von Mises, *Planning for Freedom* (South Holland, Illinois: Libertarian Press, 1952), p. 78.

By the mid-1950's the figure was in excess of 30 per cent, and it continues to rise.²

Traditional forms of direct taxation such as income taxes, sales taxes, property taxes, poll taxes, excise taxes, gift and inheritance taxes, and tariffs, simply will not be tolerated to finance government operations of this magnitude. We have reached a point where the marginal utility for financing more government ventures directly through taxes is no longer acceptable to the political majority.

While the demand for more government services continues, the way or will to pay for those services has vanished. A spendthrift government is producing a "taxpayer revolt."

The stories are legion of politicians consistently voting for appropriation bills and against revenue bills. Partisan political demands require a responsiveness to the clamor for more government and no taxes. Such demagogy has devastating consequences, yet the impact of such actions is borne not by the demagogue but by the whole of society. Fiscal dishonesty seems to be no barrier to staying in political power.

The point, of course, is that if

you cannot get the money by taxes, then print it! When the governmental burden on a society becomes excessive, inflation is the only politically expedient means remaining for government to finance its activities.

A Whole New Point of View

To seriously believe that inflation will fade away requires a radical departure from current statist trends. It presumes an abandonment of collectivist ideology and welfare concepts which have now become the "American Way of Life." As long as the state is viewed as "provider," the source of limitless benefits, inflation will be a part of our lives.

Yet, there are some who will argue that these errors of understanding can be corrected, and that proper political insight and statesmanship can halt inflation. But to wage a successful war on inflation requires far more than mere statesmanship. It requires refutation of the theoretical arguments of the "new" economists who unabashedly declare that inflation (an increase in the quantity of money) is economically desirable. The fetish is economic growth. The economic community is permeated today with the notion that money supply increases are fundamental to the growth of the economy.

² J. M. Buchanan, *The Public Finances* (Homewood, Illinois: Richard D. Irwin, Inc.) third edition, p. 46.

Dr. Frederick Hayek has accurately described our problem as "the defense of our civilization against intellectual error." Let us realize that people act on what they believe to be true, not what is true. And the fact is that this inflationist doctrine is so firmly imbedded in contemporary economic literature that even many "free market" economists proclaim its validity.

Monetary Manipulation

The almost universal acceptance of the inflationist doctrine has made it the "new" ideology!

"But everyone agrees that a rising g.n.p. without an increase in M [money] will tend to raise interest rates and thus limit the growth of g.n.p. Thus, it is important that M [money] grow gradually over the long pull..."

To repeat, the ideology is so firmly imbedded that the only controversy concerns when and how much inflation we should have. Whether to stop tampering with the money supply is not even given consideration by the "new" monetary theorists!

The "new" economist who wishes to manipulate money has failed to grasp its economic function. Since the function of money is in its utility as a medium of exchange, supply changes will affect only the purchasing power of money, and thus only can detract from its original utility.6

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Today's monetary theorist, concerning himself with specialized mathematical equations, apparently has no grasp of the historical origins of money. He seems totally unaware that a free market in money evolved out of freely acting individuals exchanging their values in an open market. Further, this ancient origin of crude commodity money in the form of gold, silver, and copper was, and is, the base upon which modern money systems are founded.

Money was in the beginning, and still remains, an economic good. The attractiveness, then and now, of commodities such as gold, silver, and copper as money lies in their resistance to manipulations of supply. It is precisely for this reason that the "new" economist is so critical of the gold standard, or any commodity standard that the free market may establish. Obviously, his urge to manipulate the supply of money

³ What's Past Is Prologue (Irvington, New York: Foundation for Economic Education, 1968), p. 37.

⁴ See "Downward Price Flexibility and Economic Growth" by Gary North, THE FREEMAN, May, 1971.

⁵ G. L. Bach, *Economics* (New York: Prentice-Hall), fifth edition, p. 181.

⁶ See Murray N. Rothbard, What Has Government Done to Our Money? (Santa Ana, California: Pine Tree Press, 1963).

would be frustrated by limitations inherent in a commodity standard.

False Wealth Destroys the Real

The clamor for increasing the supply of money is founded on a failure to distinguish between an economic "boom" and economic growth, a failure to understand the nature and cause of economic improvement.

In the early stages of inflation the increased supply of money causes an artificially lower rate of interest. This lowered interest rate causes an increase in borrowing, which correspondingly causes an increase in the use or the spending of money. However, this accelerated "spending" only forces up future prices, and as future consumption is limited by earlier borrowings, the ultimate consequence of this inflation-kindled "boom" must be the inevitable "bust." All that has been accomplished has been a disequilibrium of economic resources, with correspondent erratic fluctuations in economic activity. Rather than a gain in real wealth occurring. there has been an erosion of wealth. The consequences are not unlike the January "belt-tightening" following the excesses of the December holidays.

Sustained economic growth, however, is only attainable through greater production. The notion that supply creates its own demand is not only theoretically valid; it is obvious to anyone who looks about him. To think that we can consume before we produce is an absurdity — a non sequitur.

The history of economic growth has been a history of the substitution of capital for human energy. Savings, productively employed, are essential in the replacement of and addition to our capital stock. An environment hostile to productive investment inevitably suffers in terms of material welfare.

Because inflation has introduced a false wealth into the economy, real wealth has been eroded and capital accumulation has suffered. Any real growth that still occurs in our society is in spite of inflation and not because of it! Additional doses of inflation will most assuredly destroy this economic development by obliterating profit margins and consuming capital.

The conclusion is obvious. Attacks on higher prices as the means for ending inflation can bring only "false remedies" in the form of more socialism. If inflation is to be ended, it will require corrective action at its origins. And these two, the realities of statist financing and the inflationist ideology, make formidable adversaries indeed!

THE DISASTER LOBBY

THOMAS R. SHEPARD, JR.

ONE MORNING last fall. I left my office in New York and hailed a cab for Kennedy Airport. The driver had the radio tuned to one of those daytime talk shows where the participants take turns complaining about how terrible everything is. Air pollution. Water pollution. Noise pollution. Racial unrest. Campus unrest. Overpopulation. Underemployment. You name it, they agonized over it. This went on all the way to Kennedy and as we pulled up at the terminal the driver turned to me and said: "If things are all that bad, how come I feel so good?"

I wonder how many Americans, pelted day after day by the voices of doom, ever ask themselves that question: "If things are all that

Slightly condensed from a speech by Mr. Shepard, publisher of Look magazine, at the 44th annual meeting of the Soap and Detergent Association in New York City, January 28, 1971.

bad, how come I feel so good?"

Well, I think I have the answer. We feel good because things aren't that bad. I would like to tell you how wrong the pessimists are, and to focus an overdue spotlight on the pessimists themselves. These are the people who, in the name of ecology or consumerism or some other ology or ism, are laying siege to our state and Federal governments, demanding laws to regulate industry on the premise that the United States is on the brink of catastrophe and only a brand new socio-economic system can save us. I call these people The Disaster Lobby, and I regard them as the most dangerous men and women in America today. Dangerous not only to the institutions they seek to destroy but to the consumers they are supposed to protect.

Why Not the Truth?

Let's begin with a close-in look at that drumbeat of despair I heard in the taxicab and that all of us hear almost every day. Just how much truth is there to the Disaster Lobby's complaints?

Take the one about the oxygen we breathe. The Disaster folks tell us that the burning of fuels by industry is using up the earth's oxygen and that, eventually, there won't be any left and we'll suffocate. False. The National Science Foundation recently collected air samples at seventy-eight sites around the world and compared them with samples taken sixty-one years ago. Result? There is today precisely the same amount of oxygen in the air as there was in 1910 – 20.95 per cent.

But what about air pollution? You can't deny that our air is getting more fouled up all the time, says the Disaster Lobby. Wrong. I can deny it. Our air is getting less fouled up all the time, in city after city. In New York City, for example. New York's Department of Air Resources reports a year-by-year decrease in air pollutants since 1965. What's more, the New York City air is immeasurably cleaner today than it was a hundred years ago, when people burned soft coal and you could cut the smog with a knife.

Which brings us to water pollu-

tion. The Disaster Lobby recalls that, back in the days before America was industrialized, our rivers and lakes were crystal clear. True. And those crystal clear rivers and lakes were the source of the worst cholera, yellow fever, and typhoid epidemics the world has ever known. Just one of these epidemics - in 1793 - killed one of every five residents of Philadelphia. Our waterways may not be as pretty as they used to be, but they aren't as deadly either. In fact, the water we drink is the safest in the world. What's more. we're making progress cosmetically. Many of our streams will soon look as wholesome as they are.

Perhaps it's the fear of overpopulation that's getting you down. Well, cheer up. The birth rate in the United States has been dropping continuously since 1955 and is now at the lowest point in history. If the trend continues, it is remotely possible that by the year four thousand there won't be anyone left in the country. But I wouldn't fret about *under*population either. Populations have a way of adjusting to conditions, and I have no doubt that our birth rate will pick up in due course.

I now come to the case of the mercury in the tuna fish. How did it get there? The Disaster Lobby says it came from American factories, but then the Disaster Lob-

by believes that all the evils in the world come from American factories. The truth, as scientists will tell you, is that the mercury came from deposits in nature. To attribute pollution of entire oceans to the nine hundred tons of mercury released into the environment each year by industry - that's less than forty carloads is like blaming a boy with a water pistol for the Johnstown Flood. Further proof? Fish caught fortyfour years ago and just analyzed contain twice as much mercury as any fish processed this year.

Speaking of fish, what about the charge that our greed and carelessness are killing off species of animals? Well, it's true that about fifty species of wildlife will become extinct this century. But it's also true that fifty species became extinct last century. And the century before that. And the century before that. In fact, says Dr. T. H. Jukes of the University of California, some one hundred million species of animal life have become extinct since the world began. Animals come and animals go, as Mr. Darwin noted, and to blame ourselves for evolution would be the height of foolishness.

From Drugs to Unemployment

Then there is the drug situation. Isn't it a fact that we are becoming a nation of addicts? No, it is not. Historically, we are becoming a nation of non-addicts. Seventy years ago, one of every four hundred Americans was hooked on hard drugs. Today, it's one in three thousand. So, despite recent experimentation with drugs by teenagers, the long-range trend is downward, not upward.

Another crisis constructed of pure poppycock is the so-called youth rebellion, to which the Disaster Lobby points with mingled alarm and glee. But once you examine the scene in depth - once you probe behind a very small gaggle of young trouble-makers who are sorely in need of an education, a spanking, and a bath, not necessarily in that order you can't find any rebellion worth talking about. A while back Look commissioned Gallup to do a study on the mood of America. Gallup found that, on virtually every issue, the views of teenagers coincided with those of adults. And on those issues where the kids did not see eve-to-eve with their elders, the youngsters often tended to be *more* conservative.

The same assessment can be made of the putative black rebellion. There isn't any. Oh, there are the rantings of a lunatic fringe—a few paranoid militants who in any other country would be behind bars and whose continued freedom here is testimony to the fact that

we are the most liberated and least racist nation on earth. But the vast majority of black Americans, as that same Gallup study revealed, are stanch believers in this nation.

How about unemployment? The Disaster people regard it as a grave problem. Well, I suppose even one unemployed person is a grave problem, but the record book tells us that the current out-ofwork level of 6 per cent is about par. We've had less, but we've also had more - much more. During the Kennedy Administration unemployment topped 7 per cent. And back in the recovery period of Franklin Roosevelt's second term, unemployment reached 25 per cent. So let's not panic over this one.

In the Good Old Days We Couldn't Have Survived

That word "panic" brings me to the H-bomb. Some people have let the gloom-mongers scare them beyond rational response with talk about atomic annihilation. I can't guarantee immunity from the bomb, but I offer the following as food for thought. Since World War II, over one billion human beings who worried about Abombs and H-bombs died of other causes. They worried for nothing. It's something to think about.

One final comment on the sub-

iect. Members of the Disaster Lobby look back with fond nostalgia to the "good old days" when there weren't any nasty factories to pollute the air and kill the animals and drive people to distraction with misleading advertisements. But what was life really like in America a hundred and fifty years ago? For one thing, it was very brief. Life expectancy was thirty-eight years for males. And it was a gruelling thirtyeight years. The work week was seventy-two hours. The average pay was \$300. Per year, that is. The women had it worse. Housewives worked ninety-eight hours a week, and there wasn't a dishwasher or vacuum cleaner to be had. The food was monotonous and scarce. The clothes were rags. In the winter you froze and in the summer you sweltered and when an epidemic came - and they came almost every year - it would probably carry off someone in your family. Chances are that in your entire lifetime you would never hear the sound of an orchestra or own a book or travel more than twenty miles from the place you were born.

Whatever American businessmen have done to bring us out of that paradise of a hundred and fifty years ago, I say let's give them a grateful pat on the back—not a knife in it.

A Word for DDT

Now I'm not a Pollyanna, I am aware of the problems we face and of the need to find solutions and put them into effect. And I have nothing but praise for the many dedicated Americans who are devoting their lives to making this a better nation in a better world. The point I am trying to make is that we are solving most of our problems . . . that conditions are getting better, not worse . . . that American industry is spending over three billion dollars a year to clean up the environment and additional billions to develop products that will keep it clean . . . and that the real danger today is not from the free enterprise Establishment that has made ours the most prosperous, most powerful, and most charitable nation on earth. No, the danger today resides in the Disaster Lobby - those crape-hangers who, for personal gain or out of sheer ignorance, are undermining the American system and threatening the lives and fortunes of the American people.

When I speak of a threat to lives, I mean it literally. A classic example of the dire things that can happen when the Disaster Lobby gets busy is the DDT story.

It begins during World War II when a safe, cheap, and potent new insecticide made its debut. Known as DDT, it proved its value almost

overnight. Grain fields once ravaged by insects began producing bumper crops. Marshland became habitable. And the death rate in many countries fell sharply. According to the World Health Organization, malaria fatalities dropped from four million a year in the nineteen thirties to less than a million by 1968. Other insect-borne diseases also loosened their grip. Encephalitis. Yellow fever. Typhus. Wherever DDT was used, the ailment abated. It has been estimated that a hundred million human beings who would have died of one of these afflictions are alive today because of DDT.

But that's not the whole story. In many countries, famine was once a periodic visitor. Then, largely because of food surpluses made possible by DDT, famines became relatively rare. So you can credit this insecticide with saving additional hundreds of millions of lives.

Then in 1962, Rachel Carson wrote a book called Silent Spring, in which she charged that DDT had killed some fish and some birds. That's all the Disaster Lobby needed. It pounced on the book, embraced its claims — many of them still unsubstantiated — and ran off to Washington to demand a ban on DDT. And Washington meekly gave them their ban, in

the form of a gradual DDT phaseout. Other countries followed the U.S. lead.

The effects were not long in coming. Malaria, virtually conquered throughout the world, is having a resurgence. Food production is down in many areas. And such pests as the gypsy moth, in hiding since the nineteen forties, are now munching away at American forests.

In some countries — among them Ceylon, Venezuela, and Sweden — the renaissance of insects has been so devastating that laws against DDT have been repealed or amended. But in our country the use of DDT, down to 10 per cent of its former level, may soon be prohibited entirely.

The tragedy is that DDT, while it probably did kill a few birds and fish, never harmed a single human being except by accidental misuse. When the ultimate report is written, it may show that the opponents of DDT — despite the best of intentions — contributed to the deaths of more human beings than did all of the natural disasters in history.

Can We Afford It?

In addition to endangering human life, the Disaster Lobbyists are making things as difficult as possible for us survivors. By preventing electric companies from

building new power plants, they have caused most of those blackouts we've been experiencing.

By winning the fight for compulsory seat belts in automobiles, they have forced the 67 per cent of all Americans who do not use seat belts to waste two hundred and fifty million dollars a year buying them anyway.

By demanding fewer sizes in packaged goods on the ground that this will make shopping easier for the handful of dumbbells in our society, they are preventing the intelligent majority of housewives from buying merchandise in the quantities most convenient and most efficient for their needs.

And I need hardly remind you what the Disaster crowd has done and is doing to make washday a nightmare in millions of American homes. By having the sale of detergents banned in some areas and by stirring up needless fears throughout the country, they have created the kind of chaos that may set cleanliness back two generations. And again, as in everything they do, they have missed the point entirely. As Vice-President Charles Bueltman of the Soap and Detergent Association recently pointed out, detergents with phosphates are perfectly safe, eminently effective, and admirably cheap. And if they foam up the water supply in some communities. the obvious remedy is an improved sewer system. To ban detergents is the kind of overkill that might be compared with burning down your house to get rid of termites.

A System Worth Saving

But of all activities of the Disaster Lobbyists, the most insidious are their attempts to destroy our free enterprise system. And they are succeeding only too well. According to Professor Yale Brozen of the University of Chicago, free enterprise in the United States is only half alive. He cited as evidence our government's control of the mail, water supplies. schools, airlines, railroads, highways, banks, farms, utilities, and insurance companies, along with its regulatory involvement in other industries.

And his statement was made prior to introduction in Congress last year of a hundred and fifty bills designed to broaden government influence over private business. Fortunately, most of the bills were defeated or died in committee. But they will be back in the hopper this year—along with some new bills.

If so many important people are against free enterprise, is it worth saving? I think it is. With all its faults, it is by far the best system yet devised for the production, distribution, and widespread enjoyment of goods and services. It is more than coincidence that virtually all of mankind's scientific progress came in the two centuries when free enterprise was operative in the Western world, and that most of that progress was achieved in the nation regarded as the leading exponent of free enterprise: the United States of America.

For in the past two hundred years - an eyeblink in history an America geared to private industry has conquered communicable diseases, abolished starvation, brought literacy to the masses, transported men to another planet. and expanded the horizons of its citizens to an almost incredible degree by giving them wheels and wings and electronic extensions of their eyes, their ears, their hands, even their brains. It has made available to the average American luxuries that a short time ago were beyond the reach of the wealthiest plutocrat. And by developing quick-cook meals and labor-saving appliances, it has cut kitchen chores in most homes from five hours a day to an hour and a half.

But the practical benefits of free enterprise are *not* my principal reason for wanting to preserve the system. To me, the chief advantage of free enterprise is in the word "free." "Free" as opposed to controlled. "Free" as opposed to repressed. "Free" as in "freedom."

The Assault on Freedom

I am always amazed that members of the Disaster Lobby - libertarians who champion the cause of freedom from every podium, who insist on everyone's right to dissent . . . to demonstrate . . . to curse policemen and smoke pot and burn draft cards and fly the flags of our enemies while trampling our own-these jealous guardians of every citizen's prerogative to act and speak without government restraint are also the most outspoken advocates of eliminating freedom in one area. When it comes to commerce, to the making and marketing of goods, our liberty-loving Disaster Lobby is in favor of replacing freedom with rigid controls.

And let us not minimize the value of this freedom of commerce to every man, woman, and child in our country.

This is the freedom that makes it possible for the consumer to buy one quart of milk at a time – even though a government economist may think gallon containers are more efficient and quarts should be abolished.

This is the freedom that enables the consumer to buy rye bread if he prefers the taste — although someone in Washington may feel that whole wheat is more nutritious and rye should be outlawed.

This is the freedom that allows the consumer to buy a refrigerator in avocado green despite some bureaucrat's desire to have all refrigerators made in white because it would be more economical that way.

For in a free economy, the consumer — through his pocketbook — determines what is made and what is sold. The consumer dictates the sizes, the shapes, the quality, the color, even the price.

And anyone who doubts the importance of this element of freedom ought to visit one of those grim, drab countries where the government decides what should and what should not be marketed.

But this is the direction in which the Disaster Lobby is pushing our country. What surprises me is how few of us seem to recognize the enormity of the threat. Instead of fighting back, we keep giving in to each inane demand of the consumerists—in the hope, I suppose, that if we are accommodating enough, the danger will go away.

Well, it won't go away. So let's start fighting back! It's not an impossible task because the Disaster Lobby is, by and large, not too bright and far too preposterous. All we have to do to win over the

American people is acquaint them with the facts.

We must show them that the consumerists are for the most part devout snobs who believe that the average man is too stupid to make his own selections in a free marketplace.

Our Disaster group opponents also have the most cockeyed set of priorities I have ever encountered. To save a few trees, they would prevent construction of a power plant that could provide essential electricity to scores of hospitals and schools. To protect some birds, they would deprive mankind of food. To keep fish healthy, they would allow human beings to become sick.

Signs of Immaturity

One curious feature of the Disaster Lobby is an almost total lack of ethics. I say "curious" because these are the people who demand the maximum in ethics from private industry. Not long ago, an organization favoring clean air ran an ad soliciting funds from New Yorkers. It was full of halftruths and non-truths, including this sentence: "The longer you live with New York's polluted air and the worse it gets, the better your chances of dying from it." But we know that New York's air is not getting worse. Just let some private company run that ad and see how fast the consumerism boys would have a complaint on file with the FTC.

Immaturity is also a characteristic of the Disaster man. His favorite question is, Why can't we have everything? Why can't we have simon-pure air and plentiful electricity and low utility rates, all at the same time? Why can't we have ample food and a ban on pesticides? I recommend the same answer you would give a not-too-intelligent five-year-old who asks, "Why can't I eat that cookie and still have it?" You explain that you just can't under our present technology.

Just recently, the Coca-Cola Company felt it necessary to reply to environmentalists who demand immediate replacement of glass and metal soft drink containers with something that will self-destruct. "A degradable soft drink container sounds like a fine idea," said Coca-Cola, "but it doesn't exist. And the chances are that one can't be made."

And Edward Cole, president of General Motors, responding to a government mandate for drastic reductions in exhaust emissions within the next four years, stated: "The technology does not exist at this time—inside or outside the automobile industry—to meet these stringent emission levels in the specified time."

This inability of the Disaster people to accept reality is reflected in their frequent complaint that mankind interferes with nature. Such a thing is patently impossible. Man is part of nature. We didn't come here from some other planet. Anything we do, we do as card-carrying instruments of nature. You don't accuse a beaver of interfering with nature when it chops down a tree to build a dam. Then why condemn human beings for chopping down a lot of trees to build a lot of dams . . . or to do anything else that will make their lives safer or longer or more eniovable?

When it comes to a choice between saving human lives and saving some fish, I will sacrifice the fish without a whimper. It's not that I'm anti-fish; it's just that I am pro-people.

The Disaster Lobbyist's immaturity shows up again and again in his unwillingness to compromise . . . to understand that man must settle for less than perfection, for less than zero risk, if he is to flourish. Failing to understand, they demand what they call "adequate testing" before any new product is released to the public. But what they mean by adequate testing would, if carried out, destroy all progress. If penicillin had been tested the way the Disaster Lobby wants all products

tested — not only on the current generation but on future generations, to determine hereditary effects — this wonder drug would not be in use today. And millions of people whose lives have been saved by penicillin would be dead.

We simply cannot test every aspect of human endeavor, generation after generation, to make absolutely certain that everything we do is totally guaranteed not to harm anybody to any degree whatsoever. We must take an occasional risk to do the greater good for the greater number. But that is a rational, mature evaluation—something of which the Disaster Lobby seems utterly incapable.

So this is the face of the enemy. Not a very impressive face. Not even a pleasant face. We have nothing to lose, therefore, by exposing it to the American people for what it is.

Let the Facts Be Known

The time for surrender and accommodation is past. We must let the American public know that, once free enterprise succumbs to the attacks of the consumerists and the ecologists and the rest of the Disaster Lobby, the freedom of the consumer goes with it. His freedom to live the way he wants and to buy the things he wants without some Big Brother in Washington telling him he can't.

Truth and justice and common sense are on our side. And Americans have a history of responding to those arguments. All we have to do is get the story out . . . as often as possible, in as many forms as possible. And let's not vitiate our efforts by talking to each other—one businessman to a fellow businessman. The people we must reach are the *consumers* of America, and they're out there right now listening to propaganda from the other side . . . and, as

often as not, agreeing with it. But why shouldn't they? They have yet to hear the truth.

It's a bit late to make a New Year's Resolution, but I suggest this one for anyone willing to chip in with a tardy entry. Let us resolve that 1971 will be the year we help convince the people of America that our nation is a great one, that our future is a bright one, and that the Disaster Lobby is precisely what the name implies. A disaster.

WHO PAYS

for clean air and water?

Dasr	***************************************	
Dear	********************************	٠

I enjoyed our recent discussion on the subject of pollution and have been thinking further about the position so many people are taking these days:

In years past, greedy free-enterprise producers have heedlessly ignored the public good in order to increase their profits; for example, by pouring their industrial wastes into the air or water.

Imagine if you will the situation in 1900 in some highly competitive business such as coal mining. For simplicity, assume there were five producers. And, as would be true in any competitive industry, their costs of production would differ, depending on capital available, employee efficiency, location, and the like:

Producer	Production Cost per ton	Selling Price	Profit, % of sales
A	\$3.50	\$5.00	30
В	4.00	5.00	20
\mathbf{C}	4.50	5.00	10
D	4.75	5.00	5
E	5.00	5.00	0

Bear in mind that the price of any commodity of a given quality in a competitive market is determined, not necessarily by the producer whose profits are largest, but by the one willing to sell for the least, whether he is enjoying a profit or suffering a loss. All others either meet that price or lose their market. So, in our illustration Producer E sets the price, and the others merely meet the competition.

Now, suppose that in 1901 the government had imposed strict laws against dumping acid wastes from mines into streams. Let's say the effect would be to raise costs 25 cents a ton for each producer, which means that the selling price would have to advance to \$5.25 a ton if E were to continue in business just breaking even:

Producer	Production Cost per ton	$Selling \ Price$	Profit, % of sales
A	\$3.75	\$5.25	28.6
В	4.25	5.25	19.0
${f C}$	4.75	5.25	9.5
D	5.00	5.25	4.8
${f E}$	5.25	5.25	0

The only way the selling price of \$5.00 could be maintained is for E to take a loss of 25 cents for every ton he produces. If he chooses not to do so (a near certainty), then the price goes to \$5.25 and everyone's profit margin remains about the same as before.

If E decides to go out of the coal business, the over-all supply of coal is reduced accordingly, and the tendency is for the price of coal to rise, probably more than 25 cents a ton until the supply/demand equation gains a new equilibrium.

In any case, the cost of fighting pollution is passed on to the consumer; there simply is no way to force the producer to absorb government mandated industry-wide costs such as the installation of antipollution facilities. Nor, in the "bad old days," was there any way for the producer to profit from dumping wastes into the air or water; competition obliged him to pass any savings back to the consuming public.

So, if someone is to be blamed for ignoring the "public good," it will have to be the consumer who demanded coal instead of antipollution for his money.

Suppose that producer A had been public spirited and had voluntarily installed antipollution equipment without being pushed by government. Would consumers have been willing to pay him \$5.25 for coal which other more "profit oriented" producers were still offering at \$5.00?

This is a simplification of a complex supply/demand situation in the open market. But I think it is a valid model. There is no way, in a competitive market, for any producer to gain a monetary advantage for himself by polluting the air and water, assuming that government enforces its antipollution statutes evenhandedly. And this is always true in a free market for all producers, whether they mine coal, pump oil, cut timber, manufacture automobiles, or whatever. When consumers want to buy clean air and water, producers will surely arrange for abundant supplies in whatever form customers will pay for.

Cordially yours,

Francis H. Aspinwall



OWNERSHIP MAND FREEDOM

Freedom is based on ownership. If it is possible for a person to own land and machines and buildings, it is also possible for him to have freedom of press, speech, and religion. But if it is impossible for a person to buy and sell land and other resources, then it is also impossible for him to have peaceful access to any effective means of disagreeing with the decisions of his government. Thus my contention is that, in the final analysis, human freedom stands or falls with the market economy of private ownership of the means of production and distribution.

True enough, freedom may be temporarily suppressed to some considerable extent by various forms of censorship under a system of private property; but, at least, there is still discussion about it (and even objection to it) in the privately owned newspapers. In contrast, my thesis is that the issue of censorship can't even arise in a society in which all the means of production and distribution are owned in common by all the people. Thus, "ownership" is the key to any discussion of freedom.

For example, no one disputes the fact that a slave is still not free even when he is permitted several legal "freedoms." The slave owns nothing that he can use protest - neither a printing press nor a pulpit nor a speaking platform. Everyone understands that the slave's owner is still in charge, primarily because he can deprive his slave of all material possessions. But few people appear to understand the similar correlation between freedom of religion in general and the ownership of the church buildings. Yet it should be obvious that if all churches and seminaries are owned in common

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through the government, freedom of religion as we know it in the United States (and in France and similar countries) cannot exist.

True enough, various "freedoms" in this area may be permitted by the governmental owners, sometimes referred to as the "managers of the people's property." And, of course, it is always possible for anyone to be a secret believer. But freedom for a person to disagree completely and openly with the religious beliefs of all other people - and to announce and establish a new religion - is simply not possible in a society where all resources are owned in common, instead of by individuals or groups of individuals. An entire nation of "in common" owners simply will not permit their leaders to allocate scarce "food and housing" resources to the building of seminaries and churches for misguided individuals who believe that the best representation of God is a black woman. or that God is an omnipotent entity who directly interferes in the daily activities of persons who please or displease him. And under a system of governmental ownership of the means of production and distribution, surely it is obvious that there can be no seminaries and churches for those strange people who believe that governmental "in common" or

ownership is contrary to the teachings of a Supreme Being who emphasizes *individual* responsibility, *voluntary* association, and *personal* salvation.

Conditions Consistent with Freedom of the Press

If freedom of the press is to have any substance, it must include the following arrangement: Every person (if he is willing to pay a modest price) has easy access to a printing press, and the government itself protects right to distribute his written messages of total disagreement with various governmental policies and officials. Surely, no one is foolish enough to imagine that this "free press" arrangement can exist when all of the printing machinery is owned in common by the people through their government.

No rational person has ever seriously suggested that Castro should promote an anti-Castro press in Cuba. But even if he were willing to tolerate the establishing of a privately owned "opposition newspaper" in Havana, there is simply no mechanism to procure the needed factors of production and distribution for a private company in a "command economy," i.e., an economy that is operated by the government for the benefit of all the people who own every-

thing in common. Actually, when one tries to imagine a mechanism or system to permit the operation of a privately owned newspaper in an economy of common (governmental) ownership, he invariably visualizes some form of a market economy wherein individual owners determine what is to be printed and how it will be distributed. This, of course, supports my thesis that no freedom of the press is possible in an economy that is owned by everyone and is operated by the government for the benefit of all

Private Ownership the Key

My theory is that freedom of press, speech, and religion are likely to flourish wherever the means of production and distribution are owned by individuals and are operated for profit. (Note that detractors of the press in the United States don't deny that the owner is printing what he wants to print; these objectors merely disagree with what the owner chooses to print and why he does it.) But in any nation where all the means of production and distribution are owned in common by the government, there is no possible way for writers, speakers, clergymen, and people in general to express peacefully and publicly their total disagreement with the governmental "managers."

Test this idea empirically by looking at the nations around the world with "command" economies of common ownership and the nations with some recognizable form of "market" economy wherein the primary motivation for production is the hope of profit. My "mere theory" of a necessary relationship between the free market economy of private ownership — and freedom of press, speech, and religion — will be empirically validated.

Does censorship of privately owned newspapers, e.g., in Spain and South Africa, invalidate my thesis on ownership and freedom? Well, the mechanism for peaceful dissent (private ownership) still exists in both nations. And thus dissent is at least possible - at a relatively high cost to the dissenter, of course. Even so, there is still an encouraging amount of newspaper disagreement with governmental policies in Spain and South Africa. But, in contrast, in Russia where newspapers are owned in common by all of the people, the possibility of editorial dissent doesn't even exist. Since the managers of the people's economy are also the managers of the people's newspapers, obviously they are not going to denounce themselves and their political and economic decisions in their own press.

There should be nothing surprising about that fact; the publisher of The New York Times doesn't denounce himself in his own newspaper - any more than do the publishers of Pravda, i.e., the leaders of the Communist Party. The private owners of The Washington Post are free to advocate the abolition of private ownership, if they wish to do so. It is literally impossible, however, for the governmental owners of Izvestia to advocate that newspapers be turned over to private ownership in Russia; for there simply is no way to implement such a procedure. Nor does "who's on top" make any difference whatever: for as long as the "common ownership" arrangement continues, the press must necessarily reflect the "in common" policies of the nation, whatever they may be.

Ownership in Common Sets Stage for Pollution

Most people are usually impressed by their empirical comparisons of freedom of press, speech, and religion in East and West Germany, in China and Japan, and in various other nations all around the world. They can readily see that, in practice and for whatever reasons, there does seem to be a positive relationship between freedom to dissent and

the ownership of the press, and so on. And a few will finally acknowledge the fact that the owners of a newspaper in *any* country — Russia or the United States — simply cannot make a decision and, simultaneously, write an editorial denouncing themselves and their decision.

Even those few, however, are still prone to worry about the "pollution and slums and discrimination and fraud and false advertising that are caused by the free market economy."

It should be obvious, however, that "pollution" is not peculiar to the free market economy of private ownership. The same problem exists in a command economy of ownership in common: in fact, pollution has now become an exceedingly serious problem in industrialized Russia with its huge hydro-dams and gigantic river diversions. Since this issue of pollution is clearly and necessarily an "in common" problem under any economic system, it must be solved through the "in common" government - whether it be a dictatorship or a democracy. For neither the government-owned Tennessee Valley Authority nor the privately-owned Consolidated Edison Company should be permitted to continue practices which destroy the land and pollute the atmosphere.

Problems in Paradise

As for racial and religious discrimination, one of the most vicious examples of it exists in the Soviet Union. I am, of course, referring to the "Jewish people" in Communist Russia where the synagogues, as well as the steel mills, are owned in common by the people for the benefit of all. Under a system of ownership in common, it is usually even impossible for a person to leave the country! Discrimination against races and religions is not in any sense a "free market" problem; in fact, the market economy of private ownership of resources may well be the only arrangement that can possibly accommodate these historical and emotional issues in a workable manner over a significant period of time.

Slums and slum conditions exist, of course, in Moscow and other communist cities around the world. And even in Sweden — where there are no slums in the ordinary sense and where the government has assumed almost total responsibility for providing the people with places to live — the acute housing shortage is perhaps the most controversial issue in the nation. "In common" ownership offers no solution whatever to housing problems, either in New York City or in Peking.

Nor is "fraud" peculiar to a market economy; since this is a character-defect that inheres only in individuals, it exists under all forms of ownership. And false and misleading advertising is obviously an "in common" problem which must be solved by law, i.e., the legislatures and courts of the governments of the people—any people and any government.

Actually, the accusations so frequently directed against the free market economy - pollution, false advertising, violence in various forms and degrees, including war - are generally misdirected; those social ills are mostly the result of corrupt or apathetic or deluded or power-mad governmental officials who are not even capable of performing their primary functions of maintaining the peace, suppressing fraud, and attending to other obvious functions that are clearly of an "in common" concern to everyone.

Well, that's what I mean by the free market economy of private ownership of the means of production and distribution. I'm for it because I am convinced that all freedoms must necessarily disappear soon after the market system of producing and distributing goods and services is abolished or allowed to decay.

Two Ways to Slavery

James M. Rogers

When delegating power and authority to "good" men, remember that the power is apt to be inherited by "bad" men

IN THE Old Testament, there are two thought-provoking stories of how a people brought about their own enslavement. While both examples show that slavery is a moral issue, for the most part the stories use economic and political events and decisions to record the degree of bondage and how it came about. The real lesson lies in the fact that these people became slaves through a sequence of events which, at the time, seemed to be a good course for them to follow. Since we're making these same mistakes in America today to an alarming degree, these two stories hold for us a significant lesson.

The first of the events took place very early in the history of the Hebrew people — our philosophical forefathers. Most of us are aware of the fact that when Moses came upon the scene in Egypt, the Israelites were enjoying the dubious distinction of being among the most downtrodden slaves in that part of the world. But few of us seem to

have any idea how they got that way. We remember that these Israelites weren't always the slaves of the Egyptians, but the events leading up to this dark period have not been given enough emphasis in most studies of the Bible.

The leading character in this tragedy was the man of "the coat of many colors" fame, Joseph. He was the eleventh son of old Jacob who, in his youth, had tricked his brother Esau out of his birthright.

THE FIRST scene in the drama really takes place on the plains at Shechem—near the vale of Hebron on the land of Jacob—where we find ten of the sons of Jacob tending the flocks. They are fed up with their brother Joseph. He had announced to them some time before that he had a dream telling him that his brothers were all going to be his subjects one of these fine days. This, added to the fact that their father had made no secret of his special affection for the

The late James M. Rogers was formerly a member of the staff of the Foundation for Economic Education. His essay, first published in 1955, is well worth reading again.

boy, is too much for the brothers. They gang up on Joseph and throw him into a pit until they can decide what to do with him.

Through a series of coincidences — combined with the compassion of one brother, Reuben — Joseph is sold into slavery to a merchant going into Egypt. There he is sold again and ends up, finally, in jail because of a married woman who thinks she can't live without him.

While Joseph is a prisoner, his knack for interpreting dreams is brought to the attention of Pharaoh, King of Egypt. The King has had a dream which has defied interpretation by his magicians. Someone tells him of the prisoner Joseph who, it is said, can give him the meaning of the dream.

Joseph is sent for and tells the King that the dream is a warning. It means that the country will enjoy seven years of bountiful harvests, which will be followed by seven years of great famine. Joseph says further that the dream is a warning to Egypt to store up food during the seven good years, in preparation for the seven bad ones which are to follow.

The King is so overjoyed at Joseph's ability to bring forth this wonderful interpretation that he puts him in charge of the entire operation. That is how Joseph became the first OPA administrator in history.

Incidentally, it was this Bible story which was actually used by some politicians in America to sell price stabilization and the "ever normal granary" to the American people. The real punch line of the story — the scene where the people became slaves of the man controlling the granary — was never included in those Bible quoting sessions of the early Thirties. This is how it happened.

The seven good years in Egypt rolled by on schedule, and the storing of grain went according to plan. Then came the bad years. There is nothing in the story to indicate how the government of Egypt gained control of the excess crops in the good years, but the way the government distributed the crops in the bad years is made very clear. Joseph forced the Egyptians to pay for every bushel of grain they got from the government. Finally the people had nothing left with which to buy the food they so desperately needed. So he demanded of them that they bring him the deeds to their lands. On the appointed day they did; then he made the awful pronouncement which is never referred to when the story is retold by politicians to the American people today. When the Egyptians laid the deeds to their land at his feet, Joseph said to them: "Behold, I have bought uou this day ..."

In our day, the land is rapidly coming under the ownership of the government which already owns. outright, 25 per cent of the land in the United States. While government ownership of the rest of the land is not presently being established through an open "bring me the deeds to your land" approach, such ownership is being constantly established nonetheless. Men who may not even realize it are becoming modern Josephs. Ordinarily, they do not openly ask for deeds. But surely some of them are smart enough to know that ownership is much more a matter of who has the power of decision over the property than of who happens to be listed as the owner with the County Recorder's office. This indication of ownership in the Recorder's office may only entitle the so-called owner to the dubious pleasure of paying taxes on the land.

The real owner of a property is the one who calls the shots on how the land is to be used: What can be raised on it? To whom and for what price can the produce be sold? How are the profits to be divided? On that basis, ownership of America's farm lands is quite different from what the Recorders' books may indicate.* Actually, the full plight of farmers is not fully stated when we show that they no longer own the land. Joseph really put the picture in focus with his "I have bought you," for whoever owns the land also owns the people of the land.

Many years after his brothers had sold Joseph into slavery, they were still back on the plains of Shechem with their flocks. Because they had robbed themselves of the insight of Joseph, they didn't bother to put any surplus aside during those fat years, acting as though the good times would never end. Then when the lean years came along, they suddenly found themselves faced with starvation.

Rumor had it that grain could be found in the land of Pharaoh. The sons of Jacob journeyed there to buy wheat, which is referred to in the Bible as corn. When they arrived in this far off land, they began to bargain over the precious foodstuff with a person they thought was a shrewd Egyptian. Not one of them suspected that he was their brother Joseph whom they had long since thought dead.

The chapter that tells of the revelation of Joseph's true identity, and the subsequent arrangement to have Jacob and all the rest of the

^{*}For a specific example of how this works in the United States, a reading of Agrarian Reform by Paul Poirot would be most illuminating. (Foundation for Economic Education, Irvington-on-Hudson, N. Y.; single copy free.)

family brought to Egypt for Joseph to look after, is indeed a touching story. Those parts of the story have been told and told again as examples of how one so wronged can—and should—forgive his tormentors. However, as in the case of "Behold, I have bought you this day," the sad end of the Israelites through the paternalism of their brother Joseph always seems to get left out of the story.

You see, before Joseph permitted his father, his brothers, and their families to participate in this wonderful system to save the world from famine, they had to place themselves in the same position as the Egyptians. So in addition to owning the Egyptians, Joseph also became master over his parents and his brothers and their families.

At the time, this was no source of concern to the Israelites, for was not Joseph their beloved brother and son? Was this not the one who had been able to forgive his brothers for their horrible deed of years ago? What possible harm could come from agreeing that their brother Joseph should have this fearful power over them?

How many times throughout history this same mistake has been made: Power given to someone who is trusted; then another, to whom the people would *never* have given power, inherits that which was given to a trusted one.

You can guess what happened. Joseph died. An Egyptian inherited the power that had been Joseph's. He didn't assume any power that had not been in the hands of the kind and compassionate Joseph. The only difference was that he used it differently. He used it to make of the Israelites the abject slaves described in the Bible.

Today we have empowered people in our own government to do things for us without realizing the fearful extent of that power. We don't yet realize it because the people who now hold it have generally not chosen to exercise it in all the awfulness implicit in it. When they do, we will wonder how we could ever have been foolish enough to have given that power to anyone.

The market place is literally jammed with examples of how we have surrendered powers over our jobs, incomes, production facilities, and trade channels. We have also surrendered certain powers in other areas in ways we probably don't even imagine.

In the State of New York, for example, the people have empowered the governor of the State to determine the nature of right and wrong as it is to be taught to the children in our schools. The people don't yet realize the full meaning of this; but you may be sure that sooner or later the realization will

come, and they will say: "How could we have done this?"

HERE IS how we surrendered a large part of our responsibility over the minds and morals of our children: We have given the governor the power to appoint a Board of Regents which, in turn, has the power to approve or disapprove every textbook to be used in the schools of the entire State. If they do not always choose to exercise the power, it is still nonetheless true. We have further permitted this same Board of Regents to set the standards of learning which must be met by a child before he may be passed from one class to the next. This is true not only of a knowledge of subjects like arithmetic, reading, and spelling, but also of such matters as the proper functions of government.

If you were to offer only one of the offices of our land to those who could change this Republic to something we hate, they would be completely satisfied to have no other power than control of the one just referred to: the power over education. You may say: "Yes, but the men who are in possession of that power are fine people." This is quite likely true, even though I find myself in disagreement with certain of the ideas and principles they conclude to be morally right, and which they are causing to be taught

to our children. But that is not what's worrying me. My fear is that, at some time in the future, a man who has the power of appointing that Board of Regents will, little by little, destroy the younger generation's resistance to tyranny by causing them to be taught ideas and principles which are in direct conflict with our Declaration of Independence and Constitution, Some of those questionable principles are already apparent in a number of textbooks. They have to do with world government, foreign wars, government ownership of the means of production, and other similar issues.

And if you think you will "vote the rascals out" if the government tries to take full control over our children's education. I have news for you: The government already has full control. And so far as I can determine, most people want it that way. True, the government still permits private schools — under government supervision. And there is still some controversy as to whether the federal government or the state government shall exercise the major control over the education of our children, but that is merely a temporary sop for people who enjoy arguing details rather than principles.

That is just one of the ways we have given power to people—slowly and over a long period of

time - because we have confidence in them. The issue behind the Bricker Amendment is another example of this same process. One of the main arguments against the Bricker Amendment is: "Don't you trust the President?" And the answer could be that the children of Israel trusted Joseph too, but that was of small comfort to them after another person inherited the power and then did something with it that Joseph would never have done. The lesson we should learn from the Israelites is this: In deciding whether or not to give power over you to your most trusted friend, imagine that his authority might eventually be held by your worst enemy. Then act accordingly: for although the friend may never misuse it, there's no way of telling who might inherit it from him.

The bondage in Egypt was the first period of slavery for the Israelites. It was not the last, however, nor in some ways was it the worst. The next period of their slavery did not take place until many years later; not until after Moses had come along and led them out of the land of bondage and across the wilderness for some forty or more years; until they had finally entered the Promised Land under the leadership of Joshua.

Those early years in Canaan were wonderful ones. Here was a

people who had never really accomplished anything as a nation. They were the offspring of these twelve brothers, the sons of Jacob. They had been suffering or running away from something almost ever since they came into existence. The peoples they had to fight in order to get their place in the already overcrowded fertile crescent were of such famous names in the family of world tribes as the Hittites — the great fighters, the disswords — the coverers of iron Amorites, and also the Canaanites. These were all accomplished tribes or nations which had tradition and history in their favor. The Israelites were nothing more than a ragged group of desert nomads.

There was one significant difference, however. This seemingly unorganized group of desert waifs had a most unique type of government. They had no king to command and control them. Long since, these people had learned that there is a great source of wisdom which guides the universe and, although their knowledge of it was quite primitive, and their method of reaching this great source of wisdom and power left much to be desired, they had a motivation which was head and shoulders above all the tribes around them.

It was not a case of each man contacting this power for himself and in his own way; they were still too primitive for that. Instead, they had selected from among their group one upon whom they felt a special mantle of their God, Jehovah, had fallen. And it was his job to interpret to the rest of them the will of Jehovah.

By this seemingly simple and childlike system, these people were able to overcome almost insurmountable odds. While all the other tribes were thinking and working only on the level of the mind of man, or satisfying a multiplicity of unknown spirits which seemed to work mostly against them, the Israelites were actually trying desperately - although sometimes foolishly and mistakenly — to know the will of the force that was directing all of creation. You don't have to be very good to be best at something if you are the only one who's trying it at all!

The one selected to guide the children of Israel in the way of Jehovah was called the judge. Their form of "government" might be called a theocracy. But it was completely unlike the theocratic societies which came about in later years, when men like Oliver Cromwell and others who thought themselves to be part god, ruled people in a dictatorial fashion. The social organization of the Israelites was the honest attempt of a people to be governed by God. It was more

than an honest attempt; it was the most successful venture to date in that part of the world.

During those early years in Canaan, the children of Israel made progress such as has seldom been made in the whole history of the world. The tribes increased; their flocks increased; suitable settlements were made with the Canaanites who recognized something quite unusual and unique in these people; and the responsibility of judgeship passed through several hands until, finally, it rested with one of the greatest judges of all: Samuel.

Samuel had served the children of Israel through many difficult times, accurately interpreting the will of Jehovah. But he had become an old man. The time had come for him to begin thinking in terms of his successor. He had high hopes that one of his two sons would show signs that would make him the choice of Jehovah. But how would he ever know? Samuel divided a small portion of the country in half, putting one son as judge over one part and the other son as judge of the other part.

Everything was against these two boys. They were young; they were the easy prey of tempters who offered them money; they had some extremely bad examples being set before them by the Oriental potentates on every side. To put it simply, they performed very badly.

The elders of the several cities were watching all of this with much interest. They saw in these two irresponsible young men their next judge, and the prospect did not please them. So, at a prearranged time, they met with Samuel at Ramah. There the elders told him that as they observed the experiment, it was apparent the sons were not wise in the ways of Samuel; and Israel did not look forward to having either of them as a judge. Then the elders told Samuel that what they really wanted was a king to rule over them in the fashion of other nations. They asked him to appoint one.

This was a great shock to Samuel. To him it was an indication that they were not satisfied with his judgments. As was his custom in time of trouble, he stalled for time, then took the matter to a quiet place where he was accustomed to talking with Jehovah.

As you read this in the First Book of Samuel, it almost seems as though Jehovah anticipated Samuel's feelings because Jehovah told him that he was wrong to feel so bad. It was not Samuel they were rejecting, but Jehovah. He also said there was nothing, really, that either he or Samuel could do. If these people really wanted a king, they were going to have one; and it would be wise for Samuel to make the best possible choice.

Jehovah said there were some things, however, that he wanted the people to know before they turned to a king for guidance in matters which theretofore had always been left to their God. He wanted them to know the inevitable results which come to pass whenever men give to other men powers that should be left in the hands of their Creator.

So he told Samuel to tell it to them straight. He said to tell them that this king who would replace him would at first need only about 10 per cent of all their sons and daughters and manservants and maidservants, and 10 per cent of the produce of their work to support his efforts; but that would be only the beginning. The implication was that it would eventually be 25 per cent and then 50 per cent. then more and more, because he concluded by saying that they would all become virtual slaves of this king they would put in the place of Jehovah.

His parting instruction to Samuel was to tell them: "And ye shall cry out in that day because of your king which ye shall have chosen: And the Lord will not hear you in that day."

The accuracy of that prophecy was very quick to make itself

known. Saul, the first king, taxed the people about 10 per cent. David took care of at least 25 per cent more. Solomon, his son, required about 50 per cent. Along with this destructive taxation, all of these kings were performing various and sundry other evil acts upon the people - just as Jehovah had predicted. Then, in rapid succession, a rather feeble assortment of kings called upon them to give the rest of their possessions to support a series of foolish and wasteful wars. It was the end of the Israelites as a nation. From that time on, until they became so scattered over the face of the earth that it's really difficult to know what happened to them, they were constantly the slaves of either their own or some foreign king.

THE EXPERIENCE of the Israelites early in the history of the world. proved the truth of this fact about government: When the people turn to the source of creation for leadership - instead of to the authoritarian arrangement whereby the mind of man rules men - they have a chance to accomplish great things.

This wonderful idea of government was never really tried again for many hundreds of years. It was only after many nations of men had collapsed under the weight of their so-called divine kings, and had be-

come a rubble over which succeeding generations and armies had trampled, that a handful of people finally crossed the wide expanses of the great sea to America. Here this idea was to have a chance to work its wonders again.

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In this new climate, there were still many persons who thought it would be sure death to the people if they did not have a king to whom they might look for leadership. So they maintained allegiance for many years to their traditional kings across the sea. But when the king began to increase his take of the percentage of their productive efforts - and continually called upon them to support and fight his useless wars - some of the wiser people in this new land saw the potential of permitting God to do most of the ruling.

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m HIS}$ NEW experiment was to be quite different from the first one in Canaan. The early Americans had learned that it was not necessary to have a judge to intercede with God for them. They had learned that every man might approach this great source of power and wisdom if he so desired. Every man was potentially capable of finding his own answers. And so, essentially, that was the way they decided to run the country. The lion's share of government was to be a matter between the individual and whatever he found to be his Jehovah. In fact, about all they decided to leave to organized and formalized government was the power to restrain those persons who injured other persons. Vast areas which had theretofore always been the province of a ruler of the people, were going to be handled in this new and revolutionary manner of individual authority and responsibility.

Just think of it! All aspects of the individual's life and his right to live it; all aspects of the individual's liberty and his right to be a free man; all aspects of the things he would decide to do for the pursuit of happiness; all these things were going to be governed in this revolutionary fashion outside the authority of formalized government whereby some men have always directed and controlled other men!

It was to be chiefly a most unusual kind of theocracy. God would be ruling the nation, not through any one man but through each man as he knew his own God.

The results of this revolutionary concept of government were extraordinary. The people prospered as no people had ever prospered before them. They grew strong — both materially and spiritually. They invited the poor and downtrodden of all nations to leave their man-ruled societies and move to this land of

freedom under God where every man was his own master and responsible for his own actions. The freedom-hungry foreigners poured in by the millions. The old and the new lived together, worked together, worshipped together, and prospered together. They were free and unafraid. As long as they held to the original concept of a partnership between God and man, all went well.

But somewhere along the way the people faltered. They began to lose their faith. They began to fear the consequences of their own free choices. Without even realizing it, they began to reject God and personal responsibility, and to clamor for a man-ruler to look out for their welfare and bear their burdens for them.

Had this covenant between God and man been dissolved by man in one fell swoop, maybe Jehovah would have ordained some "Samuel" through whom he would have passed the same judgment on these Americans that he did on the Israelites when they dissolved the arrangement. However, the Americans began doing it a little at a time. They did not start right off and say they were going to have a king to rule in all the areas which were originally reserved to the individual and his Jehovah. They made this decision piecemeal.

When the people first began turning their responsibilities over to government on a small scale, they didn't realize that they were actually dissolving their relationship with God; but they were. And the judgment which was passed on that group of Israelite elders clear back at Ramah, began to settle on them. Little by little, these Americans began to become slaves of the men to whom they were giving God's job.

At first it wasn't much, just a matter of two or three per cent of the total productive effort of the people that was being assigned to those who were going to assume Jehovah's responsibility. This money was to be used by the officials for the general welfare, such as charity, education, public works - "things which all men of goodwill ought to be doing anyway." But then it was 10 per cent. Then 25 per cent, and more. At the same time, millions of our young men were drafted against their wills and sent to fight foreign wars which didn't concern them.* As we look at it now, it seems strange that more of the people — especially the religious leaders — didn't see the connection between this and the judgment at Ramah, But the transfer of responsibility and authority continued and the percentage of slavery increased.**

Today, as this is being written, we are presently a little over 36 per cent the economic slaves of those to whom we have transferred the control of our market places, our incomes, and our responsibilities to act like children of God. How far will we go in the changing of the rules which made possible the wonderful progress we enjoyed under conditions of freedom?

All along the way, many persons have realized that something is terribly wrong and have tried to show that we are bound for chaos because of the absence of freedom in the market place. They have insisted that this absence of freedom. in the market place makes for less production than we could have, more shortages than we need to have, and a final absence of wealth. Of this there is no doubt. But the time when it becomes obvious to all can often be removed some distance from the act which caused it to happen. To be sure, every Israelite could eventually testify to the poverty and slavery which became his lot because of what the people had done in rejecting Jehovah. But ac-

^{*}For a full discussion of this, see The Conscription Idea by Dean Russell. (Foundation for Economic Education, Irvington-on-Hudson, N. Y.; single copy free.)

^{**}For a method of measuring this, see *Liberty: A Path to Its Recovery* by F. A. Harper. (Foundation for Economic Education, Irvington-on-Hudson, N. Y.; 159 pp., \$1.50 paperbound.)

tually, the full effect of earlier decisions did not come to pass for quite some time. While they were existing under a partial system of slavery during the reigns of David and Solomon, it would have been hard for them to believe that the poverty and destruction which was in store for them was just around the corner. Like present-day Americans, the Israelites also "never had it so good."

When the fires of an economy have been well stoked by the energy of freedom, it's often quite surprising how well that fire holds, and how much heat it can give off even after the source of that fuel is gone. But the fact remains that whenever and wherever we transfer authority and power over us to any organization or person, we thereby enter into a form of bondage, a degree of slavery. While this is seen most clearly when the organization is government, the principle still works for other organizations as well.

Take the case of the worker who transfers to some union organization authority over his right to pursue the happiness he receives from his work. Just as soon as that transfer is completed, a kind of slavery exists at once in some degree. Where, before, he was free to exercise his own judgment, he's now dependent on the new authority—the union organization. When the

time comes that a majority of those in power decide that the individual shall not go to work the next day, then he has no say in the matter and this very important facet of his right to the pursuit of happiness is gone. He has thereby become in some degree the slave of a master; no longer is it a matter which he may talk over with the Creator from whom he has inherited the right. He has empowered another to assume the position of Jehovah. He's fired Jehovah from that job.

SLAVERY EXISTS whenever we give men the power over our lives which rightly belongs with the Creator. This word "slavery" - or the softer term of "bondage" - might strike many people as harsh and without relationship to anything in our day. Slavery is more often thought of in connection with the situation existing in the South before the Civil War. We only delude ourselves, however, when we fail to see that whenever our productive effort is controlled by other men. without our consent even though they achieve the power legally, it is still slavery. Periods of slavery in which government was the master are many. The people of Germany and Italy will attest to the slavery they experienced under Hitler and Mussolini. Yet both men seem to have arranged things in a legal fashion. Are the people of Russia

any the less slaves because their productive effort is owned by their government instead of by a man?

There are two ways to slavery. This is not to say there aren't others. But these two ways as shown in the history of the Israelites have been set before us to examine: Here we see a truly great people who made a fearful mistake, and then upon being given a second chance, made such a final blunder that it actually wiped the nation from the face of the earth.

Today we're combining both of these ways to a frightening degree here in the United States. We're empowering some people to be masters over us when we know it's not the sort of power we would ever give to someone we distrust. That's the mistake that was made at the time of Joseph. The condition in which Moses found the children of Israel is ample testimony to the result of such a mistake. Their next mistake was in demanding that a man be selected to rule over them. and to decide for them what they should be forced to do in unison.

We are now in the process of dissolving that part of our New World concept of government which made it different from the conditions of Europe. It was this difference which caused people who were nothing in the old climate to become inventive and resourceful and creative and productive in the new. The essential difference was that the only power men were to have over other men was the power to prevent them from injuring each other, which is a very small part of the decisions that make up the whole of life. In effect, all the rest of living was to be self-government between the individual and his God — a new theocracy.

IT IS not yet too late for the American people to return to our original concept of individual freedom and personal responsibility under God. But if we aren't worried now, just when will we realize the truth of the judgment of God as it was passed on the Israelites at Ramah? If not when we are 36 per cent slaves, will it be when the slavery is 50 per cent, or 75 per cent? Will we be so blind that the truth of that judgment will not come to us until it is too late, until we, like the Israelites, have been dissolved as a nation and scattered over the face of the earth, perhaps never to be called together again? For the final judgment was: "And ve shall cry out in that day because of your king which ye shall have chosen: And the Lord will not hear you in that day."

FARIY WARNING

Observations concerning the failure of the "welfare state" by Nassau Senior,
English economist (1790-1864), based on a visit in France about 1850.

MEN, whose reasoning faculties are either uncultivated, or perverted by their feelings or their imaginations, see the great power of the State, and do not perceive its limits. They see it disposes of great resources, and do not perceive how easily these resources may be not only exhausted but dried up. They are struck by the contrast between great superfluity and great indigence, between lives shortened by indolence and lives shortened by toil, by wealth squandered unproductively while

cultivable lands lie waste and labourers ask in vain for employment. When excited by such a spectacle, what is more natural than to propose laws, by which the toil which appears to them excessive shall be forbidden, by which the government shall provide the strong with employment and the weak with relief; and obtain the necessary funds, partly from the superfluity of the rich, and partly by taking possession of the productive instruments which their present owners are too idle or too timid to turn to the best advantage? It requires a long train of reasoning to show that the capital on which the miracles of civilization depend is the slow and painful creation of the economy and enterprise of the few, and of the industry of the many, and is destroyed, or driven away, or prevented from arising, by any causes which diminish or render insecure the profits of the capitalist, or deaden the activity of the labourer: and that the State, by relieving idleness, improvidence, or misconduct from the punishment, and depriving abstinence and foresight of the reward, which have been provided for them by nature, may indeed destroy wealth, but most certainly will aggravate poverty.

Journals Kept in France and Italy from 1848 #52.

Bastiat's Life and Times

THE YEAR was 1848. The country was not the United States, it was France. The man who was calling upon the government to become the employer of last resort was not Jacob Javits or Eugene McCarthy. he was Louis Blanc. The leader who endorsed the principles of freedom in general, yet who championed more and more interventionist social welfare laws in particular, was not Richard Nixon, he was the post-legislator Lamartine. And the mobs in the streets, including the students, were like the modern SDS or May Day Tribe, even though they weren't known to the headline writers by any of the acronyms or nicknames that bewilder us today.

In a period very much like the

present, France, in 1848, was embarked on the short-lived experiment of the Second Republic. The experiment failed for the very simple reason that few Frenchmen had any workable theory of the limitations of government. middle classes had been living off the state, by a complicated system of subsidies and protected monopolies; the workers, angered by the favoritism, wanted to cut in on the distribution of the goodies. The nation's administration was centered in Paris, and the provinces were sullen but not yet mutinous. As for the aristocrats, whose still living members had been impoverished by the Great Revolution, the wars of Napoleon and the overthrow of

the Bourbons in 1830, they were powerless to take the responsibility which their forehears had flubbed throughout the eighteenth century. With more and more people attempting to live by government bounty, there was simply not enough tax money to pay the costs of Louis Blanc's National Workshops. The socialists - and they were pre-Marxian socialists - who had taken over France had run things into the ground. And the dictatorship of Louis Napoleon -"Napoleon the Little" - was just around the corner.

Who, at the time, had a thorough grasp of what was going on? Alexis de Tocqueville, who had studied the American adventure in limited government for his Democracy in America, had some inkling of the causes of the tragedy that was unfolding. But only one man, the political economist and philosopher who is now the subject of George Charles Roche III's Frederic Bastiat: A Man Alone (Arlington House, \$6.95), had the wide-ranging intelligence to trace effects back to their real causes in imperfect human understanding of the proper role of government. The life and the thought of Frederic Bastiat are convincingly set forth by Dr. Roche in a study that benefits greatly from the author's ability to swing back and forth between two ages that are so very similar.

A Time of Preparation

If the "life" aspects of this study are not very exciting insofar as Bastiat's younger years are concerned, the fault is not Dr. Roche's. For Bastiat, from the time of his birth in southwestern France in 1801 up until the early eighteen forties, lived the quiet and mainly contemplative life of a country gentleman. He dabbled in scientific agriculture without much aptitude for it: he acted as a justice of the peace; he married briefly (the circumstances of his union with a country girl do not come clear from the extant records); and he traveled in Spain and Portugal. This was his "active" life during his younger career; his real life was in the mind - and it is Dr. Roche's exploration of a mind that makes this book an exciting document for a period that needs Bastiat's thinking just as much as it was needed during the turbulence of the late eighteen forties in France.

Bastiat was, by temperament, a man who valued truth more than comfort. He had the ability that is given to few men of divining the secondary consequences of an action when the first consequences are bemusing almost everybody into thinking a problem has been solved rather than compounded. The port of Bayonne, where Bastiat went to school, had suffered

by the English blockade during the Napoleonic wars, and after 1815 the controls imposed by the French government on commerce didn't seem to effect much of an improvement. Seeking an explanation for the continuing depression, Bastiat found it in the works of Jean-Baptiste Say and Adam Smith.

He might have left it at that if, after his return to his family country seat at Mugron, he had found nobody but clods with whom to converse. But, as luck would have it, a brilliant young intellectual, Felix Coudroy, lived on a neighboring estate. Coudroy was a socialist, a follower of Rousseau, and, as George Roche puts it, "a challenging specimen of everything wrong with nineteenth-century French thought." But he was amenable to reason, and in the end Bastiat converted him to the "freedom philosophy."

Then Bastiat Was "Called"

For twenty years Coudroy and Bastiat studied and conversed on a daily basis. Bastiat had no idea that this long novitiate in careful analysis and exposition would ever have any practical application. But the upheaval in the eighteen forties would not leave quiet scholars alone. Bastiat suddenly found himself in the middle of an argument about the British free

trade movement. He wrote an article about the influences of English and French tariffs on the future of the two countries, the article was printed, and the country gentleman of Mugron forthwith discovered that he had a mission in life.

The mission necessarily involved a move to Paris, which had always drained the provinces of their talents. In his subsequent career as journalist, legislator, organizer of a free trade movement, and author of systematic works on political economy, Bastiat eventually came to value the pursuit of truth more than he valued life itself. He literally burned up his lungs in his efforts to warn his fellow citizens of the eighteen forties against the effects of the preachings of Louis Blanc, Proudhon, Blanqui, and a whole rabble of socialists and anarchists. Instead of taking care of himself during the early stages tuberculosis. Bastiat wrote around the clock. His marvelously aphoristic work, harvested in a few brilliant volumes (Economic Harmonies, Economic Sophisms. The Law), did not convince enough Frenchmen in time to avoid the revolutionary excesses of the Second Republic or the dictatorship of Louis Napoleon (history repeating itself on the plane of farce. as Karl Marx described it), but it has provided a standard to which

we may rally in our own day, hopefully in time to prevent the coming to Washington of a Louis Napoleon in late-twentieth century "mod" dress.

A Faith in Freedom

Dr. Roche, out of his own substantial scholarship, does a brilliant job of "penetrating the twisted trail of 'conservativelibertarian' thought as reflected in Bastiat." Bastiat was not quite an Edmund Burke, for he cared less about tradition than Burke. On the other hand, he was not one to insist on imposing rational blueprints, even those of his own devising, on anybody by the political means. He believed in progress, but not in the idea that the human race could perfect itself. God had put us here on earth to choose between good and evil, and the prime hope was that, in the generations to come, we might choose a little more of the good. But the choice had to be left to the individual. If "planners" were allowed to impose their conceptions of "virtue" on the rest of us, they would be usurping the place of God. This is not something that fallible man should ever be permitted to do.

American conservative thought in recent times has given too much to Edmund Burke and not enough to Bastiat. Without taking any credit away from Burke, it remains true that Bastiat's thought is more in the American, or Madisonian, vein. Lacking a feudal background, we have always been more of a libertarian than a conservative people, Dr. Roche's study brings this home to us anew. and one hopes that it will be widely read, particularly with an eye to salvaging that wing of the New Left that has some native libertarian instincts and might be converted to the "freedom philosophy" as Bastiat once converted Felix Coudroy.

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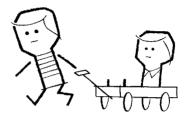
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Ownership Responsibility and the Child

GARY NORTH



DEFENDERS of the free enterprise system may be rare, but there are a lot more of them than of those who practice freedom. There are always more entrepreneurs around than free enterprise advocates, but I am not talking about entrepreneurs. I am talking about the depressingly short supply of free enterprise defenders who make micro-economic decisions in terms of a philosophy of open competition on a price-oriented market. The temptation of temporary economic advantage lures capitalist after capitalist into the arms of the statist regulating agencies. The micro-economic decisions at the level of the individual and the firm are the crucial ones, and it is

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precisely here that the war against statism is being lost.

Yet, if the firm seems to be an area of retreat, the family is a philosophical disaster area. Men and women who are personally committed to the idea of the moral superiority of the voluntary market and private ownership seem incapable of grasping the parental role of imparting their faith to their children. The family is the training ground for children in every sphere of their young lives. Why should the concept of private ownership and personal responsibility be deferred until the child reaches his teens? If the first eight years are the crucial ones in the development of the child's perception of things, the establishment of his habits, the beginning of his intellectual tools, and the

channeling of his emotions, then why are these years so ignored by parents as a time of training in the ideas of property?

Is there any concept that a child learns more rapidly than the concept of "mine"? I know virtually nothing of Soviet education at the preschool level, but I am certain that "correcting" this concept gives the teachers at the child day-care centers their most difficult intellectual problem. Unfortunately, the child does not seem to learn the equally important concept of "yours" with anything like the same facility. It would seem to be a moral problem with the child, not an intellectual one. That is why the authority of the parent is so vital in getting the child to acknowledge the validity of both of these interlocked concepts.

Children learn at astonishing rates of speed. All parents take pride in this fact, yet not one parent in a hundred really seems to understand just how fast his child does learn. The ability of a child to understand and act in terms of the most subtle human nuances - the look, the change of voice, a parent's weariness - is so great that it puts to shame whole teams of social psychologists and their computer cards. Children are connivers: they are seldom stupid. At times they seem to affect stupidity in order to better expedite their conniving. Parents who fail to see the signs of an infant's con job only confirm the child in any lack of respect he may have for the family. Children see and they remember differences between stated principles and demonstrated action. That is a child's means of survival, and he learns it very well and very early.

Parents for centuries have used the phrase, "Do as I say and not as I do," as a cover for their own moral weaknesses. A child may do just as his parent says, but in all likelihood he is thinking something very different. The mind of the child must be challenged by something more than brute force as he grows older: the sooner his mind is challenged, the better. Force, used to conquer a child's rebellious will, does not guarantee anything about the state of the child's thoughts. Yet, in the long run, the parent's real battle is for the mind of his child: and there are innumerable competing institutions that are in the business of intellectual conversion. The competition begins the day the child goes to school.

The Responsibility of Ownership

If the concept of private property is worth defending, and if personal responsibility is the moral basis of private property, then the family must be the scene of

the child's introduction to the responsibilities of ownership, Sadly, most parents have been so utterly compromised - morally compromised - by the collectivistic concept of "the well-integrated child" that they fail to take advantage of a marvelous opportunity to teach their children the meaning of responsible ownership. These same parents are later shocked to discover that their teenager has abandoned "bourgeois concepts of property and morality." The child drops out of his tax-supported university, joins a commune, and openly defies the parent to stop him. Of course he has no respect for such bourgeois concepts; he was never expected to adopt them! The family structure that produced him never rewarded him in terms of those concepts. He might have been expected to do well individually outside the family in school, in athletics, and so forth - but not inside the family.

Take, for example, the idea of "sharing." All well-integrated children share their toys with their brothers and sisters and with all the other boys and girls they play with. "Let Billy play with your airplane, sweetheart." Now "sweetheart" may know very well that Billy is a semiprofessional demolitionist, but he is supposed to let Billy play with his airplane, whether or not it took him a week

to build it. Or maybe "sweetheart" is just another Ebenezer Scrooge. It really does not matter one way or the other. If Mama enforces her request that Billy be allowed to play with the airplane, she has begun to undercut the idea of ownership in the mind of her child. A request is one thing; enforcement is another. The child should be given the right to ignore the request without physical reprisal from his mother or Billy.

The Child's Decision

The parent can always give a whole barrage of cogent reasons why sharing is preferable to stinginess: people do not like selfish people, people will not share their toys with selfish people (which is, I think, the really effective argument), selfish people are mean, selfish people become social outcasts. Yet, the child is simultaneously informed that it is impossible to buy people's friendship. It is up to him to balance these competing propositions in his own mind. (If the parent thinks this is a tough knot to untie, wait until he tries to explain that God's favor cannot be purchased, but that faith without works is dead.) In any case, the decision ought to be the child's. If there are social costs associated with being selfish, let the child find out for himself, and let him

evaluate them in terms of his own psychic needs. Maybe he likes toys better than friends. Maybe he will grow up to be like Howard Hughes. But it will have been his option, and he will have borne the costs. That is what the free society is all about. It cannot guarantee that everyone will grow up liked (or even well-liked, as Willie Loman saw life's goal), but it can see to it that everyone pays his own share

Group Relationships

Children are not stupid concerning group relationships. They understand why and how their peers operate. They have a larger stake in this kind of understanding than their parents could have: parental memories grow increasingly dim with age, and parents often have many other things to worry about. A child's concentration is focused. He learns to predict how his actions will be received. He may not act in terms of what he knows. but he is continually learning. If he thinks that he ought to share with others, he will. He can test his parents' remarks about the benefits of sharing. If he likes the results, fine; if not, he bears the costs. It is a very good, and from the parent's point of view, very inexpensive form of training.

If the parent continually interferes with the right of the child

to do what he wants with his own property, he is setting up the child for every kind of collectivist panacea. He will learn that titles to property are less valid than the ability to manipulate the authorities to your own purposes. He will learn that the authorities cannot be trusted to fulfil their promises with respect to ownership. He will learn that "yours" really is not that fundamental a concept, since "mine" is not enforced either. He will learn very early of the realities of what Avn Rand has called "the economy of pull."

In Matters of Property

If a child is not taught the meaning of personal responsibility from the beginning, the family has failed in part of its function. That is why enforced sharing is so insidious. It destroys the links between ownership, power, and responsibility. The parent who makes his child share anything with anyone for any reason (other than disciplinary action for an infraction against another child's right of ownership) is courting long-run rebellion. He can suggest; he dare not enforce.

It should come as no surprise that violation of the rights of property by a parent brings with it an immediate punishment. I have seen parents spend whole evenings trying to straighten out

what can only be described as property disputes among children. Hours and hours of listening to "Johnny took my fire engine," and "Bobby took my Baby Jane Throw-up Doll," and "Well, she won't give me back my Frankenstein monster." It must drive them crazy, as it does me: but I can go home later on. Kids are manipulaters by trade, as all people without power have to be; if the parent sets himself up as the allocator of children's scarce resources, he can expect to spend a lot of time at that task.

Children can disrupt the family for so many reasons. They hit each other, tease each other, knock each other down stairs, compete for parental affection. That is what they do collectively; individually they can be equally trying on a parent. "When they're quiet, I worry," is a universal sentiment among mothers. So when the property issue is added to the long list of parental harrassment devices, it ought to be shut off from the start. Each child must learn very early that the rights of his brothers must be respected, and that when the parent learns of an infraction, punishment follows with the regularity of a machine. Not that the parent comes in and settles the dispute in a friendly way, but that he comes in and settles it by

swift justice. If the parent is only a friendly mediator, he will be a harassed mediator; no kid will cooperate with his brother when he thinks the authorities will only restore the status quo ante. He has nothing to lose and the toy to gain, and his brother knows it. But if he knows that the minute the story of his infraction gets to the parent, he will be punished, he may begin to see the advantages of self-discipline. He may begin to mature. (If states would see the truth of this with respect to mediating labor-management disputes, there would be fewer strikes and fewer non-negotiable demands i.e., there would be more industrial maturity.)

Watch the Vigilante

There is one justification that is used by children for every kind of deviation: "He wouldn't give my toy to me, so I " A parent who stands ready to enforce the right of property in his household will not have to listen to that one: he can punish both the thief (for that is what he is) and the vigilante who retaliated. He can encourage victims to come to him because they can trust him to uphold them in their arguments. We expect that much as adults from the civil authorities; we should provide it in that sphere where we are the officials. We should be

able to be trusted, day in and day out, to render justice, whether we are tired, happy, sour, busy. The regularity of justice, the very predictability of it, is more respected by the child than any theories that a parent might spin in those rare heart-to-heart talks. It takes self-discipline in an adult to provide this kind of regularity; that is why there is truth to the phrase that delinquent parents are the chief cause of delinquent children. The lack of self-discipline becomes a heritage of families throughout several generations.

Buy It Yourself

A judicious use of the weekly allowance should be started as soon as the child can say, "Buy it for me" at the supermarket. He learns what buying means very early. That is why supermarket psychologists set up the candy counters by the check-out stands, and at eve level for tots. They know that few mothers have the moral fiber to say no to a squalling child; at least, they will not do it every time. The best argument to "Get it for me," is "Shut up or I'll tan your hide" (if it is meant); the second best answer is "Buy it yourself." The older the child, the better is the second answer.

One of the appalling things I have witnessed over the years is the sight of parents at church

giving their children money to put in the collection plate. They think they are teaching their children to sacrifice for God. They underrate the child's intelligence. He knows quite well the difference between "giving" and acting as a financial broker for a parent. If a parent plays this game, the child should be told that he can keep every cent of it to use as he would his other income. Then the child can learn what sacrifice is. If the parents hold to the ancient and respected custom of tithing, then the child should be encouraged to tithe his income. But the only justification for a parent's requiring the child to tithe would be that the elders over the parent have the same institutional option. If he is not institutionally obligated to tithe, then the old rule holds: do as I say and as I do, for they are of one piece. The child should not be forced to tithe. The Bible says that God honors a cheerful giver: that is what the child should be taught to be.

Applying the Principles

The defense of the free market cannot be made simply in terms of charts and graphs and technical explanations of market efficiency by professional economists. It must be defended by a willingness on the part of its supporters to understand its principles and apply them in all the relevant spheres of their personal lives. "But be ye doers of the word, and not hearers only, deceiving your own selves," wrote the Apostle James. Indeed; if a parent is not willing to take the time to apply the principles that he professes to hold most dear within the confines of the institution that he holds most dear, he is not serious about his commitment to those

principles. If parents use the family as a zone of safety from the responsibility of laboring to apply basic moral principles, then they should be ready to see their children on television during the mass arrests at the local university. If the principles of private ownership and personal responsibility are not worth teaching by word and example to one's children, they are not worth teaching at all.



JACQUELYN TILL

INDEPENDENCE is a tough, leathery word, ram-rod straight and strong. If it were a person it would have been my "Papa," a man whose very existence was "independence." You could not separate the two—as though the word were created, if not by him, then at least for him. He was "independence" walking around for all to see if they were of a mind to look.

Mrs. Till is a housewife in Houston. Her article is reprinted, by permission, from the Republican Banner.

It seems I remember him best in hot weather. Perhaps because it was in summer I saw him most; or maybe because that's the best time of year and we remember things we like best at times we like best. Anyway, on a hot summer day about 11:30, after setting the table, I would run to the field to tell him that it was almost "dinner time." Not that it was necessary for he was always at the house by noon. Never a noonday passed that he didn't listen to Gabriel Heater give the news.

Yet, I would go because this time of walking to the house with him was a glorious time. It was then Papa would talk. Not exactly to me because I was a child and he really didn't know how to have "meaningful discussions" (as modern psychologists would say) with one so small. But talk he would. And since there was only me to hear him, it was a special time, indeed. I would have to walk fast, almost run, to keep up with his long strides. Too, I was trying to step on patches of grass where I could because black Texas dirt scorches bare feet. Along we went, the two of us, never holding hands (I was always two or three steps behind), never touching. He talked and I absorbed every word, never speaking. I didn't need to, for at these times I was part of his soul.

Remembering Things

During these walks I found that he had played in the Alamo when he was small like me, before it had been restored by the Daughters of the Republic of Texas. He would tell of pretending he was Bowie or Crockett or Travis, but mostly Bowie. Oh, how I longed to have been there then. He had slept in packing-crates many nights because he had left home so young. Though I wouldn't have said so, I was glad I wasn't there then. Once Papa said he didn't remem-

ber having a pair of shoes until he was nearly thirteen. As I wiggled my toes in the hot dirt, I thought that would be nice for I did hate to wear shoes. Then he went on to say how he would sell papers and stand on the grate in front of the Bank in winter so the heated air would keep his feet warm. Tears almost came as I thought of him with no shoes in the cold - thought of my own feet in winter when I jumped into bed between icy sheets before the bed got warm. No. it would not be nice to be without shoes. He told how one day a man, a complete stranger, took him off the street and bought him a pair of shoes without so much as "by-yourleave." I loved that man, whoever he was.

I discovered Papa could count and say all kinds of funny sounding words in Spanish and that he taught himself to read and do numbers. That was why he whispered to himself when he read and pointed to the words sometimes even though he was grown, something we were never allowed to do in school, not even use a marker anymore. He talked of men, too, like Jefferson and Benjamin Franklin and Sam Houston, He talked about William Tell who wouldn't bow to another man's hat and how that was the most important part of the story, not the

part about shooting an apple off his son's head. I couldn't see why, but Papa said it, so I knew it was so.

A Greater Vision

Each time, about mid-way to the house, Papa would stop and look out across the land and I would stop and look too. All I could see were pastures, fields, a few cows, and heat making it look wavy. I would look up at Papa again and then look back across the countryside because it seemed he saw something so wonderful out there; but all I had missed on my first look were a few bees buzzing in a "Black-eyed-Susan."

It wasn't until much later, when Papa lived only in my heart, that I realized he was telling me on these walks, the best way he knew how, of this country where a boy could have so little and still become a man that could do so much. He was telling me of this country where one man was as good as another regardless of his monetary wealth or position and where he could achieve whatever he set out to achieve. He need pay hom-

age to no man. He was telling me of this country where men helped others in need, not because they had to, but simply because they wanted to; because it was the right thing to do.

Yes. I realized then that this tough, leathery farmer, ram-rod straight and strong, knew that great as the legacy of freedom was, it was not quite enough for his granddaughter. He had been giving me that greatest of gifts - an awareness of it all. He knew one day in the future I would put together these pieces he had placed in my mind. On that day, when I stood barefoot again to feel the hot, black dirt, looking out across this same country, remembering those long ago days, I finally saw what he had so often seen. This time, when Papa was standing not in front of me but within me, I was able to see through his eyes the wondrousness of this country. The gift he had been giving throughout the years was now totally mine. And I knew, at last, why I so love the word "Independence."

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

2

The English Heritage

ONE of the major elements in the complex of experience and background which the Americans brought to their founding activities was their English heritage. The majority of the colonists were of English lineage, and they were preponderantly British in origin, since the latter designation would include those of Scotch and Irish descent. What the Americans constructed when they got the opportunity was mainly alterations and reshapings of their English heritage.

Nonetheless, there was considerable ambiguity in the attitude of the colonists toward their English background. Indeed, this biguity has attended the attitudes of those who have come from Europe over the centuries to settle in America. On the one hand, they have rejected the Old World, the most obvious sort of rejection being their very coming to the New World. Many who came have fled from one kind or another of persecution or oppression. The Old World has often been described by those who betook themselves to the New as a seat of persecution and corruption. Certainly, American colonists of the latter part of eighteenth century readily identified the English Church and

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government with corruption — the Church with its pampered hierarchy and impoverished parish priests, and the government with its rotten boroughs and members of Parliament whose votes were bought by the monarch with sinecures.

And vet, however ambiguous their attitude toward it may have been at times, the Americans did not basically reject their English heritage. Instead, they valued it essentially, made great efforts to preserve it, treasured its outlines. and, when the time came, builded upon it. From first to last, over a colonial period of a little less than two hundred years these settlers showed their attachment to and dependence upon England, Fathers who could afford it frequently sent their sons to be educated in England. They read English books, watched English plays, if any, and consumed English-produced goods.

A Pro-British Bias

In many ways, the settlers showed their preference for things English, both in words and deeds. Professor Samuel E. Morison says that two early New England writers, Nathaniel Morton and Edward Winslow, declared that one of the main reasons the Pilgrims left Holland for the New World was the fear that their children would lose their language

and nationality.¹ One historian has recently shown how devoted the Puritans were to their English background. He says, "They were hardly more worried that their laws should be 'scriptural,' that is approved by the Bible, than that they should be sufficiently English; and that any changes in English laws should have ample warrant in local needs."² Even more strongly, he declares:

Scholarly dispute as to whether early New England law was primarily scriptural or primarily English is beside the point. For early New Englanders these two turned out to be pretty much the same. Very little of their early legal literature attempted to construct new institutions from Biblical materials. They were trying, for the most part, to demonstrate the coincidence between what the scriptures required and what English law had already provided.³

A case could be made, however, that the New Englanders were among the least devoted to their English heritage of the American colonists. They were dissenters from the Church, developed a considerable literature of their own, were opposed to such things as

¹ William Bradford, Of Plymouth Plantation, Samuel E. Morison, ed. (New York: Modern Library, 1967), p. 25.

² Daniel J. Boorstin, The Americans: The Colonial Experience (New York: Vintage Books, 1958), p. 21.

³ Ibid., p. 24.

plays, had colleges of their own, and had more latitude than was usual in developing their governments. Certainly, many of the other colonies conformed much more closely to English ways. A Virginian, writing in 1728, contrasted that colony with others, and proclaimed that "Virginia may be justly esteemed the happy Retreat of true Britons and true Churchmen."4 Statements affirming the connection between Britain and America can be found in abundance all the way up to the Declaration of Independence.

Some Pressure to Conform

Not all the affirmations of admiration for things English nor all the reliance on Britain should be taken at face value as indicating the real state of sentiment or that everything that was done was voluntary. Colonists were under a variety of pressures and restraints which bent them toward such conformity. The charters under which they were supposed to operate usually required that their laws not be contrary to English law. For example, the General Court of Massachusetts was authorized by the charter to make laws for the inhabitants, with the proviso that they be "not contrairie to the Lawes of this our Realme of England."⁵ The Maryland charter provided that the proprietor "was to make no laws incompatible with those of England, and none without the consent of the freemen or their representatives."⁶ Since others usually had similar provisions, colonists found it in their interest not only to conform to the British pattern but to profess to do so as well.

A dependence on Britain for many things was engendered by British regulations. In general, they were encouraged over the years to buy various products from the mother country because of restrictions on their manufacture in the colonies. Such restriction definitely hampered the development of an American literature by limiting printing opportunities. An American printer could rarely undertake the publication of a book because of the scarcity of type. "In England the supply had been limited as part of the control of the press: a Star Chamber Decree of 1637 allowed only four persons, each with a limited number of apprentices, to operate type-foundries at any one time. Not until the Revolution could American printers buy type of American

⁴ Hugh Jones, The Present State of Virginia (New York: Joseph Sabin, 1856), p. 48.

⁵ Quoted in Boorstin, op. cit., p. 20.

⁶ T. Harry Williams, et. al., A History of the United States, I (New York: Alfred A. Knopf, 1959), 34.

manufacture." In the late seventeenth century, the King provided the Governor of Virginia with orders "that no person be permitted to use any press for printing upon any occasion whatsoever." Not all the dependence of the colonies upon England was by choice, it is clear.

Even so, the Americans did revere the essentials of their English heritage. They could hardly have done otherwise: to reject it out of hand would have been to repudiate much of themselves as they were. The furniture of their minds was made up largely of British conceptions. Their angle of vision was set to see things the way one of such descendance would see them. The best proof that they revered the heritage, however, is that they kept so much of it when they had an opportunity following the revolt to dispense with it. To see that this was so, it will be useful to call up the outlines of the English systems and ways.

British Conservatism

A profound ingredient of the English heritage is the conservative cast of mind. In a general sense, this may not distinguish British peoples from most others. It is quite likely that most peoples at most times have been preponderantly conservative, though not necessarily in a discriminating way. It could even be argued that man is by nature conservative (as are also the lower animals) in that he usually prefers to continue to do things in the same way he has done them. Small children tend to be conservative in insisting on ritualizing activities and in their intolerance toward things or people that are different. Such conservatism is undifferentiated in its posture toward things familiar. reveres them for their familiarity alone.

British conservatism is something different from and more than what might well be called "brute conservatism." If it were not, it should hardly have come to our attention, for it would only be a universal condition, one which would be no more worthwhile to announce than that Englishmen have two legs. The particularities of British conservatism took shape over many centuries of experience, took shape in the Middle Ages as a people defended their ways against Danish and Norman monarchs. as the classes battled against arbitrary and despotic kings, as the thrust of change was blunted by the persistent clinging to ancient rights and privileges.

British conservatism was a reality long before Edmund Burke so elegantly gave it a set of articu-

⁷ Boorstin, op. cit., p. 319.

⁸ Ibid., p. 332,

lated concepts and a language. Englishmen over many centuries harked back to the Magna Charta as the fount of their privileges. Parliament for its first several centuries did not claim to legislate: it claimed only the power to participate in declaring what the law was, and the law was, most frequently, what it had been since the memory of man runneth not to the contrary. When the English Church broke from the Roman Church, the least changes were made in it of all the churches born out of the Protestant Reformation. The English had a revolution, of sorts, in the middle of the seventeenth century, but in short order they returned to their older arrangements. This is not to say that the British did not change: it is rather to affirm that when they changed they kept much more than they changed, and they were given to defending their changes on the grounds that they were restoring an earlier condition. It was this that the Americans inherited and brought with them to their constitution-making and their attitudes toward institutions.

The Literary Heritage

One of the most important of the things the colonists derived from England was the literary heritage. The vehicle through which it was transmitted was the English language, which became the tongue of the continental colonies. It is easy to ignore the significance of so common a thing as language, to imagine that what language one uses does not matter. It is quite otherwise, of course, for each language has its nuances, shades of meaning, rhythms, and tones. A language embodies much of the history and experience of a people; it embraces their values and transmits their culture.

The English language was just becoming an effective literary language when the English colonies were settled in the seventeenth century. The Renaissance and Reformation were the major movements out of which English was developed into a literary language. Latin had been the language used by peoples of Western Europe for formal and elegant secular writings, as well as those of the Church. The break with the Roman Church hastened the development of national languages, and the Renaissance gave great impetus to growth of an imaginative and scientific literature. The English language came into its own with Elizabethan poets and dramatists, the King James Version of the Bible (1611), and the scientific writings of the seventeenth century. Hence, Englishmen going forth into the wilderness of the New World brought with them a potent and virile vehicle of communication.

It was through this language, too, that they imbibed the literature. One historian of ideas notes that "Amariaana sharad with Great Britain the balladry and the more formal literature of the motherland. But the literary legacy was greater than this, for it was through English and Scotch channels that the Graeco-Roman classics and the literature of the Renaissance were transmitted to the American people.... The British newspaper, pamphlet, broadside, and magazine likewise provided colonial Americans with models."9

By the time of the American revolt, they had at the least four major categories of literary influence from Britain. The first of these to reach its fruition was that of the English Renaissance. Outstanding works were produced by Thomas More, Edmund Spenser, Thomas Kyd, Christopher Marlowe, and, pre-eminently, William Shakespeare. Spanning a much greater period of time and encompassing a much more diverse bounty of offerings was the English Reformation literature. It ranges from the writings of John

Wyclif in the late fourteenth century to John Wesley in the late eighteenth century, and includes those of Hugh Latimer. Miles Coverdale, John Tyndale, Robert Browne, Richard Hooker, John Bunyan, John Milton, George Fox. and so forth. A third category was the seventeenth century philosophical and scientific literature which included the works of Francis Bacon, Thomas Hobbes, Isaac Newton, Roger Boyle, Edmund Halley, and John Locke. The literary heritage which had the most direct impact on founding the American Republic was that of political writings. This was a rich literature indeed, for it included the contributions of James Harrington. Edward Coke. Thomas Hobbes (not much referred to by Americans but an essential part of the justification of government because of the nature of man), Algernon Sidney, John Lilburne, John Milton, John Locke, John Trenchard, Earl of Shaftesbury, Thomas Gordon, William Blackstone, and Joseph Addison, among many others.

Customs and Mores

The British tradition included a complex of social arrangements, customs, institutions, and mores. Some of these had the sanction of law, and in some cases there were attempts to establish and maintain

⁹ Merle Curti, *The Growth of American Thought* (New York: Harper, 1951, 2nd ed.), p. 4.

these relationships by law. Indeed, it would be difficult to name an institution that was not in some way buttressed by the power of government in seventeenth century England. The Church was established, supported by taxation, and attendance at its services required. Economic organizations were usually chartered by government, given monopolies for trade or manufacture in some jurisdiction, their activities viewed as adjuncts of government. Manufactures were restricted as to where they might be carried on, wages controlled (usually in an attempt to keep them lower than the market price), and prices of goods frequently fixed. The development of libertarian ideas in America (as well as in England) is given greater meaning with such a background in mind.

Marriage, the family, and property were tangled in a web of restrictions and prescriptions. According to law, the landed inheritance must go to the eldest son, a system known as primogeniture. In like manner, estates were frequently entailed so as to prevent their being broken up and disposed of during the lifetime of the owner. Both these practices were widely established in the American colonies. Moreover, in England, according to ancient practice, tenants had claims, in perpetuity,

to the lands which they rented. A strong case could be made that these, and similar practices, buttressed the family as an institution. Not only did the eldest son inherit the estate (or other claims to property) but also the responsibilities of the father, such as, to look after the widowed mother, to take care of unattached females in the family and any others who might not be able to provide for themselves.

Classless America

Probably, though, these regulations and prescriptions had much more directly the purpose of maintaining a class system. Certainly, England had a class system in the seventeenth and eighteenth centuries, though it had become more flexible, more subtle, and more complex than it had been in earlier centuries. There was an aristocracy made up of the titled nobility and the upper clergy, whose members had the privilege and responsibility of sitting in the House of Lords. There was what has been most commonly referred to as a middle class composed of the landed gentry and merchants and tradesmen. The gentry were reckoned by their rent rolls, but the merchants were not so formally recognized. The merchants were a class primarily because they had been granted government privileges, patents, and monopolies in trade and manufacture. There were assorted other free men beneath these in the scale, yeoman farmers, mechanics, parish priests, and so on. Below these were the disfranchised, those who did not have the basic political privileges and had insufficient economic privileges to be independent. An attempt was made to transfer the outlines of this system to America.

Government Chartered Activities

There were all sorts of institutions which derived from England. but perhaps the main outlines and character of many of them can be suggested by the idea of the corporation. A corporation, most basically, is some organization authorized by the sovereign. It might be a political organization such as the town, an economic one such as a trading company, or an educational one such as a college. The monarch authorized such organizations by granting to them charters or patents which spelled out their privileges, the scope of their activities, and might include various limitations. Such corporations were relics of the Middle Ages, but they were given new vitality at the time of the settling of America by the founding of colonies on the basis of such charters. The tendency of this method of establishing organizations was to make all activity hinge on government and be controlled by government.

The British Constitution

British political institutions and practices had the most direct bearing on the founding of the United States, and it was from these that the most extensive borrowings were made. The most basic of these was the constitution itself. Some examination of it will clarify the relation between British and American political organizations.

It is no simple matter to describe the English constitution. It cannot be read in a single document as can the United States Constitution. Indeed, much of it is nowhere written down in a document or collection of documents. It is a combination of several sorts of things: the first of these is the way things are done in government, the procedures, practices, and customs; the second would be great acts which have altered these or fixed them more firmly, such as the Act of Supremacy of 1534 which placed the leadership of the Church in the hands of the monarch, or the Restoration Settlement of 1660 and the immediately succeeding years: a third kind would be great documents which have limited the king, such as the Magna Charta, the Petition of Right, and the Bill of Rights; fourth, would be court decisions which built up a body of law.

What the Americans learned or deduced from the existence of the English Constitution was a particular fortification of the idea of a higher law. There were other sources of the American belief in the higher law than the British constitution, but this was the main embodiment of it with which they were familiar. Americans learned over a long colonial period how one set of laws could be used to limit and restrict their own governments. Many of them did not miss the point, either, that such restrictions could be protective of their rights and privileges, for however much the colonists might resent certain restrictions, the requirements that their laws must conform to British laws secured to them their rights and privileges as citizens within an empire. The best proof of this is that some of the same ways they had been restrained as colonies under the English constitution were reintroduced as restraints on the states in the United States Constitution.

Separation and Balance of Power

The principle of separation and balance of power among the branches was embodied in British government for Americans, as it was for the Frenchman. Montesquieu. Of the three branches, it might be supposed that Americans were least attracted to monarchy. So they were, if monarchy be considered only in its manifestation of the trappings of royalty, the apex of an aristocratic structure. and hereditary rule. Such trappings are only historical accidents. an Aristotelian might say; the essence of monarchy is rule by one. Americans did not abandon the monarchical principle, as we shall see; they trimmed away the superficial aspects of it, kept it under different guises or names, and counterbalanced it with other principles of disposing of power. Rule by one - limited by being circumscribed - was kept in the office of governor and president.

Not only did Americans keep the monarchical principle, but they kept many of the functions that the English monarch had performed. In England, the king was chief executive; so are the governor and the President. The king appointed officers under him, took the leadership in forming and executing foreign policy, was in control of the military forces, and had the prerogative of mercy, as well as being ceremonial head of state. All these powers, the President may exercise. Of course. there are some which were sloughed off, such as head of a state church and all those that have to do with the hereditary principle.

Governmental Instruments

The debt of Americans to the English legislative system is much better known than that to the monarchical principle. The most obvious borrowing is of the twohouse legislature. In like manner, there are similarities between the House of Commons and the United States House of Representatives: each is composed of members elected by district, each is the more numerous body, and each has the power of origination of revenue measures. The House of Lords and the Senate have both similarities and differences: the are hereditary largely. Lords while the members of the Senate were originally chosen by state legislatures and still have fixed terms: each body is the smaller of the two; the Lords had more court functions, while the Senate has more to do with appointments in the executive branch. One court function of Parliament is preserved for Congress in the power of impeachment, another in the investigative powers.

Much of the English legal system was established in the American colonies and some of it continued after the break. The most basic principle of justice, which the British had long labored to establish, was government by law. It is frequently described as a government of laws rather than of men. The fundamental requirement for this to prevail is that men be tried by standing laws, that they lose life, liberty, or property only after having been convicted of violating some law which was on the books preceding the committing of the act.

A variety of procedures in English law supported this principle. The underlying one was the right to a writ of habeas corpus, the right of a person being held to demand that he be charged with violating some law or be released. As one historian notes, "Meant to serve as an effective check on arbitrary power, the writ was clearly established by Parliament in the late seventeenth century as a means of releasing a person unlawfully imprisoned." 10

Independent Judiciary

Another English principle which influenced Americans was that of having an independent judiciary. This principle was fairly well established before the end of the seventeenth century. The main threat to the independence of the

¹⁰ Robert A. Rutland, The Birth of the Bill of Rights (New York: Collier Books, 1962), p. 15.

judiciary had been the monarch. who had from time immemorial tried to use the courts as extensions and instruments of himself. The way to do this was through the power of appointment and dismissal. Several of the Stuart kings were notorious for subduing the courts by these devices. Following the Glorious Revolution (1688-89), monarchs could longer dismiss judges, and in the course of the eighteenth century kings abandoned the practice of appointing new judges upon their accession to the throne. England had an independent judiciary: judges could serve during good behavior, subject to dismissal only by both houses of Parliament.

Grounded in Common Law

The cornerstone of English law was the common law. The common law had taken shape during the Middle Ages as a result of decisions of the king's courts who sought to find the common elements in the diverse customs and practices among the English people. It arose as an edifice from judicial decisions over many centuries and was a depository of legal experience for a people. Undoubtedly, the common law was, and is, a mixed bag; one can find somewhere in it rulings along almost any line sought. It is ordinarily seen as having much more consistency than that, however, because in any given era the rulings fall into a pattern. It is profoundly conservative, for the law is resistant to change: courts are ordinarily considered to be bound by precedents, and legislative enactments are usually only frivolously suggestive and tentative beside it. By the time the judges have brought a legislative act within the confines of existing law, any radical character which the act might have had originally will usually have been lost. The common law is the main device by which the courts counterbalance legislatures in the English system. Among the protections of individuals under the common law, were the following, according to one account: "due process of law, habeas corpus, and an admonition 'that no man ought to be imprisoned, but for some certain cause. . . .' The common law also offered accused persons the expectation that they would readily be 'tried in the county where the fact is committed.' Double jeopardy for the accused was forbidden. . . ."11

Trial by Jury

Trial by jury was common practice in England long before Europeans became aware of the Americas. Courts are, after all, instru-

¹¹ *Ibid.*, pp. 19-20.

ments of government, judges frequently appointed by the executive power. Juries, by contrast, are made up of private citizens, people in like condition to whoever is being tried in that they are of the ruled. They are charged with determination of the facts, but these must ever be viewed in the light of the penalty to be assessed if the person is found guilty. The jury may also have most directly in mind the future peace of the community. Hence, trial by jury was venerated both by the English and their American descendants.

The English heritage, then, was a rich one. Many had left England to come to America for one reason or another. Yet, their coming they would rarely construe as a repudiation of their heritage. Those things that drove them from England could be and usually were

thought of as aberrations from the traditions. The Church of England was a corruption of original Christianity; therefore, it needed to be purified. The tyrannies of monarchs were violations of the constitution. In this view, the colonists were frequently joined by a numerous body of the English people and could find their ideas substantiated by British thinkers.

Of course, the Americans made innovations in the English heritage. They grew away from the English system in many ways and, at the least, became devoted to their interpretation of it. What they chose to preserve of it was that attenuation of it that prevailed in America, that which had become a part of themselves out of long experience. It is time now to examine that experience.

Next: The Colonial Religious Experience

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HOWARD CALLAWAY

DURING the past several years there has arisen in this country a great deal of discontent and a dreary pessimism concerning the prospects for happier times. The most persistent explanation is that the government, "the system," has failed to meet the needs and aspirations of various large groups of people. And this is exactly what has happened. To admit the fact, however, is not to justify the fulfillment of such "needs" and desires.

For a long time, an undisputed article of faith widely held in this nation is that government can and must see to the needs of the people. Among those who recognize that government is incapable of such a task, it should come as no surprise that the result of endless promises would be frustration and

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discontent. If people are told and come to believe that they have a right to the unearned, a right to "personal fulfillment," which then fails to materialize, small wonder that they become frustrated and sullen.

There is, however, another source of the discontent and pessimism so prevalent today. Expectations inflated out of all proportions have lead to frustration, and this frustration has been increasingly focused upon the political system in a demand for fundamental changes. The welfare state alone is not enough, they believe; thus, a more radical reorganization of society will be required before various important goals can be achieved. Their demands for change in this direction have been resisted to some extent, which is the second source of discontent I mentioned. The advocates of collectivism are attempting to change the "system" through various political means.

My point is that political means — ranging from party politics to mass rallies — cannot effectively bring about a reorganization of society. The people of this country are by no means of one mind in regard to the changes which the collectivist would like to see; so the problem is to change the minds of those who disagree. Such an objective, I think, cannot be accom-

plished by political methods. It is possible, of course, to silence disagreement and to intimidate active resistance by political techniques, but it cannot be done effectively in a society with relative freedom, where civil liberties persist.

Political means, involving the use or threat of force and the attempt to gain "power" or the legal right to use such force against others, will not change anyone's thinking. Thus, political techniques bring about further frustration when the objectives are fundamental intellectual and cultural changes.

Where the rights of the individual are neither recognized nor respected, politics is simply formalized and legalized plunder. As Chairman Mao tells us, "political power proceeds from the barrel of a gun." This is the necessary result of ignoring man's nature, of ignoring man's rights. In a similar way, the attempt to change society through political means, or through the use of force, whatever it might be called or in whatever form, is also an attempt to ignore man's nature. Man is the rational animal and all those creations which are specifically human are the product of the human mind. To be rational means to follow the evidence available and according to the dictates of logic.

Thus, the attempt to force a change in society treats those who must be coerced as less than human, as irrational beings.

Through Voluntary Agreements

The creation of civilization, of a rationally ordered society, is one of mankind's greatest achievements. Insofar as it has been achieved, it has been done through voluntary agreements among rational men. The great efficiency of capitalism springs from the fact that under such a system men are free to use their energies productively and to voluntarily associate with other men to create a freely chosen and dynamic order. The overt structure of civilization reflects this order in the form of those institutions within which men agree to cooperate. Obviously then, a free society, a human society, cannot be created through the methods of politics, for there is a definite relationship between ends and means.

In view of the nature of a free society, those who advocate such a society must recognize that the methods for bringing it about must necessarily differ from political methods developed and used by the advocates of collectivism.

The greatest strength of a relatively free society lies in the free and voluntary institutions which constitute its overt form. Free so-

cieties are weakened by disorder and disruption in the same way and for the same reasons that the economy is weakened by any sort of intervention. Collectivism, on the other hand, breeds on the decay of civilized, ordered institutions. This is why power blocs, mass uprisings, demagoguery, and vicious rhetoric are such fit weapons for the establishment of any form of collectivism.

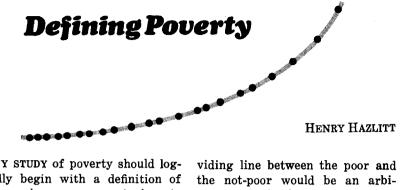
Progress Toward Freedom Builds on the Voluntary Order

The path toward freedom is entirely different. Those who advocate freedom must attempt to build upon the voluntary order of society rather than to weaken or destroy it. One must act in accord with man's nature as a rational being if anything human is to be accomplished. Claiming a right to defend oneself against looters is one thing. To think that physical force, whether openly or covertly employed, can create an atmosphere conducive to a free society is quite another thing. The most efficient and practical way to improve society is wide open to the serious student with a dedication to liberty. There can be no good society until there are good men. and the improvement of men is manifestly an intellectual project.

There are always those who call for "direct action," and "do it

now." This can mean anything from getting involved in party politics to fomenting revolution. However, this urge springs from a basic misunderstanding of man and his potential. This urge ignores man's intellectual nature. the ability of individuals and of men in general to improve themselves through the use of their minds. Freedom can only be preserved or extended if it becomes a vital issue which will engage the best minds in every field of endeavor. It is no accident that the concept of property rights has fallen into disrepute at a time when the term "intellectual" has come to be used as a synonym for "socialist." To understand the philosophical case for freedom is not merely a first step in a long march: such understanding supplies the cultural underpinnings of society, and it is the entire battle.

To change a society, requires a change in the way people think. People may choose freedom, but this will not happen unless they come to see its value, see why they should abandon the philosophies and ideologies of collectivism. Armies of destruction may move on their bellies and political movements on the strength of numbers; but man, insofar as he is human, is moved by the power of ideas.



ANY STUDY of poverty should logically begin with a definition of the problem we are trying to solve. Precisely what is poverty?

Of the thousands of books and articles on the subject that have appeared over the last two centuries, it is astonishing how few have troubled to ask this question. Their writers have taken it for granted that both they and their readers knew precisely what was being discussed. Yet popularly the term is very vague. It is nearly always employed in a relative rather than an absolute sense. In Victorian England it became the fashion for some politicians to say that "the Rich and the Poor form Two Nations." But as every family's income, if arranged on a scale according to its dollar amount. would probably form a dot on a continuous smooth curve, the dividing line between the poor and the not-poor would be an arbitrary one. Is the poorer half of the population anywhere to be called the Poor, and the richer half the Rich?

The discussion today is conducted dominantly in these comparative terms. Our reformers are constantly telling us that we must improve the condition of the lowest fifth or the lowest third of the population. This way of discussing the subject was made fashionable by President Franklin D. Roosevelt in his Second Inaugural address in January, 1937: "I see one-third of a nation ill-housed, ill-clad, ill-nourished." (The objective standards on which this statement was based were never specified.)

It is obvious, however, that all merely relative definitions of poverty make the problem insoluble. If we were to double the real income of everybody, or triple it, there would still be a lowest third.

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a lowest fifth, or a lowest tenth. Comparative definitions lead us, in fact, into endless difficulties. If poverty means having less than one wants, nearly all of us are poor. If poverty means being worse off than somebody else, then all but one of us is poor. An enormous number of us are, in fact, subjectively deprived. As one writer on poverty succinctly put it nearly sixty years ago: "It is part of man's nature never to be satisfied as long as he sees other people better off than himself."

Attempt at Definition

A discussion of the role that envy plays in economic and all human affairs can be deferred to another place. In any case we are driven to try to find an absolute or objective definition of poverty. This turns out to be more difficult than it might at first seem. Suppose we say that a man is in poverty when he has less than enough income, or less than enough in nutrition (and shelter and clothing), to maintain himself in normal health and strength. We soon find that the objective determination of this amount is by no means simple.

Let us turn to some of the recent "official" definitions in the United States. In January, 1964,

when President Johnson was launching his "war on poverty," the annual report of the Council of Economic Advisers contained a long section on the problem. This offered not one but several definitions of poverty. One was relative: "One fifth of our families and nearly one-fifth of our total population are poor." A second was at least partly subjective: "By the poor we mean those who are not now maintaining a decent standard of living - those whose basic needs exceed their means to satisfy them." Each of us might have his own conception of a "decent" standard, and every family might have its own ideas of its "needs." A third definition was: "Poverty is the inability to satisfy minimum needs."

The Council of Economic Advisers, basing its estimates on "low-cost" food budgets compiled by the Social Security Administration, decided that the poverty "boundary line" was established by "a family whose annual money income from all sources was \$3.000 (before taxes and expressed in 1962 prices)." Yet, on the very next page the Council report declared that in 1962 "5.4 million families, containing more than 17 million persons, had total incomes below \$2,000." How could these 17 million persons exist and survive if they had so much less than

¹ Hartley Withers, Poverty and Waste (1914), p. 4.

enough "to satisfy minimum needs"?

In a 50-page study published in 1965.2 Rose D. Friedman subjected these Council estimates to a thorough analysis. Using precisely the same data and the same concept of "nutritive adequacy" as the Council, she found that the dividing line between the poor and the notpoor would be not \$3,000, but a figure around \$2,200 as the relevant income for a nonfarm family of four. Where the Council on the basis of its figure estimated that 20 per cent of all American families in 1962 were poor, Mrs. Friedman found that on her adjusted calculation only about 10 per cent were poor.

I must refer the interested reader to the full text of her study for the details of her excellent analysis, but two of her disclosures will be enough to illustrate the carelessness of the Council's own estimates.

One astonishing error by the Council was to use its \$3,000 a year estimate as the "poverty boundary" for all families of any size. Mrs. Friedman's estimates ranged from \$1,295 for 2-person households, to \$2,195 for 4-person households, to \$3,155 for households of seven persons or more.

(The official "poverty line" estimates now also specify a similar range of differences for families of different sizes.)

A second error of the Council was equally astonishing. Based on a previous official estimate that a poor family of four needed about \$1,000 a year in 1962 for adequate nutrition, the Council multiplied this amount arbitrarily by three to get what the family needed for all purposes. But it is notorious that pooorer families spend a larger proportion of their income on food than do richer families. Mrs. Friedman found that this multiple of three was much higher than the level at which three-fourths of the families concerned did get along on and still get an adequate diet. She found that the amount actually spent for food, on the average, by a family of four with an income of \$2,200 was about \$1,250 a year. In other words, the fraction of income spent on food at this level was about 60 per cent and not 33 per cent. Yet the official "poverty line" estimates, at this writing, are still kept unrealistically high by continuing to be implicitly based on this arbitrary multiple of three times adequate diet costs.

One of the great problems involved in arriving at any objective standard of poverty is the constantly changing concept of what

² Poverty: Definition and Perspective. American Enterprise Institute, Washington, D.C.

constitutes "adequate" nutrition. This was once measured in calories. As time has gone on, and scientific research has continued. it has been insisted that adequacy also requires certain amounts of protein, calcium, iron, Vitamin A, thiamine, riboflavin, niacin, ascorbic acid, etc. The newest insistence has been on the need for a multitude of amino acids. Recently a nutrition survey done at Pennsylvania State College concluded that "only one person in a thousand escapes malnutrition!"3 On this basis even affluence is no assurance of nutritional adequacy.

Yet compare this scientific ideal not only with the historic situation before the present century. when getting enough to eat was the major problem of the great majority of the populace of the world, but with the conditions that still prevail among that majority. Compared with a supposed subsistence minimum of 3,500 calories, half the people of the world today still get less than 2,250 calories per day, and live on a diet primarily of cereal in the form of millet, wheat, or rice. Another 20 per cent get less than 2.750 calories per person per day. Only the well-to-do three-tenths of the human race today get more than 2,750 calories as well as a varied diet which provides the calories that not only satisfy hunger but also maintain health.

Official estimates of "povertythreshold" income by Federal bureaus are still unrealistically high. I quote from a recent official bulletin:

"The decade of the sixties has witnessed a sizable reduction in the number of persons living in poverty. Since 1959, the first year for which data on poverty are available, there has been an average annual decline of 4.9 per cent in the number of poor persons. However, between 1969 and 1970. the number of poor persons increased by about 1.2 million, or 5.1 per cent. This is the first time that there has been a significant increase in the poverty population. In 1970, about 25.5 million persons, or 13 per cent of the population, were below the poverty level, according to the results of the Current Population Survey conducted in March, 1971 by the Bureau of the Census."

Yet though the estimate of the poor was then only 13 per cent of the population compared with about 20 per cent in 1962, the government statisticians were still using their old high estimate for

³ Foundation for Nutrition and Stress Research. Redwood City, Calif. Bulletin No. 1, July, 1968.

⁴ Rose D. Friedman. op. cit., and M. K. Bennett. The World's Food (New York: Harper & Bros., 1954).

1962 - and writing up the dollar amount year by year to correspond with increases in the Consumer Price Index. The same bulletin quoted above informs us: "The poverty threshold for a nonfarm family of four was \$3,968 in 1970 and \$2,973 in 1959.5 If Mrs. Friedman's more careful calculations had been used, the "poverty threshold" for a nonfarm family of four would have been closer to \$2,900 than to \$3,968 in 1970 and the percentage of "the poor" would have been closer to 7 per cent than to 12.6. In fact, an earlier bulletin of the Bureau of the Census,6 which had estimated that "about 1 out of 10 families were poor in 1969, compared with about 1 out of 5 in 1959," informs us that if the Bureau's various "poverty thresholds" for families of different sizes were decreased to 75 per cent of its existing estimates (i.e., to approximately the levels suggested by Mrs. Friedman's calculations), then "the number of poor persons would drop by 40 per cent in 1969, and the poverty rate for persons would drop from 12 per cent to 7 per cent."

It is clear from all this that government bureaucrats can make the numbers and percentage of "the poor," and hence the dimensions of the problem of poverty, almost whatever they wish, simply by shifting the definition.

Changing the Answer

And some of our American bureaucrats have been doing just that. On December 20, 1970, for example, the Bureau of Labor Statistics announced that, as of the spring of that year, it took a gross income of \$12,134 to maintain a family of four on a "moderate" standard of living in the New York northeastern New Jersey area. The implication was that any family of four with a smaller income than that was less than "moderately" well off and presumably the taxpayers should be forced to do something about it.

Yet the *median* income of a typical American family⁷ was estimated by the Bureau of the Census to be only \$9,433 in 1969. This means that half of the number of American families were receiving less than that. Clearly a good deal less than half of American families were lucky enough to be re-

⁵ May 7, 1971, U. S. Department of Commerce, Bureau of the Census. Consumer Income, Series P-60, No. 77.

⁶ Series P-60, No. 76, December 16, 1970.

⁷ Not necessarily a family of four. The term "family" as used by the Bureau for this calculation "refers to a group of two or more persons related by blood, marriage, or adoption and residing together; all such persons are considered members of the same family." Economic Report of the President, February, 1971, Table C-20, p. 220.

ceiving the "moderate" income of \$12,134.

Most of those who try to frame a definition of poverty no doubt have in mind some practical purpose to be served by such a definition. The purpose of the Federal bureaucracy is to suggest that any income below its definition constitutes a problem requiring government relief, presumably by taxing the families who earn higher incomes to supplement or subsidize the lower. If the present official U. S. definitions of poverty were applied to a country like India, we would have to label as poverty. stricken the overwhelming majority of its population. But we do not have to go to India for such an example. If we go back only a little more than forty years ago in our own country, we find that in the so-called prosperous year 1929, more than half of the people in the United States would have been labeled "poor" if the "poverty-threshold" income since developed by the Council of Economic Advisers had then been applied. (This is based on statistical comparisons that fully allow for the changes in the price level in the meantime.)8

Let us look at one more example of the consequences of establishing an excessive or merely relative definition of poverty:

"The term poverty may connote hunger, but this is not what is usually meant in discussions about poverty in America, Consider, for example, the facilities available to the poor. Tunica County, Mississippi, is the poorest county in our poorest state. About eight out of every ten families in this county had incomes under \$3,000 in 1960 [i.e., under the official "poverty-threshold" level] and most of them were poor by national standards; yet 52 per cent owned television sets, 46 per cent owned automobiles, and 37 per cent owned washing machines. These families might have been deprived of hope and poor in spirit, but their material possessions, though low by American standards, would be the envy of the majority of mankind today.9

Preserving the Incentive

To sum up: It is difficult, and perhaps impossible, to frame a completely objective definition of poverty. Our conception of poverty necessarily involves a value-judgment. People in different ages, in different countries, in different

⁸ Source: Jeanette M. Fitzwilliams, "Size Distribution of Income in 1962," Survey of Current Business, April, 1963, Table 3; Herman P. Miller, Rich Man-Poor Man, (New American Library, 1964), p. 47.

⁹ Herman P. Miller, Rich Man, Poor Man (New York: Thomas Y. Crowell Co. 1971), pp. 110-111.

personal circumstances, will have different ideas of what constitutes poverty, depending on the range of conditions to which they themselves are accustomed. But while the conception of poverty will necessarily be to some extent relative and even individual, we should make every effort to keep it as objective as we can. Otherwise if, for example, our national income in real terms continues to rise as much in the next forty years as in the past forty years, our social reformers will tend to raise correspondingly their standard of what constitutes "poverty." And if this happens, the paradoxical result will be that the problem of poverty will seem to them to be getting larger all the time when it is really getting smaller all the time.

One writer has seriously suggested that we "define as poor any family with an income less than one-half that of the median family." But on this definition, if the income of all groups increased more or less proportionately, as in the past, and by no matter what rate or what multiple, the percent-

age of "the poor" would never go down, while the implied absolute amount of relief required would keep soaring.

Our definition obviously should not be such as to make our problem perpetual and insoluble. We must avoid any definition that implies the need of a level of help or any method of help that would tempt the recipient to become permanently dependent on it, and undermine his incentives to selfsupport. This is likely to happen whenever we offer an able-bodied adult in charity or relief more than or even as much as he could earn by working. What he needs is a level of subsistence sufficient to maintain reasonable health and strength. This subsistence level must constitute our working definition of the poverty line. Any relief program that tries to provide more than this for idle ablebodied adults will in the end do more harm than good to the whole community.

Nictor Fuchs, "Toward a Theory of Poverty," in U.S. Chamber of Commerce, The Concept of Poverty, Washington, D. C., 1965, p. 74.

CRIME in America

DAVID WALTER



IT IS with considerable dismay that one notes the increasing incidence of criminal activities in the United States. After all, do not people living in the United States have the highest standard of living in the world and the most opportunity for advancement—thanks to the operation of the free enterprise system? Why, then, the increase in crime?

Many persons believe that fear of punishment has a direct effect on the rate of crime, and that leniency tends to encourage more crime; whereas others argue that harsh treatment by police or judges may drive the criminal to more brutal crimes in a desire to "get even" or "strike back at the oppressors."

Still others contend that crime

Mr. Walter is a Cost Accountant in Philadelphia and editor of Society for Individual Liberty News. is committed by those "kept poor by the system" and that welfare, not punishment, will stem the causes of crime. However, the record suggests to me that bribery or blackmail payments in the form of urban renewal, government handouts, and poverty programs unwittingly promote and become the justification for the commission of crimes. So, I believe we must examine further the basic causes of crime before prescribing more punishment as a solution.

The American tradition has been for the people to delegate to government the responsibility to combat crime through its police and judicial arms. Citizens supporting these government functions want a society of individuals content to leave their neighbors in peace. Police and courts are supposed to deal effectively with those few individuals who seek to obtain

possessions from others by initiating force and denying rights of ownership.

Government Unbounded

If one is to understand the failure of government to check the crime wave, one must first recognize that government has taken to itself or been urged to assume many additional functions which are difficult to distinguish from outright criminal activity. Government, on all levels, is infringing upon the rights of individuals and taking their property by force. Government is increasingly seeking to control, without permission, those businessmen, entrepreneurs, and hard-working individuals who provide our high standard of living through the free market. If these same interventions were visited upon citizens by private persons, the actions would be clearly identified as crimes. But government, by "legalized" methods, now manages to deprive citizens of some 43 per cent of their own earnings. And many persons condone this system; they see the similarity of actions, but feel that coercion for "the right reasons" (to benefit the collective) is permissible while similar action for personal gain is not.

Those who believe in individual rights and the efficacy of the free market should understand why and how the government plunderbund encourages crime. The increasing attacks on private property - by criminals, governments, politicians, activist ministers. welfarists. students. philosophers — indicate that spect for private property has been replaced or has diminished as a moral value among responsible people. This change in the basic attitude toward private property (which may be defined as the individual's life and all those things one has acquired to sustain it through voluntary transactions) explains the rise in crime. Otherwise, if more and more people were accepting the ideal of private property, surely the remaining criminals could not step up their activities sufficiently to raise the over-all level of crime.

The Looter Philosophy

Any society will have its principles reflected in its government, its mores, and its problems. It is not surprising to note an increase in crime in conjunction with an increased acceptance of collectivist principles of human action. For the widespread and popular acceptance of a looter philosophy is bound to bring forth a rash of looters.

Unfortunately for believers in liberty, many of the policies of government in the United States, as in other countries today, are based on the superiority of the group over the individual. We are told that the group (or the "public interest") demands subordination of individuals to the collective will. One might ask where these powers originate, since no individual holds such rights over another. But licensed philosophers of the new faith stand ready to answer that such powers spring like a will-o'-the-wisp from a sufficient grouping of individuals.

Government, under the collectivist philosophy, consists allegedly of the people who have superior insight into the everyday needs of the typical citizen. They decide how to distribute the nation's total output of goods among the masses for the common good. In America, this idea has been most dominant since the New Deal era, though it has governed to some extent every society previously known. Sorrowfully, today's debate concerns only how much to take, at what time, and for what purpose. Whether it is right and proper to take anything at all seems no longer to be questioned. A whole new generation has learned to turn these notions for their own benefit. Labor unions, pressure groups, looter groups such as the Welfare "Rights" Organization, political parties, and even business organizations and industrial concerns are all engaged in organized, sophisticated taking of other peoples' property. All this has come to be more or less accepted as part of the current political process.

Instant Justice

Nor are people entirely content to play according to the political rules. Why, they ask, should they wait for some greedy bureaucrat to get around to giving them the money "everyone" recognizes as having no rightful owner? Buffeted by government restrictions. or recipients of a poor public education, or unskilled and out of work due to minimum wage laws. or kept in a ghetto by urban renewal and building codes, these people decide to take "what is theirs by right" (or, at the very least, belongs to no one except he who can take it and hold it). So, cutting out the middleman, the thugs take to roaming the streets in search of loot and victims. They read about graft in public construction, war and pillage, inflation, labor union violence, and advice from the thought leaders about redistributing the wealth. Absorbing the society's predilections for violation of private property rights, they decide not to wait their turn in the political process because they have been waiting too long already.

Can the student who, in the

morning, devotes his free period to working for a group which urges the workers to seize the factories complain when, in the evening, he is mugged as he leaves the campus? Can the labor union leader or the tariff advocate or the trust buster or the Presidential aspirant deny to criminals the "rights" they themselves demand to the livelihood of others? In a word, no. To be consistent with their own preachings, those who advocate to any degree a collectivist program have no right to complain about criminals trampling the rights of individuals. If they wonder why there are gangs roaming the streets, let them realize that those gangs are only doing what the collectivists piously demanded. The hoodlums do not wear dinner jackets nor do they speak from the podiums of great universities; they do not observe the niceties of "proper" political procedure or claim divine inspiration; they do not ask for the sanction of their victim; and they look upon politicians as fools who preach human liberty while doing everything in their power to enforce conformity and obedience to the welfare state.

Order, stability, and civilization (prerequisites of the free market) require far more than punishment, bribery, and blackmail in an attempt to gain good behavior. It is up to those who believe in private property and individual liberty to set an example for others by living what they preach. Each of us must root out from his own behavior those actions which run counter to voluntary trade among men. We must forswear any attempt to force others to our will. And, if we succeed with applying consistent principles of morality to our own lives, then perhaps others will be inspired to do likewise. Crime will decrease only to the extent that individuals begin to accept the principles of the free society where each man lives his life as he wishes, trades voluntarily with whom he pleases, and respects the right of other men to do the same.

A Risk Worth Taking

IDEAS ON



THE LIBERTY of going wrong is the seamy side of the priceless privilege of going right by free choice rather than by compulsion.

WILLIAM ERNEST HOCKING, The Coming World Civilization

WHAT ABOUT ?

PAUL L. POIROT

To outlaw sin or to tax it, that seems to be the question. But the answer depends on one's definition of sin and his understanding of the nature and purpose of government. There are among honorable men vast differences of opinion as to what constitutes sin and what government can and should do about such things.

It seems reasonably clear and undebatable that what government can do about anything is to apply force, even if men may disagree as to whether a particular application of force is aggressive, or defensive, or of some other kind. In the final analysis, government is force.

From one point of view, the question is settled then and there: any resort to force is sinful by this view, and among the greatest of sins is a reliance on government

for any purpose whatsoever; so, there should be no governmental agency to either outlaw sin or tax it. That's well and good for the saintly who have the character and courage absolutely to resist not evil—to turn the other cheek whatever the provocation. But it only confuses the issue and aggravates the problem for those who believe that force can and should be used in defense of life and property—to say nothing of those who would apply coercion for any other purposes they deem worthy.

For instance, I believe that the most practicable and desirable form of society is one that maximizes personal freedom of choice and minimizes violence among men. That is, I believe in a free market to facilitate voluntary association and trade. But I also believe that the optimum release of

creative human energy—through voluntary association and trade—requires a framework of organized force or police power, a government of strictly limited scope and purpose to minimize violence among men, protecting the life and property of everyone who comes to trade in peace, permitting no person or group to block any peaceful trader from the market. Such a faith in a market economy is said by some to be a sin, and they would outlaw competition, or tax it, or both.

If faith in competition be a sin, surely it must be less deadly than mayhem and murder, lying, cheating, stealing, corrupting the lives and polluting or destroying the property of others. But the ranging of "sins" in order of their seriousness raises the interesting question of how or where to rank the love of money, the sin of pride, drinking, smoking, drug use, obesity, dancing, gambling, and an endless host of other questionable practices.

Are Innocent Persons Injured?

One approach to this problem of identifying sin and how to cope with it is to determine if the alleged sin does injury to the life or property of an innocent person behaving peacefully and self-responsibly. If so, should he not have full recourse under the law to re-

cover damages sustained and to prevent further injurious action to himself and his property? And there probably should be governmental provisions for dealing with cases of child abuse, corruption of minors, and similar injurious actions against those considered to be incapable of caring for themselves — too immature or irresponsible to vote.

Respect for human life and belief in the dignity of the individual are by no means so universal and unanimous in the United States today as to preclude further debate. Note the sincere and vigorous differences of opinion on the matter of abortion, for instance, or on the methods involved in waging war in Vietnam. Yet, there would seem to be an overwhelming against murder and consensus other deliberate or careless acts of violence against the lives of innocent peaceful persons. Is there any reasonable doubt that killing and maining others, deliberately or negligently and without due cause and provocation, is a punishable offense against man and society? Is there any reasonable objection to outlawing such antisocial actions and employing the full force of government to prevent and discourage such activities by individuals or groups against the lives of peaceful citizens?

It would seem equally proper to

prevent and discourage acts of aggression against the property of any peaceful person. Yet, there is by no means the degree of unanimity of understanding and respect for private property in the United States as generally prevails in regard to human life. Considerably more educational effort is needed before it becomes universally clear that a man's honestly and peacefully acquired property is due the same respect from others as is his life itself: his property is but an extension of his life, his to use as he chooses so long as he chooses not to use it to the deliberate or negligent injury of other peaceful persons.

Which Attitude Toward Property?

The attitude toward private property may well be the key to the great puzzle over sin and what the government ought to do about it. If a man's property is viewed as something gained by injuring others, then it must seem just to retrieve it from the present owner (obviously, the rich) and redistribute it among those presumed to have been injured (obviously, the poor). But if one looks upon John Doe's property as that which others have freely given him, as outright gifts or for services rendered to them, the seizure and redistribution such property ofwould seem to be saying that services ought not be rendered according to the wishes of the customers, that no one should be free to own or buy or sell what he chooses. And the question boils down to this: Which attitude toward private property really reflects a respect for the life and dignity of the individual?

The logical answer would seem to call for the mutual respect and the common defense of private property. acquired through as peaceful productive effort and voluntary exchange. To shorten or diminish a man's life by stealing some or all of his property would seem to be the same kind of sin as maiming or killing him. But this, of course, is not the attitude or answer of those who advocate and condone the socialistic practice of taxing the rich for redistribution among the poor. It is the accumulation of property - saving really - that seems sinful to them: and the children of grace would be the deserving poor, no matter how well-deserved their poverty.

The Sin of Ignorance

We have been discussing actions injurious to the lives or property of innocent, peaceful persons, arguing that it is an appropriate function of government to protect the innocent and to prevent such criminal acts. But what about those sins of self-abuse that do not

threaten or harm any innocent and peaceful person — drinking, smoking, gambling, and so on? What should government do about that kind of sin?

"That kind of sin" really boils down to the sin of ignorance - not knowing or caring that there are better ways to use one's faculties and other private property. And in the United States a decision was made a long time ago as to what the government ought to do about ignorance: compulsory education! Outlaw ignorance, and tax everypay for government body to schooling! Had there been early decision for compulsory education, one can imagine the problems that might otherwise have arisen to confront today's citizenry: widespread drinking, smoking, gambling. pornography. sexual promiscuity and perversion, irresponsible proliferation among the poor, slum conditions, looting and rioting, trespassing and destruction of property, disrespect for law, old people unable to care for themselves, masses of able-bodied men and women reduced to beggary, children roaming the streets dressed in rags and carrying guns and knives, moral and spiritual and intellectual and physical degradation on every hand, not to

mention the waste and pollution of other scarce resources.

The harsh fact is that we have had an all-out government campaign against ignorance - and we do have all these other conditions. too - in the United States America, in 1971, And the sober conclusion can no longer be escaped: perhaps the worst of the sins of ignorance is the belief that ignorance can and should be outlawed, that people can be forced to behave as if they were wise. If one finds his own ignorance intolerable, then he has already taken the first essential step toward correction. To the extent that he succeeds with his own problem, he will learn to tolerate what he had presumed to be ignorance others, leaving to them the sweet and the bitter consequences of their own actions and the full responsibility for their own conduct.

Unless one is prepared to tolerate the ignorance of the poor—or the rich—and leave them to their just rewards, he can have no logical complaint against those who would seize his property for their own "better" purpose. As for the sins of ignorance, it is important not to outlaw them and not to tax them. But most important of all is not to subsidize them.



RESTRICTIONS ON WHY INTERNATIONAL DO THEY TRADE PERSIST??????

A businessman is always under the necessity of adjusting the conduct of his business to the institutional conditions of his country. In the long run he is, in his capacity as entrepreneur and capitalist, neither favored nor injured by tariffs or the absence of tariffs.

LUDWIG VON MISES, Human Action

IF THERE is one point of fairly general agreement among economists throughout the world and throughout time, it is that trade should remain free from all sorts of governmental restrictions and interventions. It would seem unnecessary to repeat over and over why the material welfare of individuals is enhanced through the division of labor and freedom to trade.

But restrictions still exist! Tariffs and other barriers to trade seem to move through cycles, relaxed at times, and then reapplied.

Dr. Curtiss is Executive Secretary of the Foundation for Economic Education. This essay is from the "Mises 90th Birthday Collection," copyright by The Institute for Humane Studies.

Why, in the face of reasoned arguments by leading intellectuals, do restrictions to trade have such an appeal to lawmakers? In other words, who is it and what is it that moves the lawmakers to take such action?

The cry for protection comes in many voices. A glove manufacturer resents finding imported gloves in the market. It is natural for any firm to take any legal steps available to sustain profits and remain in business. If a way can be found to eliminate this foreign competition, perhaps convince the government to raise some sort of barrier to the foreign gloves—a tariff, or a quota, or an embargo

- then the glovemaker might be able to continue in business, competing with domestic firms as always, but avoiding the foreign competitor.

The glove industry may maintain a lobby in Washington to try to convince the lawmakers that unless protection is provided, thousands of jobs will be lost, unemployment will rise, and companies will go bankrupt. And it may all be true! At least it often is convincing enough to the lawmakers.

What happened to the logical argument of the economists who said protection hurts the consumer? Well, the argument stands, but the consumer's voice is faint. What if it does cost a few pennies more to buy a pair of gloves? Compared with the loss of a job or a failing company, this is nothing! Or so it seems to those seeking protection.

We Accept Domestic Competition

Now, suppose a domestic firm is in financial trouble, in no way caused by imports. Does it send a lobby to Washington and ask for help? Not ordinarily. In domestic trade, we accept the idea that a firm must compete without special favors. True enough, companies do fail; men do lose their jobs; but the consumer is not penalized by interventions that reduce produc-

tion and make things cost more.

If the failure of the Edsel automobile had been because of foreign competition, it might have been argued that a tariff on imports would have saved the car and preserved thousands of jobs. Had the maker been a one-product firm, it might have been saved from bankruptcy. But, no; it was a domestic firm that misjudged consumer acceptance of a product; and that was that! The Edsel is reported to have cost the Ford Motor Company \$250 million.

A more recent example is that of *Corfam* which the du Pont Company developed to compete with natural leather for footwear. After seven years and a reported \$100 million, du Pont discontinued production of *Corfam*.

Only the size of these write-offs makes these two items news-worthy. Thousands of new products are tried each year, and there are many failures. Unless a company has other profitable items which will carry such losses, the company may fail, as many do.

The testing of consumer preferences goes on constantly. Ordinarily, we wouldn't think of asking the government to prevent the failure of a given product. We accept such failure as one of the regulatory aspects of competition and the market. But let the competition be from a foreign country,

even though it benefit consumers the same as domestic competition, and there arises a clamor to erect some sort of barrier to save jobs, or to save firms, or to build a fence around our high standard of living, or whatever.

Politics of International Trade

The justifications for tariffs and other forms of protection include the arguments that they keep our wages high, prevent unemployment, protect infant industries, help with national defense, prohibit trade with the enemy, discourage dumping, and so on.

Trade barriers or threats of trade barriers are often used in the formulation of foreign policy. "We will reduce our restrictions if you will do likewise." Or: "Let us reduce our restrictions against underdeveloped countries so that they can benefit from sales to us." Or: "Let us stop buying chrome from an African nation whose internal policies we do not approve." Among the reasons for trade restrictions must be included foreign policy. Or, as one author recently stated, "trade policy in the United States is a political matter."

But of all the pressures upon the members of Congress and the Executive to enact trade restrictions, few are greater than those exerted by business firms or associations representing business firms. Individual consumers who have the most to gain through the reduction or elimination of trade barriers, and who have voting power enough to elect or defeat any candidate for office, are practically powerless in comparison with business lobbies.

An as illustration, note the results of recent attempts to cut back certain phases of defense spending. Now, the production of something to be destroyed in combat obviously is worthless so far as contributing to the level of living of a people is concerned. If those workers and resources were used to produce housing, build highways, provide medical care, teaching, plumbing, auto repairs, and the like, then consumers would be that much better off.

But let it be suggested that we shut down our war machine and the protests are deafening. Workers will lose their jobs; companies will fail; the entire economy will suffer.

Granted, there are difficult adjustments to be made. But the fact that a worker is not needed in an airplane factory shouldn't preclude his finding a productive job elsewhere. One sympathizes with a worker in an industry that is being "wound down," especially in a one-industry community. In the recent discussion of continuing re-

search and development of the SST, many in Congress, and many members of the press based their argument chiefly on the fact that thousands of workers would be disemployed and business firms would fail. The same arguments have been used in trying to maintain our outer space program. Such arguments have a strong emotional appeal and carry considerable persuasive force.

Many of the same arguments are used to establish trade restrictions, and with equally disastrous economic consequences.

Five Basic Principles

In discussing foreign trade, it is well to keep in mind certain basic principles:

(1) Trade between two individuals, entered into freely, always results in benefits to both parties. Otherwise, why should they trade? What anyone else may think of their judgment is beside the point. (2) There always is a comparative advantage in producing some products and importing others. Production costs in one nation may be lower than in another nation for every item produced in either nation. But the people of these respective nations may still find it profitable to trade with one another.

It is often thought that only nations like Great Britain or other

maritime nations benefit by trade, simply because there are so many things they do not produce domestically. True, the United States could close its borders to all imports and exports and still there might be a relatively high level of living for its citizens; but not as high as would be possible through trade with foreigners.

(3) Consumption is the sole purpose of production. Adam Smith explained this nearly 200 years ago. Production is to supply consumers' wants. It is not to make jobs, or to keep a business solvent, or to make one nation dependent on another. Naturally, some of these things happen as a by-product of production and trade, but that should not be the objective. (4) Trade ordinarily will be most satisfactory to all concerned when individuals or their agents who have something to trade deal with other individuals or their agents who want the other side of that trade. Governments should be involved as little as possible; first, because they are not concerned, and secondly, because there is always the temptation to use the trade for purposes other than satisfying consumers.

If an individual in this country wanted to trade some of his own property for something offered by a Russian citizen, we would think little about it, knowing that each party to the trade considered he was better off than before. But if government enters one or both sides of such a trade, there is often the suspicion, sometimes justified, that one party is seeking a military or political advantage. (5) Imports require exports. Foreign trade appears complicated because it often takes an indirect or roundabout route through several nations. In addition, monies of several nations with complex exchange rates are usually involved. But it finally boils down to the fact that a nation which imports must export something in exchange.

Many people appear to believe that we might eventually be inundated with imports to the extent that practically all production in this country, all jobs, all business firms, might be wiped out. They fail to see that foreign goods cannot continue to come into this country unless something goes out to pay for them.

The Reciprocity Argument

A popular argument in support of tariffs is that we will reduce our obstacles to trade if other nations will reduce theirs. In other words, we must do it together.

The lack of understanding of international trade and the effect of restrictions is reflected in this press release in *The New York*

Times for March 31, 1971, "The European Economic Community decided today to give generalized trade preferences to developing countries beginning July 1." The implication is: "If you are poor, we will let you sell to us." The truth, of course, is that voluntary exchange, whether the participants be rich or poor, benefits the buyer as well as the seller. Had the "developing country" previously been subject to trade restrictions, then, of course, it would gain from the relaxation of those restrictions. But the increased trade also would be of benefit to the "affluent" buying nation.

When diplomats from different countries discuss the reduction of trade barriers, it almost always has the appearance of a high-level bargaining session. How little can we give up in reducing our restrictions on imports in order to gain some reduction in their restrictions against our exports? It never seems to occur to them that we stand to gain by opening our gates entirely, whatever the other nation does. Certainly our consumers would stand to benefit. But, always of diplomatic concern is the effect on firms and on jobs.

A great deal of consideration is given to "most favored nation" reductions. If we give one nation the "benefit" of our reduction, then all nations are entitled to this

great benefaction. Actually, unilateral action in reducing our restrictions against imports would benefit our consumers, and might end most of the seemingly endless bargaining over reduction by other countries in return.

Who knows? It might soon be discovered that trade policy should not be a political issue but that free trade between citizens of all nations, rich and poor alike, benefits all consumers.

How Can Free Trade Be Achieved?

Politicians, in the legislative as well as the executive branches of government, respond to pressures of various kinds from their constitutents. So long as the pressure for trade restrictions exceeds that for free trade, we can expect restrictions to continue.

Considerable attention just now is directed at textiles, especially the textile trade with Japan. Had such trade been strictly between individuals without the intrusion of governments, many of our present problems would have been avoided. Following World War II, our government made concessions to help rebuild the Japanese economy. It delivered cotton for less than our own textile manufacturers had to pay for it; it practically gave new textile mills to the Japanese. Little wonder that American textile manufacturers resented this unfair competition and sought to restrict imports from Japan. Now, a quarter of a century after the war, while the effects of that kind of "foreign policy" may have worn off, the arguments against Japanese textiles persist and carry weight with legislators.

Over the years, many economic injustices, including misuse of capital and labor, have resulted from trade restrictions. To remove them all at once and go back to free trade is bound to require difficult adjustments on the part of business firms. No wonder they try, in any legal way they can, to protect any remaining shelters or even increase their protection.

Who Speaks for the Consumer?

From the standpoint of a manufacturer, the so-called benefits of protection and disadvantages of free trade are short-run and disappear once adjustments to the changed situation are made. The firm still must compete with other domestic firms as well as with imports, even if over a tariff wall. But it is these short-run adjustments that the legislators hear about – the lavoff of workers, the reduced profits, and even business failures. The longer-run genuine benefits of free trade to consumers arouse little excitement. This is especially true in a country like the United States where imports are a relatively small part of all trade. Who is there to speak for the consumers? The professional protectors seem so interested in auto seat belts, unit pricing, packaging, advertising, truth-in-lending, and ecology that they aren't likely to get to the matter of free trade for some time.

Most families present a combination of consumer and producer interests, interests which may seem to be in conflict with regard to trade restrictions. For example, suppose two members of the family work in the local textile mill. The most important day-to-day problem to the family is making certain that these two mill workers are employed and bring home their weekly pay checks. So, if they are convinced that imported textiles may eliminate their jobs, then they are apt to be protectionists. Attesting to this is a story in a recent Sunday supplement headlined "Twilight of a Textile Town." In this article, it was reported that a mill which had been the town's leading industry for 70 vears went bankrupt and put 844 textile workers out of work. Furthermore, "50 textile plants in the South have shut down since 1969. The Department of Labor has estimated that 27,200 Southern textile workers lost their jobs in 1970 alone."

This is a serious situation, ap-

parently calling for a political solution. What is not so obvious is that even if all imports of textiles were stopped, after a short period of adjustment, domestic firms would find strong competition with each other and marginal firms would continue to face failure.

Adjusting to Change

An illustration of how adjustments can be made to a declining industry is related in the New England Letter for April, 1971, published by The First National Bank of Boston. The study shows how, in the early 1950's, many textile mills were liquidated and a basic weakness was shown in the leather and shoe industries. Some of the textile mills are now among those in trouble in the South, Had the problem been handled with political solutions, no doubt New England textiles could have been "protected" in a way that would have kept the mills going with employment and jobs as usual.

But, instead, New England industry changed, in part, to the manufacture of transportation equipment, electrical equipment, and instruments, to name only three. This new type of manufacturing is more export-oriented and enjoys a better international competitive position. It has the greater "comparative advantage" that economists have been talking

about. It uses higher skills from its workers, and the "value added in manufacturing" is relatively high. Thus, in the long run, the return to labor stands to exceed what it was and what it might have been in the production of textiles, shoes, and leather goods. True, some of the newer types of industry have been closely tied to government defense contracts, and with a recent cutback, unemployment increased. However, a basis for export and for increased production for consumers is there.

Adjustments to changes like these are often difficult and must not be passed off lightly. But such changes in an expanding and progressive economy are always going on. Attempts to stop them with artificial restraints are certain to be more painful than is the process of adjusting.

Man Must Choose Between Freedom and Protectionism

As observed earlier, most economists agree that protectionism is unsound. The consumer is served best by allowing people to trade freely with each other, not only domestically but world wide. But restrictions continue to persist, placed there for political reasons. The incentive to erect barriers to trade is a political response to pressure from individuals, groups

of workers, industrial groups, and others who think they will gain from protective measures such as tariffs, quotas, and the like.

Because the consumer is the disadvantaged party, it may be argued that the solution lies in his education. But as previously shown, the consumer's stake as consumer of a protected product often is much less important to him than his job as a producer of a potentially protected product. Therefore, it seems doubtful that consumers, as a group, can be effective in bringing political pressure on lawmakers to offset the pressure for protection exerted by other groups.

After two centuries and more of expounding the advantages of free trade, it must seem trite to sav that education must be relied upon to bring about a correction of the wrongs caused by protectionism. Nevertheless, there seems to be no short cut. While the consumer, qua consumer, must be included among those educated, it would seem that emphasis should be placed on convincing lawmakers of the advantages of free trade so that they can better withstand the pressures put upon them by their constituents who think they need and deserve protection from competitors.



To Abdicate or Not...

LEONARD E. READ

LIFE is a process of selection and rejection; knowing what to renounce in life and what to embrace are distinguishing marks of a wise man. My theme is Mises and his exemplary achievements in this respect—as much to be noted and honored as the economic enlightenment on which his fame so solidly rests.

Professor Ludwig von Mises arrived in America during 1940. My acquaintance with him began a year or two later when he addressed a luncheon meeting of the Los Angeles Chamber of Commerce of which I was General Manager. That evening he dined at my home with renowned economists, Dr. Benjamin M. Anderson and Professor Thomas Nixon Carver, and several businessmen

such as W. C. Mullendore, all firstrate thinkers in political economy. What I would not give for a recording of that memorable discussion!

The final question was posed at midnight: "Professor Mises, I agree with you that we are headed for troublous times. Now, let us suppose you were the dictator of these United States. What would you do?"

Quick as a flash came the reply, "I would abdicate!" Here we have the renunciation side of wisdom: man knowing he should not lord it over his fellows and rejecting even the thought.

Few among us are wise enough to know how little we know. Ignorance of limitations is to be expected from everyone who does not see beyond himself. The wise man, on the other hand, achieves a measure of self-transcendence:

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he sees beyond himself, even bevond his environment. Knowing far more than the mill run of us. he measures his knowledge against what might be known and confesses to knowing nearly nothing. Such a rare individual weighs his finite knowledge on the scale of infinite truth, and his awareness of his limitations tells him never to lord it over others. Such a person would renounce any position authoritarian rulership ٥f might be proffered or, if accidentally finding himself in such a position, he would abdicate forthwith!

Barriers to Creativity

Really, no one ever rules another. The most that is achieved by a Simon Legree, a Hitler, Stalin, or any of our own little dictators of economic affairs, is to keep others from being themselves. True, there is a role for a societal agency to play in keeping others from being themselves if it be their nature to commit theft, murder, deception, violence, and the like. I am not alluding, however, to the retarding of wrongdoing but, rather, to a person's freedom to be himself creatively. The authoritarian mentality is concerned not with inhibiting destructive actions but with the control and direction of creative actions. This no dictator can do: he can only suppress,

deaden, destroy such actions. Creative actions can never be ruled but only ruled out!

The wise man, regardless of his superiority among men, realizes that his knowledge is but infinitessimal; that his light, however bright, is but a wee candle in the over-all luminosity; that were all others to be made precisely in his image, all would perish.

To illustrate the fractional nature of one's knowledge, sit behind the wheel of your automobile and ask yourself, what part have I had in the making of this remarkable gadget? The answer, be you the President of the United States or of General Motors, is that you have played very little part, if any. Ask next, what do I know how to do that might have played any part in the making of this machine? Your answer remains substantially the same. To my point: Last vear several million automobiles were manufactured in the U.S.A. How come? From whence came the knowledge that does not exist, even incipiently, in any discrete human being? It had to come from somewhere.

The knowledge that makes the automobile possible exists in what I choose to call the over-all luminosity. This is composed of trillions times trillions of tiny illuminations, discoveries, inventions, insights, intuitive flashes, think-

of-thats - an accumulation that had its beginning with the dawn of mankind. The cave man who discovered how to harness fire played his part. So did the Arab who invented the concept of zero. Without each of these, the automobile is inconceivable. These men, whoever they were, had as much a part as Charles Goodyear did in 1839 when he invented the hot vulcanization of rubber. Or those men who treated paper with a mixture of ferricvanide and ammonium ferric citrate and brought forth blueprint paper. Or those who found out how to make paper!

The over-all luminosity that makes possible our automobiles, stoves, pencils, and a million or so other things by which we live and thrive is handed down or, better yet, made available to us in countless ways: memory, teaching, books, tradition, folklore, to mention a few. It is a storehouse of unimaginable enormity; no individual can perceive a trillionth of it!

The wisdom in knowing that we know not is sometimes glimpsed in relation to things. For instance, it is easily demonstrable that no single person has the knowledge to make a simple pencil, let alone a jet plane or that fantastic windshield through which the pilot peers. Even so, the realm of things is pestered with know-it-alls, per-

sons who seem unable to relate their tiny glimmers to the overall luminosity and cannot therefore keep themselves in their place.

September

Where Angels Fear to Tread

However, it is when we move from the realm of things to the realm of humanity — man and society — that authoritarians proliferate. Even many who would confess to an ignorance of how to make a dynamo will, with no hesitancy whatsoever, boast of knowing how man and society should be made to perform. Failing to discern that men and their relationships are vastly more complex than any thing or things, they entertain no doubts about their competency to rule mankind.

In the realm of humanity, as in the realm of things, an over-all luminosity presides or rules. In social affairs, this may be referred to as "the consensus." Professor Hayek uses "Knowledge in society": Edmund Burke called it "Immemorial heritage"; others refer to it as "Culture" or "Custom." By whatever name, it is a body of underlying assumptions, of ideas taken for granted and held more or less in common; it is the residual legatee of mankind's history or, as James Coolidge Carter phrased it, "the imperishable record of the wisdom of the illimitable past reaching back to the infancy of the race." It is what is handed down to us plus what we, who live on its growing edge, put into it.

Professor Mises knows that he does not or cannot rule; thus, he abdicates from even the idea of rulership. Knowing what phase of life to renounce is one side of wisdom.

But knowing what phase of life to embrace—to get ever deeper into, from which never to abdicate—is the other side of wisdom. And in this phase, as in the former, we have no exemplar who excels Mises.

This being my analysis, I shall use my own rather than Mises' phrasing: the ruling consensus, I repeat, is what is handed down to us, plus what we put into it.

What we put into it is the key. The improvement of the ruling consensus by you or me requires that our own thoughts and actions be, at the very least, a confirmation of the best that has been handed down to us or, hopefully, an improvement on what the consensus already contains.

We who live on its growing edge can put nothing into the consensus that is not within ourselves. It follows, if we would put anything into it, that life must be devoted to the improvement of what is within us, rather than wasted on the futile attempt to reform others.

I am unaware of any individual who is less the reformer or propagandist than Mises. To the contrary, his life is and always has been distinguished by a search for truth. His remarkable and unmatched economic works are testimony to many virtues but especially to his two-sided wisdom: knowing what phase of life to renounce and what phase of life to embrace.

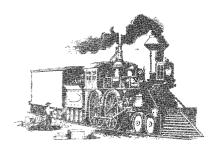
There are numerous examples in history that lend credence to my prophecy. The seminal thinking of Mises—the improvements he has added to the consensus, manifested in his works over a span of seventy years—gives a light with so much radiance that it will penetrate the centuries—mirror itself through the ages.

On Power

IDEAS ON

LIBERTY

Power tends to corrupt and absolute power corrupts absolutely. Great men are almost always bad men, even when they exercise influence and not authority.



Throttling the Railroads

IF the United States were really a pragmatic country, believing that the proof of the pudding is in the eating, the fate of the railroads under the Interstate Commerce Commission would have caused an implacable uprising against government intervention in the marketplace. But, alas, we are ruled by ideologues who are put into office by romantics who do not believe in cause-and-effect relationships. So we plunge on from mistake to mistake. A possibly "saving remnant," however, is given to seeing through the hoax of our phony pragmatism, and among the most clear-sighted of this remnant is Clarence B. Carson, whose Throttling the Railroads, which ran serially in THE FREEMAN, has just been published by the Liberty Fund of Indianapolis. Indiana, for distribution by the Foundation for Economic Education (FEE).

As Dr. Carson sees it, our present railroad mess is entirely government-made and can only be compounded by the "cures" that invoke the "public corporation" sort of thing that will mean more government involvement in mass transit. "Amtrak." et cetera. The Federal government took the first really fateful steps in the eighteen eighties with the creation of the Interstate Commerce Commission. Before that there had been railroad subsidies, usually taking the form of gifts of land and government loans secured by first mortgages on railroad property. These resulted in premature building, but the results would not have been disastrous once bankruptcy had squeezed the water out of the more shaky enterprises. Subsidies are bad enough, but in our first flush of railroad building their main deleterious effect was to drain capital from areas that might have given U.S. citizens more satisfactions. Undoubtedly they led to depressions, but the depressions of the nineteenth century cured themselves. Permanent regulation is another matter, as Dr. Carson demonstrates beyond cavil.

Three-Way Intervention By Government

The "throttling" of the railroads by government, as Dr. Carson says, occurred in three main ways. Restrictive regulation took away "crucial managerial authority," which naturally weakened the power of the railroads to make sound competitive decisions. Secondly, after the government had withdrawn from its original program of subsidizing the rails, it turned to giving huge competitive favors to barge lines, the automobile, and the airplane. Thirdly, the government embarked on a policy of giving monopoly status to the railway unions. The "throttling" continues despite everything, as I know to my own personal cost as I ride the decrepit New Haven line (now part of the bankrupt Penn-Central system), to work on tracks that parallel the heavily subsidized New England Thruway over which the trucks roar in an unending stream.

The distinguishing thing about Dr. Carson's thinking is his unwillingness to accept even most hallowed clichés. In the eighties and the nineties of the past century there was a tremendous outcry against such things as charging more for a short haul than for a long haul, or giving preferential rates to large shippers, or favoring some shipping points over others. These practices were condemned as "preferential," and the case was seemingly irrefutably established that "justice" required their abandonment.

Dr. Carson, however, says that the railroads were entirely justified in their supposedly discriminatory practices. A railroad usually has high fixed costs and low variable costs. To recover the fixed costs. it must be able to increase its income by taking advantage of the low variable costs. Otherwise it may not be able to remain in business to service the whole community of consumers. Since it costs a railroad less per ton mile to carry things over big distances than over small (most of the fixed costs are in loading and unloading), it can afford to charge less per-unit and per-distance for the long haul. Any other way of setting rates must make it difficult for people at a distance to get their goods to market at a low enough cost to compete with those producers who happen to be closer to where the customer lives.

Most of the allegedly nefarious practices of the nineteenth century railroad derived from the nature of competition, and the consumer actually benefited from them. The execrated rebate was a competitive cure for the monopolistic "pool." The "rate war." a "horror of competition," was in actuality a way of clearing the market, in no way different from bargain sales in the dry goods business. If something hadn't been allowed for the "long haul," growers of grains and vegetables who lived at immense distances from their markets would not have been able to carry their mortgages. When the long and short haul rules went into effect, it actually promoted a nonintegrated national rail system, for there was no incentive to link the longhaul western railroads with the systems. short-haul eastern transcontinental railroad would have had to tie what had been profitable long haul rates to short haul rates in such a way either to incur great losses in the short haul business or to price itself out of long haul traffic.

The effect of the Interstate Commerce Commission regulation

dampened the ingenuity and the desire of the railroads to find new ways of serving their customers. Made lethargic by the inevitable impact of government intervention, they were at a double disadvantage when forced to compete with the automobile and the airplane. The trucker had to pay gasoline taxes and user fees, but he did not have to invest in his right of way. The airplane had to load and unload like a railroad train; but the air, unlike the railroad bed, was free.

The unions put the finishing touches on the general railroad debacle. Protected by the government, they have been able to insist on their feather-bedding practices. The railroads have been frustrated in their attempts to substitute automation and the use of laborsaving technology in general for the "full crews" that were once needed when steam engines were in use. Dr. Carson tells about the height of absurdity that was reached when the unions insisted that crews of five men be hired to operate a one-man small auto delivery unit running on flanged wheels to carry passengers on a branch line.

Dr. Carson's recipe for unthrottling the railroads is simple: he would remove the dead hand of the ICC and the state regulatory commissions, he would take away

special privileges from the unions, and he would stop subsidizing competitive modes of transportation. Unfortunately, governments don't abandon their interventions easily. A few more years of government-protected chaos, however, might convince us that our "pragmatism" just isn't pragmatic. How long, O Lord, how long?

EDITOR'S NOTE:

The following "extra" analysis of Dr. Carson's book is in no sense to imply an inadequacy in John Chamberlain's review. Rather, it is to afford the additional point of view of an "insider."

Mr. Canfield worked many years in the field of Industrial Traffic Management. He is now manager of the Commodity Code Group of the Uniform Classification Committee in Chicago.

▶ THROTTLING THE RAILROADS by Clarence B. Carson. (Irvingtonon-Hudson, N.Y., Liberty Fund, for F.E.E., 1971. 143 pages. \$4.00 cloth, \$2.00 paperback).

Reviewed by Joseph M. Canfield

HUNDREDS of books have been written on the railroad problem. Dr. Carson's Throttling the Railroads, consisting of only 143 pages, is refreshing because it clears the air of a number of clichés. This is accomplished by rigidly applying the libertarian "yardstick" of nonintervention to the railroad situation. When this

yardstick is used, most railroad students, especially true libertarians, have to acknowledge that their thinking has been inhibited by interventionist clichés.

In chapter four, Dr. Carson demolished the "right" of the community to "common carriage" and its other face, the "common carrier" obligation of the transportation company to serve all. Measured by the libertarian standard, this right-obligation should be relegated to limbo, along with that spurious "right to a free education."

Students in years past had drilled into them the development of the common law obligation of wharfingers, carters, innkeepers, and ferrymen to serve all. When these "rights" to common service — actually compulsory service — originated in medieval times, the free market economy wasn't allowed to function and compulsion was needed as motivation. To have this concept carried into an industrial society shows how hard it is to shake obsolete ideas.

The common carrier obligation has lost much of its meaning. It really isn't practical and cannot possibly be enforced. Most railroads are common carriers only to those who offer 6,000 pounds or more of freight at one time. Legally, most truck lines are common carriers, obligated to serve

all the public. Practically, that doesn't mean a thing. For years, I was with one of the largest firms in the country. We were served by some regular truckers. But just try to get service from some common carrier we didn't regularly do business with or get someone to haul to a point that wasn't one of our regular destinations. Truckers would merrily decline their "common carrier" obligation, and there wasn't a thing the company could do. The truckers were completely practical and more realistic than the law.

And, of course, pipelines are common carriers; common to anyone who has a tank farm at each end of the line and can offer, say, 50,000 barrels of oil as one shipment. To use the same legal concept for a modern "big inch" pipeline as for a medieval boatman whose punt wasn't much longer than the pipeline's diameter, borders on the ludicrous. Our transportation system is shackled with such obsolete thinking.

Until I read Dr. Carson's book, I had always defended the railroad land grants. My reasons were, first, that they accelerated the transfer of land from government to private hands. Second, the railroads in return for the grants, carried government freight at 50 per cent of the commercial rates. The saving, up to the end of the

concession in 1940, exceeded by many times the price of the lands so granted.

In chapter three, Dr. Carson shows that even in land grants government intervention is interference which is upsetting. The upsets spread like ripples in a pond. We rail men have been so impressed by the story of laying ten miles of track in a day during the building of the Union Pacific and Central Pacific, that we forgot our libertarian economics.

The effects of intervention spread somewhat in this order:

- 1. Railroads built without economic justification.
- 2. Government aid fostered corrupt practices in the railroads.
- 3. Farms were developed too soon and on poor soil.
- 4. The Indian problems were aggravated.
- 5. The buffalo was almost exterminated.
- Agricultural prices were depressed.
- 7. Pressure for railroad regulation was accelerated.

And the dust bowl of the 1930's may even be a subsidiary effect.

But, say objectors, private capital would never have any incentive to build into undeveloped areas without government aid. Canadians tried to copy our method of supporting railroad extension. Their experience with the Canadian Pa-

cific Railway made them think they could get away with that sort of thing. When the same methods were repeated in the early 1900's, the Grand Trunk and Canadian Northern Railways overbuilt and collapsed. As a result, there has been over 50 years of government spending in an effort to straighten out the mess.

Private capital did go into many areas in Africa, Asia, and South America and build railroads, sometimes aided by some degree of government support. The only broad study of these efforts, made in 1928 by ICC Commissioner Splawn, makes the point that government action doesn't produce success in the absence of economic justification for building a railroad.

The willingness of American firms to pour money into railroads, such as the Quebec, North Shore and Labrador in recent years to reach iron ore deposits, confirms the libertarian doctrine that capital will move according to economic necessity. If there are no goods to move, the railroad won't be built.

The itch to get semething from government, to use government to provide something beyond our means, has always been with us. Many New England towns, hot beds of "rugged individualism," used town funds to build branch railroads. These had no economic justification, but often were built for personal spite or town pride. This misuse of town funds contributed to the rot that brought about the collapse of the New Haven and the Boston and Maine, even though the day of reckoning was postponed for many years.

In my own studies of the trollev lines in the Midwest,2 I found case after case where promoters whipped up enthusiasm for trolley lines that were completed only by the infusion of village or county funds collected from the taxpayers. The trolley cars had hardly started running before the officials yielded to another wave of enthusiasm and had the taxpayers pay for paved roads which destroyed the investment in the trolley lines. (The trolley is a form of transportation which can be a valuable tool, but one which has suffered from intervention more than any other transport medium - to the detriment of the communitv.)

In chapter six, a question we have often raised about railroad

¹ Walter M. W. Splawn, Government Ownership and Operation of Railroads (New York: Macmillan Co., 1928).

² Joseph M. Canfield, Electric Railroads of Northeastern Ohio (1965); West Penn Traction (1968); Badger Traction (1969). All published by Central Electric Railfans Association, Chicago, Illinois 60690.

mergers receives a likely answer. Why have there been no end-toend mergers? Dr. Carson suggests that they would be more vulnerable to the restriction of the Longand-Short Haul Clause of the Interstate Commerce Act (Fourth Section). This provision, pride of early regulators, is an American aberration which even the Victorian regulators of British railways never invented. Designed to protect one-railroad, intermediate towns (e.g., Tyrone, Pa.), it assumed that justice required that lineal miles take precedence over market requirements in rate making. End-to-end mergers would produce more situations where this restriction might apply.

Actually, it may cost *more* to serve an intermediate city, especially if it must be served by local freights which are operated under present work rules. The recent newspaper ad, showing the available work force of Tyrone offering themselves, suggests that even 80 years of protection by the long-short clause is of limited value in the face of economic reality.

Utilization of America's competitive railway network has resulted in wholesale exceptions to literal enforcement of the longand-short-haul clause. So-called Fourth Section Relief orders granted by the ICC have been necessary to maintain a semblance of

reality in the face of a legislative limitation. These orders must be published in the tariffs where they apply and add complication and expense. The tariffs are difficult to compile, publish, and interpret.

And make no mistake, rail and motor truck tariffs, required by the regulatory system, are complicated. Probably they are the most complicated publications receiving day-to-day widespread use. Having spent much of my working life interpreting tariffs, I found the mental gymnastics stimulating, particularly when I spotted the right rate on the first try. But the cost to railroads and shippers of wrong rates runs into millions of dollars annually.

Foes of deregulation fear that one result would be rates which would vary like stock market prices. Users of transportation want and negotiate for the lowest possible rates. However, most large shippers are now handling shipping documents through data processing systems where the cost of entering needless fluctuations of rates would be prohibitive. In today's picture we could expect negotiated rates without wild fluctuation.

Regulation, like all other forms of intervention, has failed to provide utopia. The interventionist mentality tries to blame everything and everybody for the continuing problems. "Deregulation" proposals have been offered which would put ratemaking under antitrust rules, an economic straitjacket of the first order. A typical freight shipment represents one buyer, the shipper, dealing with many sellers, the various lines which handle the shipment. Collective ratemaking is the only realistic approach to be used in our national transportation system.

Dr. Carson's book is not a study in depth, but it is a study which adheres to the principles of freedom. All students of railroads and railroad problems should go back to work and review their conclusions in the light of the principles clearly laid down in *Throttling the Railroads*. More important, the whole country would gain if these principles could be applied to the present mess. Dr. Carson's message should receive the widest possible circulation.

THE THEORY OF EDUCATION IN THE UNITED STATES by Albert J. Nock (New York: Arno Press and the New York Times, 1969) 160 pp., \$6.50.

Reviewed by Dr. Jacques Barzun, University Professor at Columbia University.

ONE IS GLAD that he left these luminous pages in their pristine form of lectures (he begs indulgence for doing it), because that form shows him off at his best: full of charm, candid in his prejudices, elegant in diction, a natural ironist, and a man in whom thinking is clearly a familiar exercise.

I remember picking up the book soon after its appearance in 1932, at a little book shop on Broadway near 115th Street. I am afraid it was a remaindered copy, very cheap, like the novels of E. M. Forster and the two-volume set of Henry James's letters. It was my first acquaintance with Nock and I was delighted with my discovery.

I felt elated even after my incredulous irritation at what I found him saying on pp. 76-77. That is the passage where Nock, who throughout his lectures claims a connection with Columbia University, repeats some libelous nonsense about Columbia College, based on Abraham Flexner's then recent study of American and other universities.

According to both these unverifying men, it was possible to obtain a bachelor of arts degree in Columbia College by offering such subjects as advertising layout, practical poultry-raising, elementary stenography, wrestling and self-defense, and half a dozen other subvocational exertions. Nock recurs with relish to this list of depravities (including book-re-

viewing) two or three times again in the later lectures. It is enough to make one doubt his common sense — or his familiarity with the educational scene of his own day.

As a graduate of Columbia College in 1927, who began teaching there that same year and for many more thereafter. I knew from inside knowledge that Nock's statement was a fantasy. The requirements for the degree permitted no such high-jinks as Nock alleged. What is worse, he goes on to say that by "some sort of traffic arrangement with a sister institution" the Columbia College undergraduate "may also count as leading to a degree, courses in . . . cookery, clothing decoration, dancing for men," and so on through a second half-dozen of domestic or social accomplishments. The fact is that permission to take any courses outside the Columbia College catalogue was extremely difficult to obtain. These enumerated frills (presumably from the Teachers College Home Economics department) would have been disallowed by the Columbia College dean, sitting with his Committee on Instruction.

The paradox is that if Nock had but known it, Columbia College in his day was the nearest approximation to the ideal set forth in his lectures. The curriculum did not require Latin and Greek, to be sure, but it turned its back on the free elective system and imposed strict requirements in history, mathematics, science, English, and modern foreign languages. The "majors" had to be approved so as to prevent a frivolous scattering of effort among elementary courses, and (as I said) there was no straying off the reservation into easy Extension or Teachers College courses. Arguing with friends from Yale, Princeton, and Harvard showed that they lived far more under the loose dispensation that Nock reprobated.

What was in fact his connection with Columbia? Research shows that from 1930 to 1932, he taught American History and Politics at St. Stephen's College, then a distant affiliate, later independent as Bard College. Reading his book suggests that Nock was there chiefly to bait President Butler, whose pronouncements he studied with the feral eye of a ruthless attorney. Nock, for example, is not above twisting one of Butler's phrases about the "new type of university organization." He makes it stand in a sinister way for the nonintellectual, nonformative subjects he castigated before. That is not what Butler was referring to, much less advocating. For Butler was a humanist, too, in his way as good a one as Nock.

And Nock, one must also add,

was a little blinded by his just cause into forgetting some truths about the Great Tradition he praised and preached. His medieval universities were not as he represented them. Had he stopped to use his wonderful imagination. he could have inferred that the old Faculties of Law and Medicine were nothing but vocational schools - Medicine especially. And even Letters and Theology were largely dedicated to the "preparation for life" which he deprecates - making clerics and scribes and pedagogues. The Abelards and Occams are always rare and never the average. Universities are good enough when they permit them to thrive and collect disciples.

Nock was entirely right, of course, in his main thesis and his prophecy as well. We have been seeing the final degradation of the institution whose misdirected aim he denounced with such deadly urbanity. It would be good to have from him a section XV to add to the fourteen in his neat little book. It would be on Relevance and Social Consciousness in the Free Politicalized University. If I had a ouija-board, I'd spend a few evenings trying to take down the text of it from the authentic source.

THE DECLINE OF RADICAL-ISM: REFLECTIONS ON AMER-ICA TODAY, by Daniel Boorstin (New York: Random House), 141 pp., \$4.95.

Reviewed by Robert M. Thornton

THE OLDER RADICALS had something to say; sometimes it was something that needed to be said, and occasionally they said it well. Not so the New Barbarians, as Professor Boorstin calls them, who may be found at all levels of society but especially among the overschooled.

Boorstin refers to "the conformity of dissent... Dissent," he writes, "has tended to become the conformity of our most schooled classes. In those circles to say that the prevailing ways of the community are not 'evil' requires more courage than to run with the dissenting pack.

"The affirmations of differentness and feeling apart cannot hold
a society together. In fact these
tend to destroy the institutions
which make fertile disagreement
possible and fertile institutions decent. A sniper's bullet is an eloquent expression of dissent, of
feeling apart. It does not express
disagreement. It is formless, inarticulate, unproductive. A society
of disagreers is a free and fertile
and productive society. A society

Albert Jay Nock's book is back in print at \$5.50, and may be ordered from The Nockian Society, 30 South Broadway, Irvington-on-Hudson, New York 10533.

of dissenters is a chaos leading only to dissention."

The fragmentation of society worsens as it passes through the news media. "Since dissent is more dramatic and more newsworthy than agreement, media inevitably multiply and emphasize dissent. It is an easier job to make a news story of men who are fighting one another than it is to describe their peaceful living together."

People tend to act in terms of what they believe themselves to be, and the self-image of many is formed for them by what they see and read of vicious actions by a tiny fraction of the populace. Thus do newspapers and television, used in an unprincipled way, contrib-

ute to the emergence of the New Barbarians in our midst. "While they are not numerous anywhere - comprising perhaps less than 2 per cent of our two hundred million Americans - they pose a special threat precisely because they are diffuse, wild, and disorganized. They have no one or two headquarters to be surveyed, no one or two philosophies to be combated. But they are no less rude, wild, and uncivilized than if they had come from the land of the Visigoths or the Vandals. The fact that they come from within - and are somehow a product of - our society makes them terrifying, but it does not make them any the less barbarians."



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STANLEY YANKUS

A letter from down-under

A TIME COMES to most everyone when he tries to improve his situation by packing his belongings and moving across the prairies, mountains, and rivers. The freedom to move from one place to another is a valuable right. Observe how eagerly dictators suppress the free movement of people. No doubt about it, governments find it more difficult to saddle people with oppressive controls and taxes when freedom of movement affords an escape.

Twelve years ago my family and I migrated from the U.S.A. to Australia in reaction to government interference with my farming methods in Michigan. Since my arrival in Australia, hundreds of Americans have exchanged letters with me, discussing the pros and cons of migration. Parts of

this correspondence may interest students of liberty who are exploring the possibilities of a fresh start in the Land Down-Under. Freedom was the magnetic idea which attracted hundreds of thousands of migrants to the U.S.A. from other parts of the world in years past. So, let's have a look at the prospects for finding freedom in Australia:

Dear ---:

Your letter reminds me of my struggle when I decided to migrate to Australia. I can appreciate your strong desire to find a nice quiet spot on this troubled earth where freedom is regarded as a good idea by your neighbors.

During the past twelve years of my life, I have thoroughly enjoyed the adventure of living the good life in Australia. Although I'm enthusiastic about the land of the kangaroos, kookaburras, and koala bears, I never tell any Americans to migrate here. You may wonder about that, so please let me explain:

Thousands of American migrants have already arrived in Australia and more are on the way. Some have succeeded in establishing homes, finding jobs, and making friends with their new neighbors. Others, finding numerous faults and becoming convinced they made a mistake, have returned to the U.S.A. Now if you want a good opinion of Australia, you can get it by asking an American who staved here; and if you want a bad opinion of Australia you ask one of those who returned to the U.S.A. You can have your choice of good or bad opinions from people who are altogether sincere.

But please note: There are not two different Australias. The reason for the difference of opinion about Australia lies within each person's character — not in the external environment. Some people buckle at the knees when confronted with a problem that is heavier than a feather. Others are resourceful and self-reliant. So, a program of self-improvement is important in your life, no matter where you live.

I have often been asked, "Do the Australians like Americans?" Such a generality is quite meaningless. Obviously, not all of the Australians nor all of the Americans are going to like each other. Furthermore, not every Australian likes each of his fellow Australians, and the same can be said for every nationality in the world. The question we are really concerned with is, "What must I do to get others to like me?" If you pet a dog, he will respond by wagging his tail in appreciation. and if you kick the same dog he will respond by snarling or biting you. Likewise, a given person may be kind to you or bad-tempered with you. If you want people to like you, it is best to practice kindness and other qualities of self-improvement.

"What is the condition of the economy in Australia?" is something migrants want to know. Now let us suppose that economic conditions in Australia were the best ever, but here is a poor fellow recently hit by a truck while crossing the street, resulting in loss of the use of his legs. Furthermore, he has cancer and rheumatism and he lost his life's savings in a company that went bankrupt. As you can plainly see, the buoyant condition of the economy means nothing at all to this unfortunate fellow. nor does it mean that much to you. If you are industrious and follow a program of self-improvement, you will also have enough self-confidence to find a way to earn a living in Australia.

You well know that we don't get things in life from Santa Claus: we have to earn what we get. You are not going to find freedom in Australia; you will have to earn it by practicing self-improvement. However, some of my acquaintances haven't been able to see a connection between freedom and self-improvement. When they think of self-improvement, they think of learning how to fix cars, or writing legibly, or being courteous, or dressing neatly, and so on, "How is that going to promote the cause , of freedom?" they ask.

Perhaps I can illustrate the close relationship between freedom and self-improvement by quoting prospective migrant who wrote to me: "I'm fed up with government controls, high taxes, and inflation in the U.S.A. and I want to migrate to Australia." A few lines later he asked, "How much money will the Australian government pay toward my assisted passage to Australia?" If this fellow had practiced self-improvement and become self-supporting, he would have realized that the Australian government has no money of its own to give him. The only way the Australian government can provide migrants with assisted passage money is by imposing higher taxes or more inflation, or both, on the Australian taxpayers.

I have often been asked if there is more freedom in the U.S.A. or in Australia. If you put all the law books of the U.S.A. in one pile and all the law books of Australia in another, you would have two big piles of restrictions. The quickest way to reduce the number of restrictive laws, and thereby increase freedom, is through self-improvement. Self-improvement really means teaching yourself to be good. Good people do not require restrictive laws, nor do they impose them on others.

Another American wrote to me. saying, "When I arrive in Australia, I won't have enough money to travel all over the place. Can you tell me the best place in Australia to live?" I replied, "I will gladly tell you the best place to live in Australia, but first you must tell me the best place in the U.S.A." Of course, he never answered my question because there is no such thing as the best place. In selecting a new place to live, we try to find as many as we can of the conditions we like best. A teacher will want to live near schools: a vegetarian will want to live near fruits and vegetables: a sailor will want to live near the sea; and so on.

No Paradise on Earth

You will never find a Paradise which affords exactly what you want. If you asked a hundred people to individually describe the ideal place to live, its name would be "Chaos." What is the ideal house, car, dog, school, job, food, or whatever? There are disagreements galore! No matter where you migrate, you will find people who disagree with one another. The best way to get along with others and the best way to promote freedom is to mind one's own business and practice self-improvement. If that doesn't work, nothing will.

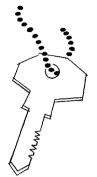
A correspondent from Rhode Island writes: "We cannot afford to pull up stakes here and move to Australia and then decide we don't like it, and move back. We just don't have the money to do this." This man's problem reminds me of the comment by one of our neighbors in Michigan as we were leaving for Australia: "I don't see how you can move to Australia with your family when you don't know anything about the place. How do you know you will like it there?"

"When I got married," I replied, "I didn't know if everything would turn out all right. I took a risk then, and I'm going to take another risk by moving to Australia."

Every time we read a new book, or get a new job, or meet a new acquaintance, or taste an apple, or any of a thousand other events, there is a risk that we won't like our experience. Risk-taking is a condition imposed on us by Creation: the future is unknown to us. Unexpected events frequently occur. The fear of taking risks drives many people into government-guaranteed welfare schemes which are so destructive to freedom. Governments seem to be far more effective in eliminating freedom than in removing risk. I gladly accepted the risk of solving these problems - I certainly didn't want the government to select my job, my home, or my friends. Nor do I assume you really want to avoid such risks.

After settling in South Australia. I heard good reports about the States of Western Australia and Queensland. No matter how excellent the conditions of life, we imagine they could be much better elsewhere. Herbert Shelton, one of my favorite authors, shrewdly observes: "Wherever you choose a place [to live] you will wish ever after that you had chosen a different one." My experience tells me that perpetual dissatisfaction is part of human nature. If we were completely satisfied with everything, we would cease to explore, and to discover, and to live.

Changing concepts of



PRIVATE PROPERTY

BERTEL M. SPARKS

IN THE ENTIRE HISTORY of civilized society there never has been a time when the concept of private property was not undergoing change, and it is unlikely that there ever will be such a time. Since the concept of private property is a legal concept, it is appropriate to add that civilized society cannot exist without law and that law cannot exist without property. While some may doubt that last statement, it is believed that such doubts will be removed upon a few moments reflection. For whether the legal topic under consideration is the Code of Hammurabi or the most recent pronouncement from the nearest local court, the rule of law involved is

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likely to be concerned primarily with the relations of individuals to things. That is to say, it will concern some concrete application of society's attitude toward or understanding of property.

All this leads to the conclusion that any complete story of the changing concepts of private property would include a complete history of civilized society. No such task is Herculean undertaken here. This paper will be limited to a consideration of the multiple nature of property rights and the power of the state to add to or subtract from those rights. Particular emphasis will be focused upon the owner's right to transfer his property interests regardless of how those interests may be defined.

Property, a Bundle of Rights

As stated earlier, the concept of private property is a legal concept. That fact calls for some preliminary explanation. When the layman uses the word property, he ordinarily thinks of houses and lands, articles of clothing, tools, machinery, and other things capable of being owned. To the lawyer the word property has an entirely different meaning. When the lawver uses the word property, he is not thinking of a man's possessions or holdings. Instead he is thinking of a man's legal rights with respect to those things. There is the right to use, the right to exclude others, the right to sell, the right to mortgage or pledge. and many others. The legal profession has rarely ever attempted any complete catalogue of these rights. As lawyers they deal with particular rights as they present themselves without too much thought concerning other rights that may exist in the same object. A man's "property" in a given object consists of the total bundle of rights he has in that object. This bundle of rights may be broken up and divided into its component parts in much the same way that a bundle of sticks may be broken into the individual sticks of which the bundle is composed.

The use of the term "private

property" necessarily refers to the rights individual persons have in or to that particular thing. But no analysis of such private rights is complete without some attention being given to the rights of the group. It is the rights of the group, either real or pretended. that often places restrictions upon the rights that may exist in the individual. The expertise of the lawyer must be called upon to provide a working definition of the boundary between the rights of the private owner and the power of the state to regulate the use and enjoyment of those rights.

Individual vs. Groups

In his efforts to lay out that boundary the lawyer is faced with the fundamental question whether the rights of dominion and control over the wealth of the world should rest in the individual or in the group. If such rights rest ultimately in the group, then we have common ownership which places title to the earth's resources in the state and gives the individual only such rights of user as the state chooses to confer upon him. That theory is antagonistic and foreign to Western traditions, if not in fact to all civilized traditions. Nevertheless. it is a theory which, if not understood, is in danger of being unwittingly accepted.

No Absolute Right

Almost every American is ready to declare a strong belief in private property but very few Americans can give any intelligible explanation of what they mean by private property. Sir William Blackstone, a famous legal scholar who has had tremendous influence upon Anglo-American institutions. began his definition of property by calling it an "absolute right . . . which consists in the free use. enjoyment, and disposal of all [a person's lacquisitions without any control or diminution. . . . "1 Most Americans who have not given serious thought to the matter would probably be satisfied to end the definition there and to accept it as absolute dogma. But any careful examination of that incomplete definition will convince us that it is insufficient standing alone.

We know that that absolute right does not actually exist. The presence of a property tax, however small, places some qualification upon it. But there are other qualifications. Our pious assertion that a man may do as he pleases with that which is his own is always qualified by the equally pious assertion that a man may not use his own in a manner to injure that of another. Blackstone

recognized that the right was less than absolute but neither he nor anyone else has ever been able to state clearly how much less.

Blackstone completed his definition by adding a phrase that tends make his entire statement sound paradoxical. He said property was an "absolute right . . . without any control or diminution. save only by the laws of the land." There is the rub. A man's property in a given object includes absolute dominion over that object except in so far as that dominion is qualified by the laws of the land. To what extent is that dominion qualified by the laws of the land? A more fundamental question could be, to what extent may it be so qualified?

These are not hypothetical or purely academic questions. They are questions that are being encountered daily in the market place within the context of concrete cases. And when so encountered they must be answered. The primary responsibility for providing the answers rests upon the legal profession, but at least some of that responsibility must be shared by every responsible citizen. When the state attempts to remove a particular right from that bundle of rights constituting private ownership, it is the lawyer who is called upon to decide whether that right is removable

^{1 1} Blackstone, Commentaries 138 (Sharswood ed. 1874).

while private property remains, but it is the citizen whose right is being taken who must bear the consequences. If private property is a bundle of rights, the lawyer must search for the source of those rights before he can analyze any possible restriction upon their exercise. He must ask, from whence comes this right of private property anyway? Is it a fundamental, inalienable right or is it a mere privilege granted by the state as a matter of grace? If it is a mere privilege, it may be withdrawn by the state. If it may be withdrawn with impunity, the citizens are little more than slaves.

"Before and Higher Than Any Constitutional Sanction"

Numerous state constitutions have sought to give expression to the right of private property as being something that is fundamental and beyond the reach of political power in a free society. One of the strongest of such statements is that found in the Constitution of Arkansas where it is declared that "the right of property is before and higher than any constitutional sanction."2 But that declaration probably does more to intensify than to solve the inquiry into the true source of this right that is "before and higher than any constitutional sanction."

were well known and highly regarded by the founders of the American Republic, found a philosophical basis for private property in man's right to the integrity of his own body. Locke interpreted the Holy Scriptures, which he considered binding upon all men, as granting all wealth of the earth to mankind in common. But Locke regarded every man as having a property in his own person, in his own labor. He then concluded that a man could by his labor remove a thing from its state of nature and place it within his private domain.3 Locke's analysis of this point was accepted by Blackstone4 and through him became a part of the thinking of ordinary citizens of this country. The extent to which this approach was diffused among all levels of the citizenry a few generations ago is illustrated by the fact that it was included as part of the grade school reading material provided in one of the most widely used series of texts available during the latter part of the nineteenth and the early part of the twentieth centuries 5

John Locke, whose writings

² Ark. Const. art. 2. sec. 22.

³ Locke, Two Treatises on Civil Government, Bk. II, c. V (George Routledge & Sons, 2nd ed. 1887).

⁴ 2 Blackstone, Commentaries 1-15 (Sharswood ed. 1874).

⁵ McGuffey, Sixth Eclectic Reader 410-415 (rev. ed. 1879).

Qualifications Upon the Rights of Ownership

But Locke, Blackstone, and the state constitutions all recognize that property ownership is something less than absolute dominion. Reference has already been made to the qualification pressed by Blackstone. When the writers of the Arkansas Constitution declared the right of property to be "before and higher than any constitutional sanction," they hastened to add that "private property shall not be taken . . . without just compensation,"6 thus recognizing that there were circumstances under which private property could be taken. And when Locke set forth his doctrine concerning a man's right to assert his private dominion over the earth's resources by joining his labor to those resources, he hastened to add the precaution that this is true, "at least where there is enough and as good left."7 Thus there is implicit in every analysis available thus far a recognition of a basic conflict between private ownership and public control. There is an awareness that ownership of a thing does not necessarily mean absolute dominion over that thing.

What Incidents of Ownership Does the Law Recognize?

All this leads to an inquiry into the meaning of ownership. A man's property in a thing has already been described as a bundle of rights with reference to that thing. Each right in the bundle of rights may be described as an incident of ownership. In so far as particular rights may be added to or subtracted from that bundle without destroying the bundle, ownership is an arbitrary term. Its meaning depends upon what incidents of ownership the law recognizes. The law's recognition of these incidents has never been a constant or a static thing. There has been a continuous change, and each change has brought with it a change in the meaning of ownership and has thereby caused an alteration in the basic concept of private property.

Even during the early feudal period in England it was said that the man occupying and using a given tract of land owned it, but his ownership was a very limited one. It was a system of land tenure under which, in the strictest sense, land was "held" but not "owned." The occupant or "owner" on the land actually held it under a superior lord to whom he owed certain obligations. The lord in turn usually held under a still higher lord and so on in an ascend-

⁶ Ark. Const. art. 2, sec. 22.

⁷ Locke, Two Treatises on Civil Government, Bk. II, c. V. sec. 27 (George Routledge & Sons, 2d ed. 1887).

ing pyramid with the crown at the apex as chief lord who, in legal theory, owned all the land in England. In a very real sense the "owner" actually on the land tilling the soil was bound to that land. He could not sell it without the lord's consent.8 It was thought that this was necessary to avoid the possibility of having the lord's enemy installed on the land. The right of inheritance was restricted in that, when the owner died, his heir could not take up the estate until he was of age and then only upon payment of the appropriate fees.

There were other incidents of feudal tenure which tended to restrict the meaning of ownership but it was the restrictions upon the freedom to transfer that held the center of the stage. Even in this tenurial system men occupying the land were called freemen but in fact they were not free. The restrictions upon the individual's right to transfer his holdings literally tied him to the land. His station in life was determined more by his status with reference

to the land than by his own efforts and ingenuity.

Of course the intermediate lord was under a similar burden so far as his efforts to transfer his own holdings were concerned. But his position was different in that his holdings were larger and of a higher order. He was economically secure and had a comfortable income. It was the fellow who had the least that was under the heaviest burden, for until the man higher up let loose, there was nothing available for the man at the bottom to acquire. And whether a clog on the right to sell is labeled a medieval doctrine of feudal tenure or some civil rights act of the twentieth century, its effect in the market place is the same and the man at the bottom is always the loser.

Political freedom and the whole gamut of civil rights were impossible until there existed the freedom of property which emerged as the burdens of feudal tenure were cast off. While these burdens were not cast off at a single stroke, what is probably the most significant step along the way took place in 1290 when an act of Parliament extended to every free man the right to sell his lands or any part thereof without any interference from any intermediate lord. Even

⁸ The exact extent and nature of this restriction upon alienability is a bit uncertain but it is clear that restrictions did exist. In this connection it is interesting to note that in 1256 Henry III issued a writ declaring it an invasion of Royal rights to sell without his consent lands held under him. See 1 Pollock & Maitland, History of English Law, sec. 9 (2d ed. 1923).

^{9 &}quot;Statute Quia Emptores," 18 Edw. I, cc. 1-3 (1290).

after this enactment numerous burdensome incidents remained. Prominent among these were the control the lord had over the estates of infant heirs and the obligation of the heir to pay a fee prior to taking up his inheritance.

The Struggle Toward Freedom

But with the single leap forward taken in 1290 there began a step-by-step process which reached its climax when the last substantial burden imposed by the tenurial system inaugurated by the Normans who conquered England in 1066 was finally abolished in 1660.10 But it should be remembered that it was truly a step-bystep process and that each step was characterized by a bitter struggle. The legal history of that entire period can be quite accurately described as a struggle for more incidents of ownership in the individual. Burdens and restrictions were being removed and new rights were being acquired by the owner. The bundle of private rights was expanding.

But the right to sell, including the right to give away or dissipate according to the owner's own wishes, continued to hold the center of the stage. That right to sell, that economic mobility, or in the jargon of the legal profession that freedom of alienation soon became the chief factor in the development of individual freedom of all kinds. It also stimulated the economic use of property. When the occupant of land became free to sell at a price agreeable to him without seeking the consent of his lord and without paying a fine to his lord for having done so, he began to take on the coloration of a free man in the true sense of that word. Ownership took on new meaning. It included a power to cash in as well as a power to use. And when that freedom was achieved, men no longer remained serfs, they no longer remained slaves, and the economy no longer remained static.

It is no mystery that the real beneficiaries of this political and economic transition were those who possessed the least; it was the "have nots" rather than the "haves." In any society those who are already wealthy, who are already entrenched, who "have it made" are more likely to be interested in preserving their wealth than they are in searching for easier means of transferring it. Those of lesser means are the ones who are in a position to gain from freedom of exchange. And as soon as free economic mobility was achieved, the fellow at the very bottom of the feudal pyramid

¹⁰ "Statute Abolishing the Court of Wards and Liveries," 12 Car. II, c. 24 (1660).

could exchange his services for a share of what was held by the man near the top.

In this system of free exchange, not only was there no necessity for serfs or slaves, but there ceased to be any place for parasites. Property tended to shift to those who put it to the most economic use. And there emerged the day of plenty which, although it is unique in the history of the world and is to this day confined to a comparatively small part of the earth's surface, is so taken for granted in this country that there is a tendency to forget its source.

Restraints on Future Use

But as soon as man became free to transfer his property by either deed or will without interference from the state, other kinds of interference began to appear. There developed a theory of absolute ownership whose very existence tended toward its own destruction. If property ownership meant absolute dominion, it was only logical to assume that it included the power of the owner to dispose or transfer on his own terms. He could create any estate or interest he chose and the fact that the estate or interest chosen tied up the property in an unproductive use long after the transferor had ceased to live appeared to make no difference. Property became tied

up in families and became unavailable to future generations. The tying up of property in this manner is an exercise of freedom of the will, a favorite freedom of John Locke, but a fair question to ask is freedom of whose will? It became a freedom of the dead to control the economic affairs of the living.

Both the advantages of freedom and the manner in which that freedom could be used to tie up property in a most unfortunate way can be illustrated by imagining some Sir Galahad emerging from the feudal period and finding himself the owner of a farm. What does that ownership mean? The farm, that is the soil, was there before Sir Galahad came; it will be there after he is gone. Sir Galahad's ownership, his property, does not refer to the soil. It refers to the rights Sir Galahad has in that soil. What are those rights? He has the important right of raising crops of his own choosing. He may erect whatever buildings he is capable of erecting. He may live in and occupy those buildings. He may exclude others from them. In addition to all these, and still other rights, he has the right to transfer his ownership to another. He may sell it or even give it away if he chooses. He may do either without consulting any overlord or anyone else other than his transferee.

He sells his farm and buys another. He sells that one and buys still another. He finds that this freedom of alienation which is now an attribute of ownership is one of his most important freedoms. It gives him mobility. It gives him freedom to change his occupation, to move his home to a new location. He is no longer bound to the land. Sir Galahad is a diligent worker and a shrewd businessman. His farming operations prosper. He invests and reinvests. He buys and sells at a profit until he becomes the wealthiest man in the community.

Sir Galahad acquired his vast holdings through the exercise of his own ingenuity in a free economy. It was the annexation of his own labor and his own skill to the wealth involved that made it his own. It would seem that he should be perfectly free to dispose of it, not only to a person of his own choosing, but upon conditions of his own choosing. Suppose he chooses to dispose of it through a system of complicated contingent and conditional schemes some of which might not become absolute for three or four generations. The motive for such a plan might be nothing more sinister than a desire to keep that which has been earned by the sweat of the brow within the family blood line.

But if this is permitted in un-

limited measure, the freedom to dispose tends to become a freedom to tie up which in turn becomes a freedom to prevent rather than encourage future development. If the possessory owner has a mere life estate or some other restricted interest, he will have little interest in making permanent improvements which will endure beyond his period of ownership. And even if he is so inclined, it is unlikely that he will have the ability to do so. He is not in a position to give the kind of mortgage necessary to get a favorable loan. Under these circumstances the freedom enjoved by Sir Galahad extends bevond his own lifetime and restricts the freedom of future generations.

Rules Against Perpetuities

But a people who had made great personal sacrifice to free themselves of one kind of restriction upon their right to deal with the fruits of their own labor could hardly be expected to remain passive about accepting the same or similar restraints in another form. Having freed themselves from so many stultifying public restraints imposed by a system of feudal tenure, Englishmen were well prepared to resist any effort to impose the same restrictions through private arrangements. The result was a modification of the

law of entails and the invention of numerous rules designed to prevent any private interference with economic mobility.

It was in this atmosphere that those rules known to lawyers as the destructibility rule and the rules against perpetuities, accumulations, and restraints on alienation came into being. While a substantial body of rather complex law has grown up around the operation of these rules, in their essence they are nothing more than efforts to secure to the living generation control of the world's assets without interfering with the freedom of alienation any more than is absolutely essential to the accomplishing of that purpose.

Thus it was that the freedom of alienation, that is the individual's freedom to buy and sell as he sees fit, became the policy goal that gave birth to numerous rules of property law that persist to this day. In addition to its being the sole justification for the rules referred to above, much of the modern law of conveyancing is law designed to foster the free transferability of property. It is a frequent topic for discussions at bar association meetings and legal institutes. Title standards adopted and marketable title legislation is enacted for this purpose.

The American Founding Fathers and those concerned with

the framing of state constitutions appear to have been thoroughly convinced that the free institution of property was the cornerstone upon which all other freedoms depend. This fact is demonstrated by the frequency with which provisions were inserted into their statutes, or even their constitutions, declaring that all lands are allodial, that is free, and that feudal tenures of every kind are forever prohibited.11 They looked upon the right to cash in on the product of one's own labor as an essential element of any meaningful concept of a free man. They saw it as the right to elevate the human personality from a position of status where one's social and economic course is predetermined to a position of contract where each one is free to determine his own course. Or as a more recent writer has expressed it, "in organized societies the degree of liberty among human beings is measured by the right to own and manage property, to buy and sell it. to contract."12

Freedom of Movement

Experience has shown that where free movement of property

¹¹ E.g., Minn. Const. art 1, sec. 15; Wis. Const. art. 1, sec. 14. See generally, 1 Powell, Real Property. par. 158 (1949).

¹² Garber, Of Men and Not of Law, 34 (1966).

has existed the economy has prospered and the wealth, especially the wealth of the least wealthy. has multiplied. This is not a surprising result. It is merely the normal and natural result of giving a man an opportunity to emplov his talents in a way most pleasing to him and to enjoy the fruits of his efforts in the manner he selects. If he is denied the right to make his own choice, society is denied the benefit of the productive efforts that choice would demand. The productive capacity of the individual, and hence the productive capacity of society as a whole, will tend to decline. This principle is implicit in the statement of Jeremy Bentham that "no man can be so good a judge as the man himself, what it is gives him pleasure or displeasure."13 The same idea is supported by Ludwig von Mises' declaration that "the average man is both better informed and less corruptible in the decisions he makes as a consumer than as a voter in political elections."14

But this long history of the expansion of individual rights to property does not mean that private dominion has now become absolute. It never has been absolute and it is doubtful if anyone will

seriously contend that it should be made absolute. The state still does. and it is believed it must, retain some control. Property taxes are still collected. The right of eminent domain is still exercised. During times of war or other national emergency, property has been requisitioned or expropriated when necessary to the state's defense. These acts by the state are necessarily encroachments upon the individual's dominion over the things he acquires. The significant question to ask is how far may these encroachments extend?

Zoning and Planning

Fundamentally, it is a problem of defining the point at which the inalienable rights of the private owner end and the inherent power of the state begins. It is not too much to say that that question presents the most challenging problem facing the legal profession, and in fact the entire American society, at the present time. The future course of man's progress toward personal liberty, human dignity, and civil rights depends upon how he answers that question.

In recent years zoning and city planning have become important parts of American law. It is not within the scope of this paper to make any judgment as to whether that development is good or bad.

¹³ Bentham, Principles of Morals and Legislation, 172 (Oxford at the Clarendon Press, 1879).

¹⁴ Mises, Socialism, 21 (1951).

But it is within the scope of this paper to point out that it is a development that constitutes a direct encroachment upon the freedom of the individual to do as he pleases with his own property. Where such schemes are in operation the individual owner is not free to devote his property to the uses most suitable to his needs. An incident of property ownership has been removed. An important right has been taken from the bundle of rights constituting the owner's property in a given tract of land.

Rent Control

Other rights are slipping from the bundle from time to time. It is conceivable that in some instances the loss might be necessarv to the well-being of society. The distressing thing is that the loss often goes unnoticed. During World War I it was felt necessary to place statutory restrictions upon the amount of rent a man could receive for a given housing unit. After the war most of these regulations were removed. During World War II rent controls were again inaugurated and this time they have been a little slower in their disappearance. Some are still in effect. And in some quarters statutory rent control is now being accepted as a permanent institution.

Effect on the Landlord

This paper is not an appropriate place to debate the merits or demerits of this kind of legislation but it is an appropriate place to call attention to its meaning. It was first presented to the public as an emergency war measure but more recently it has been referred to as an instrument for the creation of a new type of tenancy. It has been said that the "statutory tenant," that is a tenant whose rent is determined by a statute rather than by the market, has a new type of estate hitherto unknown to the law. He probably does. But that kind of analysis is incomplete unless it goes further and identifies the kind of estate held by the "statutory landlord." And this second step has rarely ever been taken. If the question is raised at all, the answer is likely to be that the landlord has a fee simple which is defined as the highest estate, that is the highest kind of ownership, known to the law. If that answer is accepted as satisfactory, then it must be admitted that the owner of the highest estate known to the law is denied the privilege of using his holdings in the manner most desirable to him. He is not permitted to rent at a price mutually agreeable to him and his tenant. A substantial incident of ownership has been removed.

In 1948 the Supreme Court of the United States struck at the very heart of private ownership as traditionally understood. Although the decision received wide publicity, very few people gave any indication of being disturbed; or if they were disturbed, it was for reasons other than the court's attack upon private ownership. Prior to 1948 the power to dispose of real property included the power to make certain covenants mutually agreeable to the buyer and seller. Prior to 1948 these covenants were said to run with the land and to be binding upon subsequent owners. The existence of such covenants became a part of the title itself and entered into the calculation of property values.

But in 1948, in the case of Shelley v. Kraemer, 15 the Supreme Court of the United States was faced with a covenant against sale or lease to members of a particular race. Such covenants had long been inserted in deeds and had become quite common in all sections of the United States. Nevertheless, the Supreme Court chose to ignore the covenant's existence. The fact that property values depended upon the covenant and that mortgage loans might have been extended in reliance upon it made no difference. This might possibly have been an appropriate time for a judicial determination that covenants of this particular kind were inconsistent with American public policy and therefore without any legal effect. No position is taken here as to whether such a decision would have been wise or unwise. But in any event that route was not taken. Instead, the court. in an opinion written by the Chief Justice, displayed a total lack of concern for private property by declaring that the covenant was valid but would not be enforced.

Any effort to rationalize the 1948 decision on the theory of state action is antagonistic to civilized society unless that society is ready to deny recognition of private property altogether and adopt absolute group ownership. A man does not have a property in anything unless he has a right which the state will protect. As soon as the state extends any protection there is clearly a case of state action. If protection is withheld while the right is officially recognized, there is an express invitation to self help where the law of the jungle prevails.

"Open Housing"

An even more serious inroad on private ownership has appeared in recent years in the so-called "open housing" legislation. When this type of enactment appeared

^{15 334} U.S. 1 (1948).

on the local scene in New York City in 1957.16 it caused very little excitement among the nominal adherents of the free market concept. This in spite of the fact that it almost completely abandoned the theory of freedom of alienation by taking away from the seller the right to choose his own customers. More specifically, it prohibited sellers in certain classifications from discriminating among buyers because of the buyers' race or religion. Freedom alienation was theoretically preserved, but anyone who has had any experience in buying or selling real estate knows that freedom of alienation has very little meaning if it does not include the freedom to choose one's own customers.

The freedom that was preserved by this legislation is remarkably similar to the freedom that prevailed in England prior to 1290 when the property owner was free to sell except that the lord (the king being the supreme lord) had a veto power over the choice of a buyer. Nevertheless, the legislation in varying forms became popular, spread to other states, and found its way into a Federal enactment in 1968. 17 Prior to its enactment on the Federal level

testimony before the Senate Subcommittee on Constitutional Rights pointed out that its effect in the market place would be to reduce the amount of new housing available in coming years and to decrease rather than increase the access of minority groups to that which was available. 18 It would be a mistake to attribute the recent decline (some might prefer to say crisis) in the housing industry to that cause alone but it would also be a mistake to ignore the possibility that it might have been a contributing factor.

Back to Feudalism

The concept of private property appears to be moving in a circle that is almost closed. The feudal ages found "freemen" in virtual serfdom. Private ownership existed but it was a very limited concept. The incidents of ownership were comparatively few and such as existed were substantially restricted by the recognized power of the state. But that period was a period of struggle for more and more freedom and more civil rights in the individual. Men were demanding more control over their own destiny - more of the fruits of their own labor. The result was a steady increase in the incidents of private ownership and a corresponding reduction in the

¹⁶ Local Laws, City of N.Y., 1957, No. 80.

^{17 42} U.S.C.A, secs. 3601-3619 (1970).

^{18 112} Cong. Record, 14715-14717 (1966).

state's power to control. The significant legal developments were centered around efforts of the law to preserve the freedom of movement of private property. This trend continued until very recent times when the individual's freedom both to use and to dispose of the fruits of his own labor seemed virtually secure.

But throughout this period of development there never was any clear line between the conflicting forces, that is to say, between the incidents of ownership sacred to the individual on the one hand and the rights exercised by the state on the other. Eventually the trend toward individual freedom found itself in reverse. The bundle of rights constituting ownership began to shrink. Sticks were withdrawn from the bundle and handed over to the state. The state took a more active part in controlling the use of things still owned by individuals. The owner lost his right to fix the price at which he was willing to rent. He lost the right to dispose of property on terms of his own choosing. He lost the right to select his own customers.

Default Rather than Desian

Why is this decline in the importance of the individual together with the corresponding increase in the function of the state taking place? It could be the result of a conscious choice by a society which believes it has gone too far in the direction of private ownership and that a retreat is desirable. It is doubtful if that is the case. It is doubtful that any such conscious choice is being made.

CHANGING CONCEPTS OF PRIVATE PROPERTY

What is more likely is that the transition is going more by default than by design. We have concerned ourselves so much with other things that we have almost forgotten that there is a right of property which "is before and higher than any constitutional sanction." We talk about such things as freedom of speech, freedom of the press, freedom of religion, and freedom from false arrest, without giving much attention to the foundation upon which all these freedoms rest. We have forgotten that these are but the symbols, the ornaments, and the outward manifestations of a solid structure without which none of them could exist. We have become so interested in the cake's icing that we have ignored the cake. We have become victimized by the often repeated but absolutely false assertion that there is a conflict between property rights and human rights. The truth is that private ownership of property is the greatest instrument of freedom ever designed and it is sheer folly to speak of granting a man freedom while withholding that instrument from him.

Facina the Issue

It is a long way from the serfdom of the medieval manor to the American statutes and constitutions abolishing feudal tenures. Americans have arrived at an age when freedom of ownership is so taken for granted that there is a danger that we might inadvertantly allow it to slip out of our hands. If our freedom is to be taken seriously, we must acquaint ourselves with what is actually happening in the name of social justice, equal protection of the law, and other glittering generalities that are without meaning until they are given meaning in the context of human experience. "Social justice" can become a slogan used to promote both social and personal injustice. "Equal protection of the laws" can be used as a mask for universal oppression through law.

As we move from one age to another there is but one fundamental change in the concept of private property. The rate of the change as well as the direction of the change may shift from time to time. But the question is always one of deciding what incidents of ownership rest in the individual and what incidents are claimed by the state. If human freedom is to be preserved, that question must be faced squarely. Questions concerning zoning, rent control, restrictive covenants, and all the others cannot be intelligently answered until they are placed within the context of that basic issue. When they are placed within that context, it is likely that the most vocal proponents of some of these new schemes will become their most violent critics.

The Source of Wealth

IDEAS ON

LIBERTY

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people.

OWNERSHIP as a SOCIAL FUNCTION

PAUL L. POIROT

In the market society the proprietors of capital and land can enjoy their property only by employing it for the satisfaction of other people's wants. They must serve the consumers in order to have any advantage from what is their own. The very fact that they own means of production forces them to submit to the wishes of the public. Ownership is an asset only for those who know how to employ it in the best possible way for the benefit of the consumers. It is a social function.

LUDWIG VON MISES, Human Action

IF ONE were obliged to list a single cause of our age of revolution, it might be this: the irresponsible use of private property.

Serious enough is the problem of stewardship and responsibility for disposition of one's own property. Infinitely greater are the problems created in the so-called charitable disposition of other people's property, when one votes to tax others for funds to be distributed to the "worthy" poor.

By this process, whole classes of "beneficiaries" may be deprived of their human dignity and of the

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opportunity to live as responsible, mature individuals:

- the young, publicly schooled to "sit in" and picket for favors;
- -the aged, socially secured against productive use of their talents;
- hypochondriacs, medicared into terminal illness;
- the indolent, paid not to work;
- unwed mothers, seduced by subsidy to fuel the population explosion;
- farmers, paid to grow surplus crops, or not to farm at all;
- businessmen, sheltered by tariffs and embargoes and protectionism generally;

- craftsmen and other professionals guarded against competition through a union or association or licensing arrangement of one kind or another;
- an endless list of personal failures, financed at the expense of everyone else.

Even so, to speak of the irresponsible use of private property immediately calls to mind the widely publicized charges of misbehavior leveled against "merchant princes" and "robber barons" of an earlier century. And it well may be true that some individuals in those days made some mistakes.

In his definitive history of property rights (In Defense of Property. Regnery, 1963). Professor Gottfried Dietze points out that: "In the nineteenth century, private property enjoyed greater protection than ever before . . . property rights received far-reaching protection through legislation, adjudication and juridical science." In other words, the full force of law and order and government protection had been mustered in support of the fundamental right of the owner to do with his property as he pleased. That was the juristic attitude toward property rights, nor should it be altogether surprising to find such property-protecting governments occasionally granting to various owners or groups a bit of special privilege and political power. In any event, it is clear that individualism generally was favored over collectivism in America and much of Europe during the nineteenth century—and that the tide now runs strongly in the other direction.

The point at issue here is whether or not the owner's right to his property carries with it any corresponding duty or responsibility toward others. And the tendency of the law in the nineteenth century was to say no; let the owner do with his property as he pleases so long as he doesn't interfere with the property rights of others.

Dangerous Protectionism

While such a view toward property may be economically and morally sound, it probably reflects poor political strategy. There is every logical reason, in a marketoriented economy, why decisions concerning the use of property are best left to the owner. But the owner may properly be accused of negligence if he relies heavily upon the government to defend his title and does not try to explain to others the general blessings of private ownership and open competition. Without that explanation, and understanding by the people, the same governmental force used to protect property can be perverted into a weapon for plundering, a perversion well advanced in the twentieth century. Owners who would protect private property are now obliged to explain to plunderers why property rights should not thus be violated.

The term "private property" often is narrowly used to signify only the material possessions of the wealthier members of society. But in a broader and more constructive sense, "property rights" are synonymous with "freedom" and include the individual's right of self-control, self-respect, selfresponsibility, and personal choice as to how he'll use his own life. A man without property rights without the right to the product of his own labor and without respect for the equal right of every other person - is not a free man.

How, then, does one explain to would-be plunderers that their own and the public interest are best served by private ownership rather than public ownership of scarce resources? Perhaps the most likely point of agreement would be this: one does not use a club to explain a good idea to a reasonable person. The point is of great importance: the general welfare is served by reducing violence and fighting to a minimum. Once men agree to stop plundering one

another, they are in a position to consider and to act in other ways to satisfy their wants.

For the Best Management of Scarce Resources

When reasonable persons give thought to the ever-lengthening list of unsatisfied human wants. the impressive fact comes clear that resources are scarce. It is of utmost importance that resources be used efficiently, rather than wasted. if the satisfaction of wants is to be maximized. The reasonable person also must realize that the maximum satisfaction of human wants involves thought for the morrow as well as provision for immediate consumption. This means that some resources must be saved today and used as the tools and raw materials of further production for the optimum ultimate service of consumers. The important question, then, among reasonable men, concerns should own the scarce resources of the world in order to assure the best possible service of the needs of the sovereign consumer, each the judge of his own needs. And the most reasonable answer, in the light of experience to date, is that an unhampered competitive market economy most effectively and efficiently places the ownership of scarce resources in those hands that best serve consumers.

Producers and Consumers

A word about ownership may be appropriate here. Is the owner a producer or a consumer: are we speaking of production goods or consumption goods? As far as the goods are concerned, it doesn't matter. What matters is the owner's purpose, the reason why he wants possession. And the inevitable answer is that he is trying to satisfy his wants. The person who trades or participates in the market economy is both producer and consumer, nor is there any way he can be more one than the other in an open competitive society. A king or dictator or slave master might pretend to be all consumer, leaving the production to others, but that situation does not spell freedom.

Instead of dividing the ownership of all land and tools and other factors of production egually among all men, the general welfare depends upon directing such ownership and control into the hands of the most efficient producers of the goods and services wanted by consumers. Day in and day out, in the market place, consumers are expressing their latest preferences, handsomely rewarding some producers and letting others know they have failed. In the market economy, every owner is continuously obliged to justify, through service, his right to retain control of the resources he claims. Otherwise, consumers peacefully transfer the ownership and control into more capable. more productive, more serviceable hands. How is such transfer effected? Through the market system of recording supply and demand conditions in terms of prices that may be relied upon for the economic calculation of profit or loss. Consumers thereby direct the production of what best serves their needs, placing the ownership of property in the most capable hands.

Not all consumers, of course, are aware of the economic power they can effectively wield in their own interest through the open market. Some of them, forgetful or unaware of the inevitable scarcity of resources and the terrible cost of waste, are forever looking toward a political redistribution of property in the expectation of having more for themselves for immediate consumption. They fail to see that any such political redistribution thwarts the production they had ordered by way of prices bid in the market. Nor is this displacement of economic or market power by political power a simple quid pro quo-a foot gained for a foot lost. The tools of production are like a lever or a pry pole. It is possible to cut off a stove length from the lever for immediate use as firewood, but at a tremendous loss of leverage. It is rarely, if ever, in the consumer's best interest to destroy the tools of production.

Market Affords No Permanent Security to the Owners

As previously mentioned, governments of the nineteenth century may have been somewhat overzealous in the protection of property, trying to maintain the prevailing pattern of ownership even if the market indicated the desirability of change, Producers, once they have served the market demand and acquired title to a considerable block of resources, are not necessarily pleased to see a competitor come forth with a better idea to serve consumers. Established owners sometimes seek governmental protection, to exclude would-be competitors from the market. Such protectionism also curbs production and distorts or weakens the signals consumers send to market. A conservatism on the part of property owners that would use governmental force to frustrate consumer demand in the market is a socialistic form of conservatism, not in the general welfare.

In other words, the market affords no permanent security to the owner. Rather, it obliges him to prove himself over and over and over — endlessly. Consumers entrust property to his use, reward him handsomely if he serves them well, ruthlessly abandon him and reallocate the property the moment he fails to serve them. The market simply will not countenance the idea of property as an exclusive privilege of the owner. The market insists that property rights belong to those who best use the property to serve consumers.

The point for which we are striving here is that the present owners of property are not necessarily the ones one might expect to uphold and defend the competitive open economy - the market system. They are only human, and might well prefer the sort of protectionism nineteenth-century government gave property owners. So, it behooves the least of the property owners to protect his own interest in the market economy his interest as a consumer. The man who brings his goods or services to market, in trade for property he would consume, is interested in the mobility of property for easy conversion to his purposes, not protectionism and stagnation in formerly profitable uses - and not a political diversion of property to uses no one is willing to pay for.

The market has been severely, and unjustly, condemned of late for allowing or even encouraging the waste of natural resources and the serious pollution of air, water, morals, and other requisites for clean living. But closer inspection will reveal that the properties thus polluted are those not clearly subject to private ownership and control: the atmosphere, rivers, lakes, oceans, parks, streets, schools, Appalachia, the body politic. They have been treated as public property, the responsibility of government, nobody's business in partic-

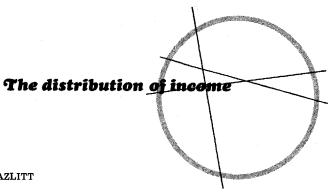
ular. Hopefully, it may be realized in time that such things as air and water and human virtue are scarce and valuable resources, that they should be subject to private ownership and control, and that government's sole responsibility is to protect the owner against robbers and vandals and at the same time hold him responsible if he uses his property in ways injurious to others. Private ownership is a social function.

An Open Society

CAPITALISM presupposes an open society in which the ends are determined by individuals, or by voluntary associations of individuals. It is fundamentally incompatible with the idea of an allencompassing State purpose, or a single official Manifest Destiny – though it is thoroughly compatible with a church whose own purposes are extra-governmental, either "not of this world," or, if of this world, devoted to leadership, mediation, and charity in the realms which do not belong to Caesar.

Theoretically, of course, it is quite conceivable that capitalism could flourish without a legal framework, either under pure anarchism, or under a beneficent landlordism, or with the blessings of a "let alone" monarch. But, as we shall see, it was James Madison, the scholar among the Founding Fathers, who put his finger unerringly on the need for a device which will put automatic checks on government if any freedoms are to flourish. Purely as a practical matter the institutions of an open society demand the safeguards of a limited government.

IDEAS ON



HENRY HAZLITT

For more than a century socialist writers have leveled two main charges against capitalism: 1. It is not productive (or only wastefully productive, or far less productive than some imaginable socialist system would be). 2. It leads to a flagrantly unjust "distribution" of the wealth that it does produce; the workers are systematically exploited; "the rich get richer and the poor get poorer."

Let us consider these charges. That the capitalist system could ever have been accused of being unproductive, or of being very inefficiently productive, will seem incredible to most economic students of the present day, familiar

with the record of the last generation. It will seem even more incredible to those familiar with the record since the middle of the eighteenth century. Yet the improvement in that early period remained hidden even from some astute contemporary observers. Thomas Malthus in 1798 (the date of the first edition of his Essay on Population) seemed hardly aware of the productive transformation already achieved in the first half of the Industrial Revolution. 1

Yet much earlier, in 1776, Adam Smith had shown keen awareness of improvement: "The uniform, constant, and uninterrupted effort of every man to better his condition . . . is frequently powerful enough to maintain the natural progress of things toward im-

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¹ See "The Problem of Poverty" in THE FREEMAN, June, 1971, pp. 325-6.

provement, in spite of the extravagance of government, and of the greatest errors of administration."²

Smith rightly attributed this progress to the steady increase of capital brought about by private saving—to the "addition and improvement to those machines and instruments which facilitate and abridge labor."

"To form a right judgment" of this progress, he continued, "one must compare the state of the country at periods somewhat distant from one another. [So as not to be deceived by short periods of recession.] . . . The annual produce of the land and labor of England, for example, is certainly much greater than it was a little more than a century ago at the restoration of Charles II." And this again was certainly much greater "than we can suppose it to have been about a hundred years before, at the accession of Elizabeth." Quite early in The Wealth of Nations we find Smith referring to the conditions of his own period as being comparatively, as a result of the increasing division of labor, a period of "universal opulence which extends itself to the lowest ranks of the people."3

If we leap ahead another century, we find the economist Alfred Marshall writing in the 1890's:

"The hope that poverty and ignorance may gradually be extinguished, derives indeed much support from the steady progress of the working classes during the nineteenth century. The steamengine has relieved them of much exhausting and degrading toil: wages have risen; education has been improved and become more general. . . . A great part of the artisans have ceased to belong to the 'lower classes' in the sense in which the term was originally used: and some of them lead a more refined and noble life than did the majority of the upper classes even a century ago."4

Statistical Comparisons

For more recent years we have the great advantage of getting beyond more or less impressionistic comparisons of economic progress to fairly reliable statistical comparisons. Our chief care here must be to avoid making such comparisons in terms of dollar income at current prices. Because of the continuous monetary inflation in the United States since the 1930's, this would give a very misleading impression. To get a true picture of the real improvement in pro-

² The Wealth of Nations, Book II, Ch.

³ Book I. Ch. I.

⁴ Principles of Economics, Eighth edition, pp. 3-4.

duction and welfare, in so far as these are measurable, allowance must be made for price increases. Statisticians do this by deflating recent prices and incomes in accordance with index numbers of average prices—in other words, by making their comparisons in terms of so-called "constant" dollars.

Let us begin with some over-all figures. In the 59 years between 1910 and 1969 it is estimated that the real gross national product of the United States (the GNP) increased at an average rate of 3.1 per cent a year compounded.⁵ At such a rate the production of the country has been more than doubling every 24 years.

Let us see how this has looked expressed in billions of 1958 dollars:

Year	GNP
1929	\$203.6
1939	209.4
1949	324.1
1959	475.9
1969	727.1

Source: Department of Commerce.

In the ten years from 1939 to 1949, then, the real gross national product of the country increased 55 per cent; in the twenty years from 1939 to 1959 it increased 127

per cent; in the thirty years from 1939 to 1969 it increased 242 per cent.

If we now express this in terms of disposable per capita personal income (at 1958 prices) for these same years, the comparison is less striking because we are allowing for the growth in population, but the progress is still remarkable:

Year	Per capita income	
1929	\$1,236	
1939	1,190	
1949	1,547	
1959	1,881	
1969	2,517	

Source: Department of Commerce.

In other words, disposable per capita personal income at constant prices increased 112 per cent—or more than doubled—in the generation from 1939 to 1969.

This disposes effectively of the charge that capitalism is unproductive, or unacceptably slow in increasing production. In the thirty years from 1939 to 1969 the United States was still the most capitalistic country in the world; and the world had never before witnessed anything comparable with this vast production of the necessities and amenities of life.

Which Groups Gain Most?

The foregoing figures do nothing, it is true, to answer the charge that capitalism distributes

⁵ Based on estimates by the Department of Commerce expressed in "constant" (1958) dollars.

its gains unjustly—that it benefits only the already rich, and leaves the poor, at best, no better off than they were before. These charges are at least partly answered, however, as soon as we compare the *median* incomes of families in constant (1969) prices:

Year	Families (millions)	Median Income
1949	39.3	\$4,779
1959	45.1	6,808
1969	51.2	9,433

Source: Department of Commerce.

As the *median* income means that there were just as many families earning more than the amount cited as those earning less, it follows that the 97 per cent increase of median real incomes in this twenty-year period must have been shared in by the mass of the people.

Other sets of figures confirm this conclusion. If we compare weekly wages paid in manufacturing, we find that these rose from \$23.64 in 1939 to \$129.51 in 1969 — an increase of 448 per cent. As the cost of living was constantly rising during this period, this of course greatly exaggerates labor's gains. Yet even after we restate these wages in terms of constant (1967) prices, we find the following changes in average gross weekly earnings:

Year	Wages (in 1967 prices)
1939	\$56.83
1949	75.46
1959	101.10
1969	117.95

Source: Department of Labor.

So, far from wages failing to keep pace with increases in living costs, real wages rose 108 per cent in this thirty-year period.

Was the worker getting his "fair share," however, in the general increase in production—or was he getting a smaller share compared with, say, the owners of industry?

Dividing the Pie

Let us begin by looking at the sources of personal income. Of the nation's total personal income of \$801 billion in 1970, \$570.5 billion, or 71 per cent, was in wages and salaries and other labor income. Income from farming came to \$16.2 billion, or 2 per cent: business and professional income was \$51.4 billion, or 6.4 per cent. Rental income received by persons was \$22.7 billion, or 2.8 per cent; dividends came to \$25.2 billion, or 3.1 per cent: interest received by persons was \$65.2 billion, or 8.1 per cent. (Source: Economic Indictators, June, 1971, Council of Economic Advisers.) If we total these last three items we get

\$113.1 billion, or 14.1 per cent, of "unearned" income. (The income from farming and from business was partly "earned" and partly "unearned," in undeterminable proportions.)

It is doubtful how much all this tells us about the distribution of income between the "rich" and the "poor." Total wage and salary disbursements include the salaries of high-paid executives and of television and motion-picture stars. On the other hand, rentals, dividends, and interest payments include many millions of moderatesized individual sums that may represent the major part or the sole means of support of widows and orphans and persons too old or too ill to work. (There are some 30 million American stockholders. for example, and 25 million savings-bank accounts.)

A very significant figure, however, is the comparison of how much the employees get from the corporations with how much the owners get. Let us look first at a few facts about profits. In the five-year period 1965 to 1969 inclusive, all manufacturing corporations of the United States earned profits after Federal income taxes of only 5.2 cents per dollar of sales. Manufacturing corporation profits after taxes as a percentage of stockholders' equity look a little better—they averaged 12.3 per cent for

the same five years. (Source: Economic Report of the President, February, 1971, p. 284.)

Both of these figures, however, overstate the real profits of the corporations. In a period of continuous inflation like the present. the corporations are forced by the tax laws to make inadequate deductions for depreciation of plant and equipment, based on original cost, and not sufficient to cover replacement costs. Profits as a percentage of equity are overstated for still another reason: they are stated in dollars of depreciated purchasing power compared with the dollars that were originally invested.

Lion's Share to Employees

What is more significant (and constantly forgotten) is that the employees of the corporations draw far more from them than the owners. This is exactly the opposite of what is commonly believed. Surveys by the Opinion Research Corporation have found that the median opinion of those polled was that the employees of American corporations receive only 25 cents out of each dollar available for division between the employees and the owners, and that the remaining 75 cents goes to profits. The facts are quite the opposite. In 1970, for example, of the U.S. corporation income available for distribution between the workers and the owners, ninetenths went to the workers and only one-tenth to the owners. Here is how, in billions of dollars, the division appeared over a series of years:

DIVISIO	N OF	U.S.	CORPO	RATE	INCOME	
BETWEEN	EMPL	OYEE	S AND	STOC	KHOLDERS	

Year	Profits After Tax	Payrolls	% for Payroll
1 9 70	\$36.4	\$366.0	91.0
196 9	40.0	350.5	89.8
1968	44.2	319.2	87.8
1967	43.0	291.8	87.2
1966	46.7	275.5	85.5
1960	24.8	188.8	88.4
1955	25.4	144.6	85.1

Derived from Office of Business Economics, U.S. Department of Commerce.

If we average out the five years from 1966 to 1970, we find that compensation to employees came to 88.2 per cent of the corporation income available for division, and only 11.8 per cent, or less than an eighth, went to profits available for share owners.

So if American workers are being "exploited" by the capitalists, it is certainly not evident from the figures. One important fact that the anticapitalist mentality so often forgets is that corporation earnings do not constitute a common pool. If manufacturing corporations earn an average of 12 per cent on their equity, it does not mean that every corporation earns

this average profit margin. Some will earn 20 per cent on equity, some 10 per cent, some 3 per cent — and many will suffer losses. (Over a 40-year period an average of 45 per cent of companies — by number — reported losses annually. As a general rule, small companies suffered losses more frequently than did the large corporations.)

Another point to be kept in mind: When profits are large, it does not mean that they are at the expense of the workers. The opposite is more likely to be true. In 1932 and 1933, for example, the two years when the nation's corporations as a whole showed a net loss, the workers also suffered their worst years from unemployment and wage cuts. In a competitive capitalistic economy, aggregate profits and aggregate wages tend to go up or down together. It is to the long-run interest of the workers as well as of stockholders for profits to be high.

A Look at Family Incomes

Turning from the sources of income, we come now to increases in family incomes over recent years and to the division of income as between various segments of the population. Because of rising prices, comparisons between different years of family incomes in current dollars have little meaning. Here is a comparison, how-

ever, of the per cent distribution of white families by income level, in constant (1968) dollars, between 1950 and 1968:

Family Income	1950	1968
Under \$3,000	23.4%	8.9%
\$3,000-\$4,999	26.8	11.0
\$5,000-\$6,999	22.9	14.3
\$7,000-\$9,999	16.6	24.0
\$10,000-\$14,999	10.2	26.1
\$15,000 and over	} 10.2	15.7
Median income	\$4,985	\$8,936

Source: U. S. Department of Commerce, Bureau of the Census.

The sharp drop in the percentage of families with "constant" incomes under \$3,000 is especially noteworthy. The rise in the overall "real" median income in this eighteen-year period was 79 per cent.

The per cent of aggregate income received by each fifth of the number of families in the country, and the per cent of aggregate income received by the top 5 per cent of families, has changed much less over the years, but such change as has occurred has been toward a more equal distribution:

Families	1947	1960	1968
Lowest fifth	5.0%	4.9%	5.7%
Second fifth	11.8	12.0	12.4
Middle fifth	17.0	17.6	17.7
Fourth fifth	23.1	2 3 .6	23.7
Highest fifth	43.0	42.0	40.6
Top 5 per cent	17.2	16.8	14.0

Source: U. S. Department of Commerce, Bureau of the Census. If the reader wishes to know how the various fifths of the population ranged in actual incomes in 1968, and in which fifth or bracket his own family income fell, he can learn it from the following table:

Families	Income Range	% of Income Received
Lowest fifth	Under \$4,600	5.7
Second fifth	\$4,600-\$7,400	12.4
Middle fifth	\$7,400-\$10,000	17.7
Fourth fifth	\$10,000-\$13,500	23.7
Highest fifth	\$13,500 and over	40 .6
Top 5 per cent	\$23,000 and over	14.0
Top 1 per cent	\$42,500 and over	5.0

Derived from Herman P. Miller, Rich Man, Poor Man (Crowell, 1971.) p. 15.

How Government Intervention Affects Each Group

A study published on March 18. 1971 by two Census Bureau statisticians, Herman P. Miller. director of the Census Bureau's population studies, and Roger A. Herriot, concluded that the processes of government now shift income from rich to poor with substantially greater effect than is commonly believed. They contended that most families pay direct and indirect taxes at about the same rate - 30 per cent - regardless of income level; but that when payments from government (such as unemployment insurance) are taken into account, the result is a markedly progressive redistribution of income. For example, families with earned income of less than \$2,000 a year in 1968, according to the study, paid an estimated 50 per cent of their income for all taxes — but got back 106.5 per cent in government payments. So their "net" tax was not a tax at all, but a benefit of 57 per cent. Families with over \$50,000 a year, meanwhile, paid 45 per cent in total taxes and got back less than 1 per cent. So their net tax was 44.7 per cent of income.6

The income comparisons here presented fail to give any support whatever to the socialist contention that under a capitalist system the tendency is for the rich to get richer and for the poor to get poorer - or at any rate for the proportional "gap" between the rich and poor to increase. What the figures show, on the contrary, is that in a healthy, expanding capitalist economy the tendency is for both the rich and the poor to get richer more or less proportionately. If anything, the position of the poor tends to improve better than proportionately.

This becomes even clearer if, instead of merely comparing in-

comes in terms of dollars, we look at the comparative gains of the poor that have been brought about by the technological progress that has in turn to so large an extent been brought about by capitalism and capital accumulation. As Herman P. Miller has pointed out:

"Looking back, there is good reason to wonder why the 1920's were ever regarded as a golden age. . . . Take for example a simple matter like electric power. Today electricity in the home is taken for granted as a more or less inalienable right of every American. Practically every home - on the farm as well as in the city is electrified. Even on southern farms, ninety-eight out of every hundred homes have electricity. In 1930, nine out of every ten farm homes were without this 'necessity.' And the country was much more rural than it is now.

"A more striking example is provided by the presence of a toilet in the home. . . . As recently as 1940, about 10 per cent of city homes and 90 per cent of farms lacked toilet facilities within the structure. This is not Russia or China that is being described, but these United States only thirty years ago."

Even the skeptical Paul Samuelson conceded in 1961 that "the

⁶ The estimate that families with earned incomes of less than \$2,000 a year paid a total in taxes of 50 per cent of their income seems on its face extremely high, but I cite the conclusions of the study as given.

⁷ Rich Man, Poor Man (New York: Thomas Y. Crowell Co., 1971), pp. 44-45.

American income pyramid is becoming less unequal."8

Technological Progress

There can be little doubt that the technological progress of the last two generations has meant more to the families at the bottom of this pyramid than to those at the top. It is the overwhelming majority of Americans that now enjoy the advantages of running water, central heating, telephones, automobiles, refrigerators, washing machines, phonographs, radios, television sets—amenities that millionaires and kings did not enjoy a few generations ago.

Here are some of the figures of the percentage of American households owning cars and appliances in 1969:

	ANNUAL INCOME GROUPS			
	All Households		\$3,000- \$3, 9 99	
One or more cars	79.6%	44.7%	67.0%	
TV, B&W	79.0	77.5	83.5	
TV, Color	31.9	9.5	16.9	
Washing machine	70.0	49.8	60.9	
Refrig. or freezer	82.6	75.0	76.8	

Source: U. S. Department of Commerce, Bureau of the Census.

In view of the fact that government statisticians officially placed the "poverty threshold" for 1969 at \$3,721 for a family of four, and

\$4,386 for a family of five, the percentage of families with incomes less than this who own cars and appliances is remarkable. In 1969, in addition, 90 per cent of all American households had telephone service.

To these figures on the distribution of physical appliances we must add many intangibles. The most important of these is the enormous increase in the number of those who have enjoyed the advantage of an education. Broadly speaking, the percentage increase has been greatest for those at the bottom of the pyramid. A century ago (1870), only 57 per cent of all children between 5 and 17 years of age attended school. By the turn of the century this had risen to 76 per cent, by 1920 to 82 per cent, and by 1960 to 89 per cent. It was as low as this in 1960 only because children were starting school at 6 years of age instead of at 5. Nearly 97 per cent of all children between 7 and 17 years of age were in school in 1960. Even more dramatic are the figures on schooling at a higher level. In 1870, only 2 per cent of the relevant age group graduated from high school. This tripled to 6 per cent by 1900, tripled again to 17 per cent by 1920, and again to 50 per cent by 1940. It had reached 62 per cent by 1956. Enrollment in institutions of higher

⁸ Economics: An Introductory Analysis, 5th edition (New York: McGraw Hill Book Co.), p. 114,

education — junior colleges, colleges, and universities — was less than 2 per cent of the relevant age group in 1870, and more than 30 per cent in 1960.9

Serving the Masses

The long-run historical tendency of capitalism has been to benefit the masses even more than the rich. Before the Industrial Revolution the prevailing trades catered almost exclusively to the wants of the well-to-do. But mass production could only succeed by catering to the needs of the masses. And this could be done only by dramatically reducing the costs and prices of goods to bring them within the buying power of the masses. So modern capitalism benefited the masses in a double way - both by greatly increasing the wages of the masses of workers and greatly reducing the real prices they had to pay for what was produced.

Under the feudal system, and nearly everywhere before the Industrial Revolution, a man's economic position was largely determined by the economic position of his parents. To what extent is this true in the United States of the present day? This is a difficult

question to answer in quantitative terms, because one of the intangibles a man tends to "inherit" from his parents is his educational level, which so largely influences his adult earning power. But some of the partial answers we do have to this question are surprising. Herman P. Miller tells us:

"In 1968 fewer than one family out of a hundred in the top income group lived entirely on unearned income—interest, dividends, rents, royalties, and the like. The other ninety-nine did paid work or were self-employed in a business or profession. Nearly all of these families were headed by a man who worked at a full-time job. In 1968 over four-fifths of these men worked full time throughout the year." 10

They also seemed to work longer hours than the average worker. Among the rich, also, "relatively few admit to having inherited a substantial proportion of their assets. Even among the very rich—those with assets of \$500,000 or more—only one-third reported that they had inherited a substantial proportion of their assets; 39 per cent claimed to have made it entirely on their own, and an additional 24 per cent admitted to having inherited a small proportion of their assets."¹¹

⁹ Author's source: Rose D. Friedman, Poverty: Definition and Perspective (Washington: American Enterprise Institute, 1965), p. 11.

¹⁰ Rich Man, Poor Man, p. 150.

¹¹ Ibid. p. 157.

International Comparisons

I have said nothing so far of the comparison of American incomes with those of other nations. In absolute figures - in gross national product per capita, in ownership of passenger cars and TV sets, in use of telephones, in working time required to buy a meal these comparisons have been all heavily in favor of the United States. In 1968, the per capita gross national product of the country came to \$4,379, compared with \$3,315 in Sweden, \$2,997 in Canada, \$2,537 in France, \$1,861 in the United Kingdom, \$1,418 in Italy, \$1,404 in Japan, \$566 in Mexico, and \$80 in India.12

More immediately relevant to our subject is a comparison of the distribution of income in the United States with that in other countries. In this respect also the result has been largely in favor of the United States. A comparison of conditions in the 1950's made by Simon Kuznets found that the top 5 per cent of families received 20 per cent of the U.S. national income. Industrialized countries like Sweden, Denmark, and Great Britain showed approximately the same percentage. It was in the "underdeveloped" countries where the greatest internal disparities existed in incomes. For example, in El Salvador the top 5 per cent of families received 36 per cent of the national income, in Mexico 37 per cent, in Colombia 42 per cent. This comparison is one more evidence that capitalism and industrialization tend to reduce inequalities of income.

I have entitled this article "The Distribution of Income," and have been using that phrase throughout; but I have done so with reluctance. The phrase is misleading. It implies to many people that income is first produced, and then "distributed" — according to some arbitrary and probably unjust arrangement.

A Misleading Phrase

Something like this idea appears to have been in the back of the minds of the older economists who first began to arrange their textbooks under these headings. Thus, Book I of John Stuart Mill's *Principles of Political Economy* (1848) is entitled "Production," and Book II, "Distribution." Mill wrote, at the beginning of this second book:

"The principles which have been set forth in the first part of this Treatise are, in certain respects, strongly distinguished from those on the consideration of which we are now about to enter. The laws and conditions of the production of wealth partake of the character

¹² Statistical Abstract of the United States, 1970, p. 810.

of physical truths. There is nothing optional or arbitrary in them.

"It is not so with the Distribution of Wealth. That is a matter of human institution solely. The things once there, mankind, individually or collectively, can do with them as they like. . . . The distribution of wealth, therefore, depends on the laws and customs of society."

This distinction, if not altogether false, is greatly overstated. Production in a great society could not take place-on the farms, in the extraction of raw materials, in the many stages of processing into finished goods, in transportation, marketing, saving, capital accumulation, guidance by price and cost and supply and demand - without the existence of security, law and order, and recognized property rights -the same rules and laws that enable each to keep the fruits of his labor or enterprise. Goods come on the market as the property of those who produced them. They are not first produced and then distributed, as they would be in some imagined socialist society. The "things" are not "once there." The period of production is never completed, to be followed by some separate period of distribution. At any given moment production is in all stages. In the automobile industry, for example, some material is being mined, some exists in the form of raw materials, some in finished or semifinished parts; some cars are going through the assembly line, some are on the factory lots awaiting shipment, some are in transport, some are in dealers' hands, some are being driven off by the ultimate buyers; most are in use, in various stages of depreciation and wear and need of replacement.

Everyone Gains

In brief, production, distribution, and consumption all go on continuously and concurrently. What is produced, and how much of it, and by what method, and by whom, depends at all times on the relative sums that those engaged in the process are receiving or expect to receive in profits or wages or other compensation. Production depends no less than distribution on "the laws and customs of society." If farmer Smith raises 100 bushels of potatoes and farmer Jones 200 bushels, and both sell them for the same price per bushel. Jones does not have twice as much income as Smith because it has been "distributed" to him. Each has got the market value of what he produced.

It would be better to speak of the *variation* between individual incomes than of their "distribution." I have used the latter term only because it is customary and therefore more readily understood. But it can be, to repeat, seriously misleading. It tends to lead to the prevalent idea that the solution to the problem of poverty consists in finding how to expropriate part of the income of those who have earned "more than they need" in order to "distribute" it to those who have not earned enough. The real solution to the problem of poverty, on the contrary, consists in finding how to increase the employment and earning power of the poor.

Next Month: The Story of Negro Gains

The Civilizing Process

At this stage in history even the most highly civilized among us wear only a thin veneer of civilization. This can be tested easily by trying to take from our civilized fellow man something that he values highly. It is likely that his thin veneer of civilization will become even thinner. Could we not then all agree that the object of the game is, as we live, to try to contribute to, not take away from, the civilizing process?

IDEAS ON

Here in America, for reasons known to most, but apparently not all of us, men have developed a political and economic system that works better than any other in history. It works, functions, better because it affords the opportunity for each man to rise as high as ability, talent, training and energy can take him. Every American, if he tries, can do better in the world than his father did before him, because the opportunities in America are constantly increasing and expanding.

This freedom to rise, multiplied by the countless millions of Americans who have used it, has built (and continues to build) the economic miracle of history, a nation with the most stable institutions in history.

It should be unnecessary to say that all Americans, black and white, have far more to gain by using and being a part of the system than by pulling and working against it.

FRANK WALLACE, from the pamphlet, "To Insure Domestic Tranquility," copyright 1971.

ESCAPING THE MOB MENTALITY

IN correspondence dated 1789. Thomas Jefferson observed, "I am not a federalist, because I never submitted the whole system of my opinions to the creed of any party of men whatever in religion, in philosophy, in politics or in anything else, where I was capable of thinking for myself. Such an addiction, is the last degradation of a free and moral agent. If I could not go to heaven but with a party, I would not go there at all."1 The general thrust of Jefferson's personal creed here is individualism - personal independence in thought and action as opposed to the inevitable corruption of a collective creed.

Mob Mentality — the collective complex—is what Jefferson was protesting. This creeping contagion lurks today in the heart of many an individual—yes, even that individual who espouses per-

sonal freedom and responsibility over state paternalism. This affliction is not always easily recognized or diagnosed, but certain symptoms can be isolated: attitudes of gloom and impotence, pessimism, and a mania for organizing. Each individual must be his own physician—through self-examination—if the disease is to be eradicated and the devotees of personal freedom and individual accountability are to nurture the freedom faith.

Many a person is deeply disturbed that his country appears to be sinking ever further into the mire of socialism, but he rationalizes that his own individual action is dependent upon the accompanying action of others. He forgets that a man is solely responsible for his own, not the actions and attitudes of other men. To the extent that he surrenders responsibility for individual initiative. to that extent he enslaves himself to Mob Mentality. Whenever a personal endeavor challenges him to live the freedom faith, he para-

¹ "Personal Faith," in *Thomas Jefferson on Democracy*, edited by Saul K. Padover (D. Appleton-Century Co., 1939), p. 122.

Mr. Bearce is a free-lance writer in Houston, Texas.

lyzes himself with a weak:
"There's no hope. The hour is too
late for a revival of freedom.
Freedom is dying." He groans
that everyone is too saturated
with myths and fallacies to pay
any attention to his vast store of
wisdom. "I'm a lone wolf in a desert of ignorance. Nobody'll listen."

That last remark is his downfall. His potential for individual action is smothered by Mob Mentality. Maybe his fellow man won't appreciate his efforts for freedom. but that isn't a burden he must bear. If his understanding of freedom is constructed upon serious reflection, sincerity, humility, and honesty, then he should be content to allow the Truth of freedom to fight its own battles against apathy and ignorance. His initial effort - not the collective's approbation or lack of it - ought to be his chief preoccupation.

Another common symptom of the Mob Mentality is a fondness for "organizing" and organizations. It must be acknowledged, of course, that the organizing spirit has its place in the defense of freedom. Individuals can develop new friendships through club work. Often five people working in conjunction can accomplish more than the individual alone. Organizations enable profound discussions to be held, thus deepening each member's insight into

common goals. Material and information can be propagated through clubs and organizations. Efforts can be coordinated and strengthened.

The organizing spirit per se is not to be condemned, but each individual who adds his name to a club's membership roll should keep this maxim ever in mind: Eternal vigilance is the price of liberty! For, within the spirit of organizing lurks the threat of Mob Mentality.

Membership in the organization creates an obsession for labels that can nearly paralyze one's efforts for freedom. Why, he is a member of the Righteous Order of Patriots — with a national membership of 43,281!

Unfortunately, not every one of those thousands will have been a credit to the organization. The criticism of those deviates by outsiders might indeed be unjust, vile, and slanderous; but each member should ask himself just how much he gains, or loses, by stubbornly adhering to the respective label of his own particular group . . . especially when such an obsession outsiders to pigeonhole causes him along with the black sheep of the group. He should ask himself whether his position on freedom will be judged for its inherent worth or whether it will be smothered under abuse of the

label. Such is the challenge to be faced by individuals of various freedom sects today: "Conservatives," "Libertarians," "Objectivists," "Classical Liberals," and so on

An acceptance of proven truths – propagated by the "organization" – should never become an absolute substitute for individual inquiry. It is one thing to possess a humility willing to accept the hard-earned wisdom of others... but something else entirely to allow that wisdom to discourage one's own ventures into the unknown. Thus, organizational membership has a tendency to absorb the individual, diluting his own creativity and ingenuity.

If each individual practices "eternal vigilance" and protects his identity against Mob Mentality, then his organization or association with other free men will indeed prosper. Each member will contribute his individual talents, wisdom, and energies. If "eternal vigilance" is not the watchword, each individual will be reduced to the lowest common denominator as legalism, tradition, and obedience become the club chant.

Mob Mentality sometimes reaps its victims in greatest number at the level of Political Parties. Here the individual must forsake integrity, honesty, and the right to be himself...that is, unless he is a real stalwart and practitioner of "eternal vigilance." Always hovering above the individual who ventures into the dangerous waters of political party officialdom is the admonition that he is no longer an individual. Wherever men sacrifice personal conviction for the collective creed, there you will find the germs of Mob Mentality gleefully destroying the individual... even under the slogans of "the people's will," "democracy," and "for the good of society."

Today, the advocates of freedom and the free market remain on the defensive, mainly because they are preoccupied with the extending tide of socialism, collectivism, and statism. Although our efforts for freedom should be directed at countering these forces, so too should we devote more of our energies to self-examination, lest we find ourselves debilitated by Mob Mentality.

The commission of free men today is to sow the good seed of truth, not glancing over the shoulder at the mass flight of humanity toward the pit of apathy and collectivism. Freedom will fight its own battles and free men will reap the blessings of freedom only so long as the individual devotees of freedom are willing to declare along with Luther: "Here I stand...I can do no other." CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

3

The Colonial Religious Experience

THE ENGLISH HERITAGE Was modified and transfigured by colonists out of nearly 170 years of experience. It is frequently asserted that the United States is a young nation, as such things go, and the people are sometimes described as being in their youth. Such notions, if taken to mean that Americans are short on experience, will not hold up on examination. Americans have had not only the experience of the human race before them - such of it as they carried with them as furniture in their minds or recalled in the literature with which they were familiar but also a broader and more cosmopolitan experience than homogeneous people who have remained in their homeland. Moreover, they had a long colonial experience which was quite varied since the colonies grew up distinct from one another. The two facets of that experience to have most direct bearing on the founding of the United States were the religious and the political.

The religious background and experience will be taken up first because it is most basic. A reading of the United States Constitution, however, could easily mislead anyone as to the religious disposition

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of the Founders. There is nowhere in it even a mention of God. The only direct references to religion are those prohibiting the establishment of religion and prohibiting religious tests for office both negative in character. In addition, a case could be made that several of the leaders among the Founders were Deists - that is. held only such residues of religious beliefs as they could square with human reason. One historian notes the importance of religion in the coming of the revolt in this way: "Yet if we realize that the eighteenth century, for all its enlightened rationalism, remained an age of faith, the religious background of the Revolution becomes instructive. This is not to say, of course, that religious grievances or religious ideology caused the Revolution. . . . But the subterranean forces which motivate political behavior can be found within the more general atmosphere of the times. On the eve of the Revolution, the Protestant religion constituted a fundamental aspect of American culture."1 To which needs to be added that the religious framework not only underlay the move for independence but undergirded the way it was done, the statements of the day, the constitutions that were drawn, and the Republic that was founded. How fundamental religion was to them can be made clearer by examining a little into the background.

It is widely held that the American Revolution was not very revolutionary -a view to which this writer subscribes -. that in comparison with the French Revolution, the Bolshevik Revolution, or even the Puritan Revolution in England in the seventeenth century, the American one was not nearly so radical or was basically conservative. What contributed to this, as already indicated, was a considerable reliance on the English heritage, as well as a general dependence on experience and experienced men. But there was something else which made Americans shy about radical experiments in social reconstruction. It has not been put this way before. I think, and a new thesis deserves more extensive treatment, but it is very germane to this background.

Let it be stated baldly, then. Americans had already had their try at revolution before they came to break with England. Now I do not mean what Clinton Rossiter meant when he referred to *The First American Revolution*.² His

¹ Peter N. Carroll, ed., Religion and the Coming of the American Revolution (Waltham, Mass.: Ginn-Blaisdell, 1970), p. xi.

² This is the title of a paperback version of the first part of his book, Seedtime of the Republic.

meaning was that a revolution in outlook in the decades before 1776 preceded the declaring of independence. What I mean is that when some of the colonists left England and arrived in America they attempted a revolutionary reconstruction of the social and political order. This could be conceived as a revolution only by contrasting what they attempted to do in America with the order that prevailed in the land from which they came. Ordinarily, historians think of a revolution in terms of a prior situation in some country in contrast with what was done in that same country. This may account for their not perceiving the revolutionary content of the changes between England and America during the earlier colonial period. Be that as it may, there were some rather drastic experiments attempted in America in several colonies. They failed, by and large, and their failure meant that the bulk of Americans were not inclined toward radical reconstruction when they broke with England.

The Frontier Thesis

What has impressed many historians in more recent times has been the impact of the physical environment of America on settlers from Europe. The thesis regarding this impact is known as

the frontier thesis. The frontier thesis was first most persuasively presented by Frederick Jackson Turner in the 1890's. It holds that American culture can be explained largely in terms of a succession of encounters with the moving frontier. Undoubtedly, those who came to the New World had to contend with the physical environment, and, undoubtedly, they developed ways which were different in some respects from those of Europe in dealing with it. (Those who have held to the frontier thesis have meant much more than this, of course, for they have generally been determinists, holding that the environment actually shaped Americans.) Yet many of the early settlers struggled with something much less plastic than the physical environment, and from their unsuccessful wrestling with it must have drawn conclusions which joined them once again to the age-old experience of man. In several of the early communities. those who came wrestled with human nature itself, conceived and elaborated systems which would eventuate in new societies. They were much more impressed with the potentialities of a cultural frontier than of a physical one. What they discovered - perhaps. better, came to accept - was the Old Adam in man which is not exorcised by a new setting. This

needs to be filled out with some particulars, but first the religious background needs to be covered.

Religious Background

Those Europeans who came to settle in America were preponderantly Christians, nominally, habitually, or devoutly. The few who were not were probably theists and people of the Book, i.e., Jews. They were Christians whose churches and sects were known by such varied names as Baptists. Brownists, Moravians, Quakers, Presbyterians, Congregationalists, and Catholics. Though it was their differences which stood out at the time and over which they wrangled, they nonetheless shared a basic outlook which transcended their differences and evidenced their common heritage.

As Christians, they accepted God as Creator, as Provider, and Disposer. Life was viewed within a dualistic framework of Time and Eternity. Time was that dimension within which man lived out his allotted years; however brief they might be, they were fraught with ultimate significance as the span within which the decision for eternity was made. Christians had, and have, a historical framework implicit in their religion, one which is bounded by time and is marked off by several transcendent events: the Creation, the Fall, the Incarnation, the Second Coming and the Last Judgment. These are the great landmarks of sacred history, past and future. Not everyone who has gone by the name of Christian has felt the impact of their deeper meaning, yet to be Christian has meant, to say the least, the acceptance of the Incarnation as the entering of God more directly into history through Jesus Christ, the providing of a way of salvation through His grace, and the setting in motion of events which will culminate with His return. To be a Christian has ever meant, too, that man does not give meaning to his life; instead, God gives meaning to it.

The Founders of these United States would have rejected out of hand any suggestion that they write any such credo into the Constitution. Yet their rejection of it would not have signified in most cases that they rejected the beliefs involved. Indeed, they conceived themselves to be doing something much less than and different from pronouncing upon theological questions: they were erecting a frame of government. The kind of government they erected, however, was undergirded and informed by theistic and Christian concepts. It was a government which did not have as its object the salvation of man, the bringing of Heaven to earth, or anything of the sort.

These things could well be left to their own realm and men could be left free regarding them because they were in the domain and hands of God. Men without such a faith can leave no area of freedom, for to be free without God is a chaos of wills.

The Protestant Reformation

Most of those who came to America from Europe in the first two centuries of settlement along the East coast were Protestants. To speak of a Protestant faith or doctrine is to speak loosely, for Protestants have their doctrines and beliefs within particular churches and sects, and these differ greatly from one another. Yet, here again there is a common bond, acknowledged by the very use of the term. Protestant, and it goes beyond opposition to the Roman Catholic Churchs though it is usually defined in contrast with that body.

The seventeenth century settlement of America occurred while the tides from the Protestant Reformation were still flowing strongly. The religious wars, spawned by the Reformation and Counter-Reformation, took place in the midst of the seventeenth century. Doctrines were still picking up adherents; there was a great vitality to religious matters, and many men were deeply con-

cerned about correct belief. This is to say that at the time of the early settlements there was profound interest in and concern about religion. Several currents of ideas were sweeping toward their crests. This was true of those called Puritans as well as a host of sectarians.

One thing that Protestants generally shared was an emphasis on the Bible as the sole source of their beliefs. This was in contrast with the Roman Catholic Church which used in addition to the Bible such other sources as church tradition and the writings of the Church Fathers. Undoubtedly, Protestants subsumed much of this tradition into their versions of Christianity. The Anglican Church kept a goodly amount of the older tradition. But Protestants in general insisted upon a biblical foundation for their beliefs. This central role of the Bible provided a major underlying support to the idea of having a written constitution. By analogy, the English constitution was like the Roman Catholic Church in relying mainly on tradition: the United States Constitution is Protestantlike in being the written word.

Another most important difference between Protestants and Catholics was in the position toward monasticism. In the Catholic Church, a person with a re-

ligious vocation went into one of the religious orders: if he was a man, he became a member of the secular clergy - those who served in such capacities as pastors and priests to the laity - or the regular clergy - those living under rules as monks; if a woman, she became a nun. Protestants renounced, denounced, and, where they could, abolished monasticism. Though Anglicans differed from other Protestants in many respects, on this issue they were agreed. Renouncing the world, to Protestants, was a renouncing of the duties and responsibilities God had placed on men when they were born into it; it was a retreat from the necessary engagement with the Adversary who tested one's mettle.

The Impact of the Puritan Ethic

To devout Protestants, the things of the world are a snare and a delusion. Yet, we are called to grapple with them, possess them, live out our lives in the midst of them, and keep them in their proper perspectives — as things to be used rather than to be used by them. Out of this subtle and somewhat ambiguous attitude toward life in the world came the Protestant ethic, an ethic frequently referred to as the Puritan ethic but actually one shared by

Protestants, though less most tenaciously by Anglicans and Lutherans at times. This ethic involved a particular posture toward the workaday world. It is seen most clearly in the Puritan Doctrine of the Calling. According to this doctrine. God calls to useful employment all those whom He elects to salvation. This calling might be any lawful undertaking which compensated not only the person engaged in it but served others as well. One showed forth the character of his faith by the quality of his work. Though other denominations might be less explicit, the whole Protestant movement was permeated by the drive to perform well by the fact that most religious people were engaged in worldly undertakings rather than withdrawing from them into a life apart.

Personal piety tended to replace for committed Protestants the personal devotions of the religious among Roman Catholics. This is often mistaken for a rigid moral posture toward everything both by observers and undoubtedly by some of the practitioners. Piety, however, is a vesting of all things and all acceptable activities with religious significance, a significance that derives from their impact on the condition of the soul of the person involved with them. Anything that cannot be done to

the glory of God cannot be rightfully done. Protestants tended to repudiate the specializations of the Catholic Church: special orders of religious people, holy days (Puritans castigated a great variety of Christmas activities as pagan), numerous sacraments, the collection of religious relics, and so on. No day was more holy than any other (except, the critic may observe, the Sabbath, which was the major Protestant concession to specialization, a day set aside for religious devotion, that which, in general, Protestants had downgraded), no work more a calling than any other, no thing more worthy of veneration than another. This was the tendency of the Protestant movement, and the outreaches were experienced in vigorous trade and productive activities, insistence on public and private virtue, and a great deal of fervor going into many undertakings which those who discriminated according to a different ethos would reckon to be of little account. That much of this fervor would be obnoxious and repugnant to those of a different faith should be obvious, though men do not ordinarily concede that differences which do not attract them may derive from a great faith, but anvone who would understand American history must come to grips with this moving vitality which

stems from a pious attitude toward the Creation.

Community Experiments

English settlements in America grew up separate from one another, as a rule. These settlements were originally called plantations. came to be known as colonies, and most of them eventually became states within the United States. The separation was owing in part to the accident of the location of grants from the king, in part to the difficulties of land travel in those days, in part to British mercantile policy, and in considerable part to religious differences. Most seventeenth century colonies were conceived of and took shape as religious communities, though those who came to them may have had a variety of motives. That they were conceived as religious communities means that they were to be made up of people of the same faith (with a few notable exceptions) and that religion was believed to be the glue that held them together as well as sometimes that which distinguished them from the others.

There may be, there undoubtedly is, a strong individualistic strain in Christianity. Individuals are saved, not communities nor nations, according to Christian teaching. Protestants were more individualistic than Catholics, at

least in their insistence upon a direct relationship between God and man, one which neither required nor could use a human intermediary. Moreover, Christianity is a missionary religion, that is, the Gospel is to be preached to all nations and peoples. It is not an exclusive religion as is, say, the Hebrew religion. Therefore, religious community in an exclusive or collective sense would be alien to Christianity or to the main thrust of it. Of course, congregations or communities within organizations universal in their purported extent would not be alien.

The Protestant Reformation eventuated in the breakup of the unity of Western Christendom and in the founding of numerous denominations. The initial direction was the founding of national churches as the religion of the people was dictated by the religion of the prince. These national churches were sometimes distinct from any other, most notably the Church of England, and usually required that all those within the country adhere to them. Religion was probably more deeply entangled with political power than it had been before the Reformation. At any rate, to be able to practice any religion freely, it was necessary almost everywhere to hold political power.

Escape from a State Church

Hardly anyone could conceive of a community or nation existing at the beginning of the seventeenth century which did not have one established religion and did not proscribe all others. After all, religion undergirded all institutions, laws, and other establishments. One might as well speak of a people living together under several different systems of laws as with several different religions. so people generally thought. In such a framework, the freedom to practice one's particular religion entailed the lack of freedom of anyone else to practice his in the same community.

The Protestant Reformation not only spawned national churches but also a great deal of religious questioning and vigorous searches for the one true religion. Once a man had discovered the true religion - or the true doctrines and practices within the Christian religion - he must needs live according to his belief, else his soul would surely be forfeit. America was a land of opportunity in the seventeenth as well as later centuries, a land where converts of the true faith might come and set up communities where their faith could prevail.

It was this character to some of the settlements in America which made their coming and their activities in America a revolution, of sorts. Several religious groups in England revolted, in effect, against the Church of England. The Separatists, of whom the Pilgrims who came to Plymouth were a branch, definitely would not accept worship in the Church of England, The Puritans, when pressed to conform, were in tacit revolt against the established church. Something of the same could be said for the Quakers and a goodly number of members of other sects not only in England but also in other lands. Those who came to America were usually successful in their revolt, in that they were able to practice their religion in the New World.

The Massachusetts Experiment

What was more revolutionary than this was the kind of society some of them tried to set up. The example which comes most readily to mind is that of the Puritans who settled in Massachusetts in large number in the 1630's. These had greater opportunity than did most settlers to innovate because they brought their charter with them and a controlling group of stockholders as well. The Puritans were not utopians, nor were they redistributionists by doctrine. They did, however, conceive of the good society as one ruled by the saints, that is, ruled by the elect. They were Calvinists in derivation, and believed in the doctrine that God has elected some to salvation and the rest to damnation. It is His will, so they thought, that the redeemed, so far as they could be discovered, should rule. And, in their rule, they tried to run the government and order society so as to remove all wrongdoing and leave men free only to do good.

The Puritans established their church in Massachusetts, and branch-offs from it were established in other places in New England, with the notable exception of Rhode Island. The church was supported by taxation, attendance upon its services was required of all inhabitants, and the moral prohibitions enforced by the civil authorities. The Puritans enforced an orthodoxy in public utterance as well as in moral behavior. Those who would not conform were banished from the colony. They had not come, they said, to form a debating society.

The Puritans' insistence on orthodoxy may have had political sources, in part. They had a difficult time in justifying the rule of the saints and the prescription of the same regimen for both saved and damned. Since all of their theologians could agree that a moral life could in no wise attain salvation for one, it was not at all clear why the saints should con-

cern themselves with church attendance and what are ordinarily referred to as the private morals of the unredeemed. The Massachusetts Puritans had a dogma to fill this apparent vacuum: it was known as "preparation for salvation."3 This was the doctrine that one could be prepared for the receiving of grace for salvation by hearing sermons, attending church, and good conduct. This iustified, in their minds, the use of force or power in religious matters; it provided an ultimate sanction to the mundane business of intertwining church and state.

The Puritan experiment failed: everyone seems to agree on this point. Their preachers never tired of telling their congregations that they had fallen away from the zeal of their fathers. Their small farming towns founded on an abstraction of the manor failed to contain a population, much of which turned to the sea for a livelihood. A Half-way Covenant in the latter part of the seventeenth century admitted the children of the "saints" to church membership and political participation without requiring of them all the signs of election. The charter was revoked

in the 1680's. The witchcraft persecutions of the 1690's made many doubt the validity of theocracy. The Congregational church was not finally and fully disestablished in Massachusetts until the 1830's. but the theocratic concept of a Holy Commonwealth had long been abandoned. There were, of course, powerful residues from it. The covenant idea went into a stream of ideas which supported a written constitution as a pact between the governors and the governed. The idea of reconstructing society for the good of all has not died. either; it has gone through many mutations in American history. But many New Englanders had enough of such drastic experiments by the eighteenth century.

Communal Failures

There is not space here to discuss in any detail the many different community experiments of the colonial period; it would take a good sized book to do so. There were experiments in communal storehouses and disposal of land. The earliest of these was at Jamestown: it was such a dismal failure that it was very shortly abandoned. A similar fate met the Plymouth experiment in the 1620's. This did not deter the founders of Georgia from attempting an even more extensive experiment along these lines in the

³ See Perry Miller, "'Preparation for Salvation' in Seventeenth-Century New England," Essays in American Colonial History, Paul Goodman, ed. (New York: Holt, Rinehart and Winston, 1967), pp. 152-183.

1730's and 1740's. They attempted to plan the economy and control the morals of the inhabitants: small parcels of land were distributed to householders; an attempt was made to produce silk; they selected the inhabitants according to need and other criteria: and an act of 1735 declared that "no Rum, Brandies, Spirits or Strong Waters" could be imported or sold in the colony.4 By mid-century just about everyone had had enough of this experiment, including the trustees. Of this experiment in philanthropy, historian Daniel Boorstin notes that "a project which had been lavishly supported by individual charity and public philanthropy, had come to a dismal end. It is uncertain how much of the population had deserted Georgia for the freer opportunities of Carolina and the other colonies by the middle of the century. ... But many had left, and there was more than romance or malice in the notion that Georgia was on the way to becoming a deserted colony."5

The Quaker Colony

These were not strictly religious experiments, but the effort of the Quaker colony of Pennsylvania

was more nearly so. The Quakers departed radically from Christian tradition. They abandoned the inherited forms of Christianity, indeed, professed to despise them. eschewed liturgy, theology, or a specialized clergy, believed that each man was illumined by an inner light, and were confirmed pacifists. Also, in the early years, their zeal was almost unbounded. as is illustrated by the determination of some of their number to be martured in Massachusetts. (The authorities there finally decided to oblige them.) They refused to be sworn in courts or take oaths of office in conventional manner. They believed that if the Indians were treated fairly there would be no trouble with them.

How such a people with such beliefs could govern is difficult to fathom. Government has to do with monopolizing and using force, if it is to be employed at all. Yet here were a people loath to bear arms. Boorstin observes that "almost from the beginning the Quakers realized that their religious doctrines . . . would put difficulties in the way of running a government. It was one thing to live by Quaker principles, quite another to rule by them."6 Over a good many years in the mideighteenth century Quaker legislators hampered the government

⁴ Daniel J. Boorstin, The Americans: The Colonial Experience (New York: Vintage Books, 1958), p. 82.

⁵ Ibid., pp. 94-95.

⁶ Ibid., p. 43.

from preparing to defend against Indians on the frontier. The matter came to a head during the French and Indian War when Indians rampaged over western Pennsylvania. After much debate and soul searching, most of the Quakers who adhered to a rigid pacifism withdrew from apolitical activities in 1756. Most of those who remained in the legislature were willing to compromise on the issue.

By the middle of the eighteenth century most Americans had been weaned away from visionary ideas; their experience in the New World had brought them closer to that of the Old World, even as they were growing away from political connections with the old. Many were of a mind to learn from the wisdom of the ages.

The Great Awakening: Churchly People vs. Sectarians

American experience was tending to wean people away from established churches, too. The most generally established body was the Church of England. It was most vigorously established by law in Virginia, where it was not only supported by taxation but other denominations were scarcely tolerated. This attempt to make the church not only the cement of community but also the support of

monarchy and other aristocratic establishments had largely failed. Many Virginians disliked having such an establishment, held the clergy in low esteem, and were quite willing to part with it when the opportunity offered itself. In many of the other colonies the established church was only one among many other denominations. In such circumstances, it was not very convincing to argue that all the people of a commonwealth must be of the same faith else the community would fall apart. This was clearly not the case. Several colonies did not even have an established church, and some of these were as cohesive as those which did

There was more to the tendency away from established churches, however, than an unfavorable experience with them. There were principled objections which eventuated in new conceptions of the relation between government and religion and between the individual and society. The two major sources of these were the sectarian denominations and the Great Awakening.

The American population in the colonial period could be divided into two major religious groupings: the churchly people and the sectarians. Churchly people were those who had or sought to have an established church. Sectarians

⁷ See *ibid.*, pp. 61-62.

were those who neither had nor in principle desired an established church. The first of the sectarians to hold power was Roger Williams in Rhode Island. Williams denied that there was any efficacy to enforced religion. God chose whom he would and rejected the others: no good works or any other human agency or action could affect God's choice. Both the saved and the damned must live in society with one another, and government was necessary to that end. But it would be an abomination to attempt to enforce the dictates of religion on those not elected: it would disturb the peace of the community, give decision over religious matters to unqualified men in government. and would dangerously intertwine matters of this world and the next in ways that they could be distinguished and kept separate.8

There were other sectarians, some of whom did not trace from Calvinism. The Quakers were the most prominent. They did not believe that religion should be forced, and where they had authority there was religious toleration. Many German sectarians came over in the eighteenth century to settle in the areas where they would not be bothered or where there was religious tolera-

tion. Among them were Moravians, Mennonites, Amish, and so on.

The Great Awakening, however, played an even more prominent role in the breakdown of the ties between church and state. The Great Awakening was a revival movement which swept through the colonies in the 1740's and whose impetus continued through the latter part of the eighteenth century. The most prominent preachers were George Whitefield. Jonathan Edwards, and Gilbert Tennent. Whitefield was an Englishman who preached throughout the colonies with great impact. It was through this movement that evangelical piety began its move to become the dominant mode of American religion.

The evangelical movement took the emphasis away from doctrine, from forms, from ritual, and from what may be called in more general terms "churchiness." What was essential was not outward conformity to religious prescripts but inward conversion, a new heart, and a new man. To such an outlook, an established church tended to be only so much dead weight. The revival movement stressed individual conversion and individual piety and the improvement of society by way of improved individuals. The way to community was not through gov-

⁸ See Alan Simpson, "How Democratic was Roger Williams?" in Goodman, op. cit., pp. 188-89.

ernment power but by changed men. The Great Awakening divided the older churches between those who accepted the new revivalist emphasis and those who championed the rational approach. An established church became, quite often, an anachronism, when what was no longer involved was a single church. Moreover, the Great Awakening cut across the bounds of colonies and religion to provide a common ground in religion to inhabitants throughout the colonies.

By the latter part of the eighteenth century, then, men were chastened by their experience with

attempts at reconstructing society. by the use of government to achieve some religious end. They had also been enlivened by a new concept of the role of religion in society. For some Americans, religion may have become less important than it was to their forebears. To many others, it was still of utmost importance, so important that it should not be corrupted and stinted by the expediency of the exercise of power. To virtually all Americans, their religious background provided the framework through which they winnowed their ideas and in terms of which they builded.

October

Next: Colonial Political Experience

A Formula for Freedom

IDEAS ON

THE COLONISTS didn't have to contend with a politicalized Church, and later wrote the First Amendment to prevent such a development. The eighteenth-century pulpit in America stood staunchly for freedom. "The Americans," wrote Alexis de Tocqueville, "combine the notions of Christianity and liberty so intimately in their minds that it is impossible to make them conceive the one without the other."

The framers of our basic political documents and the people for whom they spoke were end products of the long religious and cultural heritage of Christendom. They willed religious, political, and social liberty as a necessary corollary of their religious commitment, and our relatively free society was, in part, a projection of the teaching of the colonial churches.

Individual Freedom

THOMAS F. BAYARD

I HAVE WITNESSED the insatiable growth of that form of state socialism styled "Protection," which I believe has done more to foster class legislation and create inequality of fortune, to corrupt public life, to banish men of independent mind and character from the public councils, to lower the tone of national representation, blunt public conscience, create false standards in the popular mind, to familiarize it with reliance upon state aid, divorce ethics from politics, and place politics upon the low level of a mercenary scramble, than any other single cause.

Step by step, and largely owing to the confusion of civil strife, it has succeeded in obtaining control of the sovereign power of taxation; never hesitating at any alliance, or the resort to any combination that promises to assist its purpose of perverting public taxation from its only true justification and function of creating revenue for the support of a government of the whole people, into an engine for the selfish and private profits of allied beneficiaries and combinations called "Trusts."

Under its dictation individual enterprise and independence have been oppressed, and the energy of discovery and invention debilitated and discouraged. It has unhesitatingly allied itself with every policy which tends to commercial isolation, dangerously depletes the Treasury, and saps the popular conscience by a scheme of corrupting favor and largesse to special classes, whose support is thereby attracted. . . .

It is incorrect to speak of "Protection" as a national policy, for

From an address by the Honorable Thomas F. Bayard before the Edinburgh Philosophical Institution, circa 1897.

that it can never be; because it can never be other than the fostering of special interests at the expense of the rest; and this overthrows the great principle of equality before the law, and that resultant sense of justice and equity in the administration of sovereign powers which is the true cause of domestic tranquility and human contentment. The value of "protective" legislation to its beneficiaries consists in its inequality: for without discrimination in favor of someone there is no advantage to anyone, and if the tax is equally laid on all, all will be kept upon the relative level from which

they started; and this simply means a high scale of living to all, high cost of production of everything, and consequent inability to compete anywhere outside the orbit of such restrictive laws.

But the enfeeblement of individual energies and the impairment of manly self-reliance are necessarily involved; and the belief in mysterious powers of the state and a reliance upon them to take the place of individual exertion, fosters the growth of state socialism, and personal liberty ceases to be the great end of government.

The Curbing of Factions

IDEAS ON

So strong is this propensity of mankind to fall into mutual animosities that where no substantial occasion presents itself the most frivolous and fanciful distinctions have been sufficient to kindle their unfriendly passions and excite their most violent conflicts. But the most common and durable source of factions has been the various and unequal distribution of property. Those who hold and those who are without property have ever formed distinct interests in society. Those who are creditors, and those who are debtors, fall under a like discrimination. A landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests, grow up of necessity in civilized nations, and divide them into different classes, actuated by different sentiments and views. The regulation of these various and interfering interests forms the principal task of modern legislation and involves the spirit of party and faction in the necessary and ordinary operations of the government.



SINCE I find the prose of Herbert Marcuse to be an almost impenetrable thicket, maybe I am not the best person in the world to render an informed opinion on the quality of Dr. Eliseo Vivas's critical view of his subject in Contra Marcuse (Arlington House, \$8.95). But Dr. Vivas has his own troubles with what he calls the "merciless jargon" which passes for style in the Marcusean world. He has done the best he can. So I will do the best I can to act as a collaborator in an effort to clarify what must, in the nature of things, resist translation. Like Dr. Vivas, I know what the "kids" get out of Marcuse: it is permission to "wreck the joint." I happen to share with Dr. Vivas at least a qualified fondness for "the joint" (meaning Western civilization), so I feel

justified in regarding Marcuse as an evil influence even though I do not fully understand his motivations, his analyses, his grammar, and his rhetoric.

As I get it from the behavior of his disciples, Dr. Marcuse wants to level capitalistic society (and Soviet communist society, too) in hopes that "liberation" can somehow be found by the dwellers in the ruins. But this is to assume that human nature would behave differently in the future if it could only begin over again with a totally clean slate. Like Dr. Vivas. I consider such an assumption to be utterly crazy. Human beings are as they are, a most variegated bunch. As Schopenhauer (quoted by Dr. Vivas) puts it, they are "gregarious porcupines": they want to get along with each other,

but they find the going tough from time to time, particularly at close quarters. In Oriental societies, the "porcupines" have traditionally turned over the job of quill-pulling to tyrants (see Karl Wittfogel's devastating explorations of Asiatic "hydraulic societies"). But in the West, where the principles of voluntary association are at least dimly understood and partially accepted, the porcupines have developed some ability in choosing environments (Burke's "little platoons") that enable them to control their quills. Marcuse, who can't tolerate freedom to choose one's own associates, is, of course, anti-Burke. He is also anti-porcupine - i.e., anti-human - at least in his net effect on those who profess to understand him

"Play and Display"

I confess that Marcuse's distinctions, if taken literally, make no contact with the world that I know. He thinks, or appears to think, that our vaunted tolerance is "repressive" of the Left. But I concur with Dr. Vivas that Dr. Marcuse's own academic world is, in general, repressive of the Right. Again, Dr. Marcuse thinks that our technology, our Puritan work habits, and our addiction to "affluence" (meaning a multiplication of gadgets), all combine to keep us from being "liberated" to

"play and display." But this is nonsense. If we didn't have a high technology and an ability to work at creating the conditions of affluence, we would be left in a starveling condition. Few people would have the energy to "play and display."

What does Dr. Marcuse mean by "playing" and "displaying," anyway? A man watching a pro football game on a Sunday afternoon. a beer can in his hand, is indulging his playful instincts in a spectatorial way. The players themselves are engaged in display of a most skillful kind. My wife's modern dance students take their directions from a most playful nature, and they learn an art and a technique of display that must please them or they would not devote so many hours to master what they call the vocabulary of movement. I see "play and display" all around me, on skating rinks, tennis courts, and at small boat marinas. I also see it on city streets where a "liberated" public has suddenly taken to making life a huge costume party. Anything goes in dress or wigs; I see Beau Brummel walking down Forty-fifth Street in New York City with Kit Carson or Jim Beckwourth, the Mountain Man. Beau Brummel looks in one direction to ogle a girl wearing hot pants; Jim Beckwourth prefers a more unkempt lass in torn blue jeans and a sweat shirt. The scene has its esthetic drawbacks, but a universal costume party can hardly be considered "repressive." It also happens to be financed by our affluence, which supports a whole new industry of wig makers, hair weavers, and anti-barbers.

The Three M's of Coercion

The West, being generally voluntaristic, will pass on from its costume party phase to something else. But Dr. Marcuse will not be pleased. Dr. Vivas calls him one of the "three M's," the two other being Marx and Mao. In their zeal to change the "relations of production" (whatever that may mean), the "three M's" have all been willing to accept a philosophy of alleged progress that depends on sending recalcitrants to the wall. But what has this to do with freeing men to "play and display"? Dr. Vivas asks a nice question: "In view of the way men seem to be eager to give up their freedom to despots and demagogues in exfor promissory notes change whose only collateral is the rhetoric which they are offered, on what ground does Marcuse say that the true interest of the individual is the interest in freedom?" The individual in the West has the protection of his institutions, which are those of a pluralistic society. Different groups have wanted different freedoms ("English liberties"), and, in fighting for rights, even class rights, they have achieved a precarious balance that permits the more eccentric to find special niches for themselves in the interstices. I like it that way, so I don't like Marcuse.

A Study in Nonsense

This is not to say that I understand him. I only understand the effect he has on others. His use of words, to me, defies common sense. When he says that we must reject "the tyranny of the genital" and "re-eroticize" ourselves in conformance with something called "polymorphous" (or many-shaped) sexuality, I can only think that he is in favor of turning human beings into eunuchs. The reproductive drive is present in all animals. indeed, in all nature. So how get rid of the "tyranny of the genital" without getting rid of the human race? Dr. Vivas, with his own common sense, remarks that Dr. Marcuse doesn't know what he is talking about when he speaks of the "tyranny of the genital" anyway. Recalling a "proto-Kinsey survey" published in the middle twenties. Dr. Vivas dryly observes that "the variations of sexual needs among people" are "quite wide."

The best things in Dr. Vivas's

book are the pages in which he defends our civilization against the tabula rasa wreckers. whether they are Marcusean. Marxian or Maoist. It is true, says Dr. Vivas, that "Big Brother" (meaning the Big State with its computers) has our finger prints and our dossiers. But nobody suffers from prosecution for calling Lyndon Johnson "Old Corn Pone" or alleging that Richard Nixon has broken faith with conserva-

tives. If one were to call Brezhnev "Old Corn Pone" in front of Lenin's tomb, it would mean Siberia. In Richard Daley's Chicago the worst that could happen to a public name-caller would be a charge of disorderly conduct. Quite a difference, says Dr. Vivas. The measure of Dr. Marcuse's stupidity is that in his "colossal self-right-eousness" he can't perceive that there is any difference at all.

A Magic Word

IDEAS ON

 $\Delta V \Delta$

LIBERTY

An alarming percentage of our citizens, it is to be feared, stop with the word "education" itself. It is for them a kind of conjuror's word, which is expected to work miracles by the very utterance. If politics becomes selfish and shortsighted, the cure that comes to mind is "education." If juvenile delinquency is rampant, "education" is expected to provide the remedy. If the cultural level of popular entertainment declines, "education" is thought of hopefully as the means of arresting the downward trend. People expect to be saved by a word when they cannot even give content to the word.

RICHARD WEAVER, Life Without Prejudice

Freeman

Leonard E. Read

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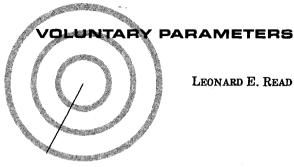
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LEONARD E. READ

MY OBJECT here is to examine and comment upon a statement made by the Secretary of the Treasury:

"We are at the end of an era in in our economic policy. It will be the disposition of the American people to have as few constraints as possible after the 90-day freeze period, and if we can get voluntary compliance now we can avoid stringent controls later. But it would be unwise to think we can go back to where we were before. American business and labor may have to get used to the idea of living within certain parameters."1

First, what is a parameter within which we may have to live? The simplest definition to be found in the dictionary:

... a quantity or constant whose value varies with the circumstances of its application, as the radius line of a group of concentric circles, which varies with the circle under consideration.

There are only a few in the whole nation who even know what parameters are, let alone how to live within them. Why the use of such a strange word? I suspect it is used for precisely the same reason that the Chairman of the Federal Reserve Board, some months earlier, borrowed and broadcast a British term, "incomes policy": to lessen the shock effect. The same applies to the more recent references to a "Stabilization Board."

To be open and above board about it, that is, to bluntly an-

¹ The New York Times, August 29, 1971, p. 1.

nounce that we are in for wage and price controls and then rationing and that these mean an end to free market, private ownership practices, would not set well with a substantial number of citizens. So, what is the political approach? To ease into the statism being prepared for us by employing terms so vague that hardly anyone knows what the intentions are. "Parameters" and "incomes policy" are perfect examples of this beating around the bush.

Contradictory Terms

What are we to make of "voluntary compliance"? This is an absolute contradiction in terms. Put it this way: If you will not voluntarily jump out of the window, I shall take sterner measures to accomplish the same effect. Voluntary means something given or done by one's own free choice, the exercise of free will. Compliance means just the opposite: acquiescence or giving in.

In the days to come, this means that you yourself will either freeze wages and prices — regardless of supply and demand and what you would freely choose to do in the circumstances — or you will be compelled to do so. Respond to the threat of force, or down comes the force upon you! Voluntary, instead of meaning an exercise of one's own free will, turned around

to mean that you are to behave according to somebody else's arbitrary will!

"We are at the end of an era in our economic policy." Most government officials believe we are, as do many businessmen, some columnists and so-called economists, and millions of others. Perhaps we are! But this verdict should not be glossed over and accepted lightly. At least, let us be aware of its meaning.

First, note that the antecedent of the rationing to come is the wage and price controls presently imposed. The antecedent of these controls is inflation brought on by excessive governmental expenditures and money issue — and these, in turn, caused by millions of misguided people looking to government for security, welfare, and prosperity.

Second, note that current official pronouncements make no mention of the above sequence of causes or the need for removing them. This merely means that the welfare state and its concomitant, the planned economy, are accepted and assumed as a fait accompli; the new order is here — the total state! Buy this, and we are, indeed, at the end of an era. Russia, China, Cuba, and others have beat us to it, of course, in this century. But the history of price-fixing extends back at least 46 centuries in

Egypt, China, Athens, Rome, Britain, India, the colonial experience in America, to mention a few – always with the same sad report: the end of an era.²

"It would be unwise to think we can go back to where we were before." Was it unwise for England, following the Napoleonic Wars, to abandon mercantilism by repealing three-fourths of some 18,000 laws restricting production, exchange, and pricing? There followed the greatest outburst of creative energy and mass wellbeing ever known up to that time. On the contrary, the restrictive laws under which England is again falling would seem to be what is most unwise.

Back to Freedom

True, the ideal free economy has never existed anywhere. The nearest approximation has been in the U.S.A. Wisdom suggests that we turn back in that direction, doing everything within our power to head off any move to the contrary.

Economics, the study of how to mitigate the effects of scarcity. concerns the search for answers to what should be produced and in what amounts and whose satisfactions are to be served. The free market, featuring open competition and free entry, has the consumer as king. Each decides what he wants, in what quantities, and at what prices, where he shall work, how many hours, and at what wage. With free, unrestricted pricing as the guidelines, the free market is always working toward a balance of supply and demand. The free market works automatically and "shortages" and "surpluses" are not in its lexicon.

Abandon the free market, and not the consumer but the politician becomes king. In the "new era," that king, rather than you and I, decides what shall be produced, what we shall have, in what quantities, and at what price. Can that be wise?

Ever the Same

IDEAS ON

IT IS EVER the same. When a government inflates the money or some other cause pushes prices upward, attempts are made to conceal the symptoms, rather than to attack inflation at its source or otherwise get at the root-cause.

² See "Food Control During Forty-Six Centuries" by Mary G. Lacy. Copy on request.

ECONOMICS and ETHICS

SEARCH FOR A MORAL ORDER

EDWARD P. COLESON

THE WORLD was inexpressibly shocked a quarter century ago, when, at the close of one of the most ghastly wars in history, the evidences of Nazi brutality became common knowledge. Without trying to excuse ourselves, the Bomb which we loosed on mankind could still be justified more easily than the mass liquidation of six million Jewish civilians. The Nuremberg Trials and subsequent soul searchings have never quite answered the question of why they did it or why many other things with which they had no connection have also happened in this civilized world. This has been even more of a mystery because, according to modern Western social theory, man is inherently good. Beginning with Rousseau a couple of centuries ago, philosophers, social theorists.

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and even theologians had decided that human beings were really very nice creatures and that their known failings could be readily eradicated by education and culture, because mankind was almost infinitely perfectible. In the late Victorian period with nearly a century of relative peace in Europe since Waterloo, with increasingly democratic governments on every hand, with decades of social and political reform an accomplished fact, and with many improvements which resulted from a host of scientific achievements in medicine and engineering, the utopian dreams of the ages seemed on the verge of fulfillment. It became the fashion then for people to look back with horror and amazement on the atrocities committed in the dark ages of the past. The following quotation from a popular writer of the "Gav Nineties" well illustrates this attitude:

The world contains no sadder memorial of man's inhumanity to man than London Tower. For centuries it was the home of sorrow and despair. The record of the victims of despotic cruelty who have endured imprisonment and suffered death within its walls renders one sick at heart, until he realizes that increasing civilization has at last made such atrocities impossible.¹

Increasing civilization — nonsense! Any vicious, diabolical act perpetrated on mankind in the history of the world has been re-enacted in our time and on a mass production scale. The burning questions are why it has happened and what we can do to prevent further disasters.

The Classical Tradition of Natural Law

Our present dilemma is strangely reminiscent of other crises in history. After the Golden Age of Athens in the midst of the fifth century B.C. the Greek city states fell to fighting among themselves and well-nigh destroyed Greek civilization. After such a glorious epoch the collapse was a dramatic contrast, indeed, and the Greeks, always the theoreticians, busied themselves trying to figure out why the glory had so swiftly fad-

ed. It was then that the aged Socrates and his youthful student. Plato, attempted to diagnose the Greek ills and prescribe a remedy. Out of their soul searching and the later work of Plato's pupil. Aristotle, came the foundations of Western social, political, and economic theory. One aspect of this pioneer effort is of particular interest to us - the birth of the tradition of Natural Law. The concept of a Higher Law was not wholly new to Greek thought: years before, Sophocles had his heroine. Antigone, assure her monarch:

Thy writ, O King,
Hath not such potence as will
overweigh
The laws of God . . . fixed
From everlasting to eternity.

During the so-called Golden Age. however, a new breed of thinkers. the Sophists, had undermined the Greek character by teaching their students to be clever rather than ethical. Moral standards were rejected: "Man is the measure of all things." The people of the time were well aware of the decline in character and there was the usual urge to return to the "good old days," but the decay was not arrested although they understood their problem. They seemed to be quite aware that the new relativistic code of the Sophists was their undoing: "Whirl is king," said

¹ John L. Stoddard's Lectures, Vol. IX, p. 259.

Aristophanes. "having deposed Zeus." Therefore, with Plato and Aristotle we find the urge to discover a norm for human conduct which would be stable and permanent, a standard above and beyond ourselves. Aristotle2 urged that "God and Reason alone [should] rule. . . . he who bids man rule adds an element of the beast. . . ." The tradition of the Natural Moral Law was continued by the Greek Stoic philosophers who passed it on to the Romans. One of the finest statements of legal philosophy was written by Cicero, the great orator, who lived when the Roman Republic was in its death throes. He speaks of a Higher Law that

... cannot be contradicted by any other law, [which] neither the Senate nor the people can give us any dispensation for not obeying.... It is not one thing at Rome, and another at Athens; one thing today, and another tomorrow.... God himself is its author, its promulgator, its enforcer.³

The Christian Church and the Higher Law

With the rise of the Church within the Roman Empire it became the task of Christian thinkers to decide what they were going to do with Greek, to them pagan, philosophy (the Christians back then were much less given to playing "follow the leader" than they have been more recently). The Natural Moral Law sounded acceptably pious but the Greeks and Romans derived their guidance from "right reason," while the Hebrew-Christian tradition went back to the giving of the Law of God to Moses in the midst of thunder, earthquake, and smoke on Mount Sinai. The first was the product of deductive reasoning and conscience for the most part but the latter was simply given given by God himself. Centuries later St. Thomas Aguinas (1225?-1274?) resolved the dilemma by an ingenious synthesis of both traditions:

Thomas Aquinas made four categories of all law. At the top of his legal hierarchy he placed the Eternal Law of God which comprehended everything else. Beneath this was that portion of the Eternal Law which was revealed in the Bible and the Church. Next came Natural Law which was that part of the Eternal Law which was that part of the Eternal Law which man could comprehend by unaided reason. Finally, at the bottom, he placed the laws of particular governments which might be called Human Law.⁴

Back in 1215, however, before Saint Thomas was born, some

² Brendan F. Brown, The Natural Law Reader, p. 51.

³ Ibid., p. 54.

⁴ Irving E. Howard, "The Theology of the Declaration of Independence," *Christian Economics* (June 11, 1957), p. 1.

practical Englishmen took affairs in their own hands and wrested an historic document from their despotic king. This, of course, was the Magna Charta and the tyrant was King John, the Norman king of England, but even this was not a wholly pragmatic affair. Soon Henry de Bracton was to supply the theological foundation: "The King is under God and under the Law." Centuries later Englishmen would appeal to Bracton when they resisted Charles and James.

It is interesting to note that the American colonists two hundred years ago used William Blackstone's Commentaries on the Laws of England in much the same way in their quarrel with George III. The first volume of Blackstone's famous Commentaries came from the press in 1765 but the American colonists were so cordial in their reception of his ideas that a decade later Edmund Burke could tell Parliament on the eve of the American Revolution that "they have sold nearly as many of Blackstone's Commentaries in America as in England." The appeal was Blackstone's doctrine of Natural Law:

This law of nature . . . dictated by God himself, is of course superior in obligation to any other. It is binding over all the globe in all countries, and at all times: no human laws are of any validity, if contrary to this; and

such of them as are valid derive all their force, and all their authority . . . from this original.⁵

When Hitler came to power a few hardy Germans reminded him that God was their "Fuehrer," but the Higher Law was well-nigh forgotten and Hitler had his way with the German people. It is highly disturbing to compare the ease with which despots take over nations today as compared with the heroic resistance of our fathers to tyranny in the past. Evidently the iron has gone out of the soul of modern man. As William Penn said: "If men will not be governed by God, then they must be governed by tyrants."

God's Law and Economics

Now it would be a mistake to assume that back in some golden age there was a Christian commonwealth in which all the virtues flourished and men lived together as brothers. Every system devised by man since the beginning of time has been disfigured to some degree with the marks of human frailty. Nevertheless, we need not give up in despair: mere mortals have done quite well at times and no doubt could do so again. It is interesting to note that the great conscious attempt to let the economic life of the nations conform

⁵ William Blackstone, Commentaries on the Laws of England, Vol. I, p. 31.

to some abstract Higher Law was not during the Reformation era or the Puritan period in England, for instance, when men were presumably deeply concerned about following the divine mandate, but during the Age of Reason when theology was out of fashion. The religion of the times was Deism, a rather detached belief in a Supreme Being who created the universe and set it going according to Newton's Laws of Motion. As a result of the scientific revolution in astronomy and physics, dating back to Copernicus, Kepler, and Galileo which became the basis of the so-called Newtonian Synthesis somewhat later, the social philosophers of the time were convinced that there were also laws of human behavior, both individual and in the mass. Their belief in "law and order" contrasts strangely with the relativistic philosophies of our time as the familiar lines by Alexander Pope so clearly show:

Nature and Nature's laws lay hid in night.

God said, "Let Newton be!" and there was light.

One of our clever contemporaries brought the couplet up to date:

But not for long. The devil howling, "Ho! Let Einstein be!" restored the status quo.6

An Orderly Universe

The pioneer economists believed that there are abiding principles in all of life, "laws" which man did not make and cannot alter. By contrast, as the second couplet suggests, our contemporaries believe that all is relative, that they can make up their rules as they go along and that, like prices nowadays, they are "subject to change without notice." It is beginning to appear that certain time-honored principles such as Gresham's Law are still with us and are rising from the rubble of our shattered schemes to mock us. Perhaps we will find that our Fathers were right after all.

Akin to the doctrine of Natural Law in human affairs was the conviction that there is a Nat-Order, what should could be a harmonious working together of everyone's interests, if each would play the game of life fairly. This concept reminds one of the familiar Balance of Nature, much talked about by ecologists today who fear we are upsetting Nature's plan. Much the same idea is expressed by St. Paul in the familiar dictum that "all things work together for good," if we but obey the Supreme Lawgiver (Romans 8: 28). If the economy would run by itself, better than any Kevnesian bureaucrat ever could succeed in running it.

⁶ Richard C. Bernhard, Economics, p. 733.

let's let Nature do it for us then. The government — Jefferson's "simple, frugal affair" — could then retire to the side lines to serve as "umpire" with the rule being simply "no force and no fraud," as Robert M. Thornton' wrote recently.

It was upon this self-regulating Natural Order that Adam Smith based his economics: "There is an astonished tone in his work, as if he could hardly believe his own discoveries and sensed a quality of magic in them," as Richard C. Cornuelle⁸ wrote a few years ago. There is impressive evidence, both positive and negative, to suggest that just perhaps Adam Smith was right after all - Victorian prosperity a century ago and the "German Economic Miracle" under Erhard after World War II as proof of what the free economy can accomplish and the dismal failure of a lot of socialist schemes as examples of the alternative approach.

Virtues of Self-Reliance

In an age of disintegrating social, political, and economic programs – New Deals, Great Leaps, and Five Year Plans – the claims

of the self-regulating free economy deserve further consideration. In addition to the simplicity and economy of the approach, there is the very important fact that self-reliance and personal responsibility encouraged. Like Horatio Alger, people take out their frustrations working instead of rioting, since they don't expect the government to take care of them. This approach maximizes productivity and minimizes violence: with famine a global threat and strikes, riots, and war a present reality, we could certainly use more productivity and less violence.

Almost inevitably if people have been schooled to expect the good things of life in ever increasing quantity from the hands of government, they will rebel when the promised abundance is not forthcoming - and if they sit and wait for it to come, it won't be forthcoming. People do not shoot the weatherman when there is a drought, because they don't think he is to blame. If people believed once more that God is the source of material blessings and that "God helps those who help themselves," violence would cease to be a factor in politics - we survived the Depression with little of it. Adam Smith's thesis that the economic problem will find its solution, as well as any human prob-

⁷ Robert M. Thornton, "The War on the Poor," Religion and Society (Dec. 1970), p. 24.

⁸ Richard C. Cornuelle, Reclaiming the American Dream, p. 48.

lem ever is solved, when men work diligently and efficiently, and are fair in their dealings, is a proposition that deserves serious consideration once more, since alternative approaches have failed so miserably.

In an age when most people believe that the right is somehow impractical and unworkable, a noble ideal but hardly a guide for everyday action in business or on the international scene, Adam Smith's doctrine of the harmonious outworking of the true selfinterest of all of us can scarcely be emphasized too strongly. What is truly good for labor is good for management, too, and the appropriate international economic policy for us would be good for our neighbors - Germany, Japan, and the rest. In the popular mind free enterprise means Darwin's doctrine of "survival of the fittest," a brutal struggle to the death, but The Wealth of Nations was published in 1776 and the Origin of Species did not appear until 1859.

A few years before Darwin the famous French economist, Frederic Bastiat, asked: "How could God have willed that men should attain prosperity only through injustice and war?" To Bastiat, this doctrine of conflict is based on the "frightful blasphemy" that God

created the world in such a fashion that decency and humanity are impossible. This is the Great Divide, the basic difference between mercantilism, ancient and modern, and laissez faire economics in the original meaning of that much misconstrued and misunderstood French phrase for the market economy. As the dean of American free enterprisers, the distinguished Austrian economist, Ludwig von Mises, wrote a few years ago, Adam Smith and the classical economists believed that

... harmony prevails among the rightly understood or long term interests of all individuals and groups of individuals. Earlier ages had labored under the misapprehension that no man or group of men can profit but by the loss of others. In entirely demolishing this fallacy, economics paved the way for the unprecedented achievements of modern Western civilization.¹⁰

Capitalism: Debits and Credits

The question always arises why, if free enterprise was that good, the system did not continue to this hour. A number of circumstances, mostly beyond the early economists' power to alter, conspired to give laissez faire a bad public image. The part of the difficulty

⁹ Frederic Bastiat, Economic Sophisms, p. 88.

¹⁰ Ludwig von Mises, "Economic Freedom in the Present-day World," *Christian Economics* (Oct. 14, 1958), p. 1.

which was of their own making we will dispose of first: Smith's followers, much more pessimistic than he, dreamed up "Iron Laws" of starvation wages and the like which soon gave economics its reputation as "that dismal science" (the economists of that era should have been aware that this was hardly good public relations).

Other things happened they couldn't prevent, but capitalism (to use Marx's phrase) got the blame. For instance, there were nearly twenty-five years of war between the fall of the Bastille in 1789 and Waterloo in 1815 - indeed, a global war. These years were hard for most people. This was followed by a severe post-war depression, as has commonly happened after modern wars. The Industrial Revolution was still in the primary stage of heavy investment (their children and grandchildren were to reap the benefits many years later). Then, of course, industrialists did take advantage of their help when they could, just as the hired man has taken advantage of the boss when he was able to do so more recently.

Many tears have been shed over such things as sanitary conditions which they neglected, in part through ignorance (Lister did not perform the first antiseptic operation in the history of the world until 1865): and also long hours of labor which seemed less shocking to ex-farmers back then than to generations of city slickers more recently (also the long labor day is misleading—the people back then tended to work in spurts and were not very steady on the job).

All in all, they had problems back then, although their socialist grandchildren may have worried more about it than the folks who survived this rather difficult period of history. Because of the real and imaginary failures of these old industrialists, the Capitalist era was relatively short. But before we take a look at the "Welfare State," which has its problems, too, we need to summarize the accomplishments of the Capitalist era and note how it was initiated in the first place.

Free Trade for England

We are perhaps inclined to believe that free enterprise sprouted spontaneously in England the day after Adam Smith's Wealth of Nations came from the press in 1776. The book was popular and greatly enhanced the author's reputation but it did not make much difference in practical policy until many years later. Although things had been loosening up for some time, the truly dramatic switch in English policy came with the Repeal of the Corn Laws in 1846, which led to a policy of free trade

in general shortly thereafter. The Corn Laws were Britain's "farm program," a tariff policy that kept out foreign grain and thus made food unnecessarily expensive in England. With considerable help from a natural calamity, the tragic Irish Potato Famine, the Anti-Corn Law League, under the leadership of Richard Cobden and John Bright, succeeded in getting Peel's government to repeal the protective tariffs on grain. To Cobden and Bright this was a holy crusade, a campaign to make bread cheap and abundant for the masses as this ancient poem, dedicated to "R. Cobden," clearly shows:

God said, "Let there be light"; and lo, Light sprang forth at His word. God said, "Let there be bread"; but no.

Man heeded not the Lord.
But Cobden rose like wisdom's star
F'rom knowledge's bright sea,
And knaves were hush'd and tyrants
crush'd

And labour's bread was free.

The other nations of Western Europe followed the British lead and for a few decades in the latter part of the last century there was relatively free trade throughout much of the world.

The relationship of the United States to the open markets of Western Europe is most fascinating in view of our historic preference for protective tariffs. Actually

we gained greatly by their decision to let us in. By some happy chance the opening up of the European market to foreign foodstuffs came just as we were getting ready to deliver a flood of it to them. About the time they decided to let our new-found abundance come in, we developed the tools to produce and market it. To mention a few innovations, a new plow was invented by John Deere which would break the prairie sod, and a reaper by McCormick which made commercial grain production possible; in the meantime a system was laid out railroad across the country which would get the crops to market. For instance, in 1853 Chicago¹¹ handled six million bushels of wheat, in 1855 the figure jumped to sixteen million bushels which then almost doubled to thirty-one million by 1860 (little wonder that Malthusian pessimism went out of fashion about 1850, as Lord Keynes tells us).12

All Nations Gain

But we must remember that European free trade made much of this possible: we would have had a staggering "agricultural surplus" by 1860 if all of this had

¹¹ John Chamberlain, The Enterprising Americans, p. 98.

¹² John Maynard Keynes, The Economic Consequences of the Peace, p. 10.

stayed home. Many tears have been shed over the sad plight of the European farmers who could not compete, but little Denmark, formerly a poverty-stricken grain producer, demonstrated that it was possible to shift to a cow-pig-chicken type of mixed farming, using cheap American grain as feed, and much to their profit. The common laborers of Western Europe were now eating better than they ever had in the history of the world in spite of a population explosion.

Nor were the Europeans and Americans the only ones that benefited: for instance, the British simply rolled out a railroad system across the Humid Pampa of the Argentine and took beef in return as payment. Heavy British foreign investment speeded economic development all over the world. including the United States. Although they sometimes lost money on these ventures, again including some they invested in the United States, part of them were profitable, too, which provided capital for a continuing cycle of economic development in the backward areas of the world. Little wonder that the optimists of that day foresaw a glorious future for the human family. Many Evangelical Christians in the late Victorian period were even certain that the Millennium, that blessed era when

the Lord would reign in righteousness and we would "beat our swords into plowshares," was upon us. But it would be a mistake to assume that everyone was that pleased with the status quo back then; the dissenters were soon going to have their try at righting the wrongs of the world.

Socialism, Christian and Otherwise

As already mentioned, the obvious and simple system of natural liberty which Adam Smith13 advocated in 1776, did not fully become a reality until the years immediately following the Repeal of the Corn Laws in 1846. It is most interesting to note that Marx's and Engels' Communist Manifesto was published in 1848, just as laissez faire came into its own. Of course, there had been plenty of anticapitalist dissent long before this. The new industrial age was hardly started in the latter part of the eighteenth century, the consequence of Arkwright's and Watt's inventions, before enraged hand spinners and weavers turned out en masse to destroy the hated contraptions which were putting them out of work. Since they were certain that there was already overproduction, these new devices could only lead to economic disaster (how they could believe

¹³ Adam Smith, Wealth of Nations (Modern Library edition), p. 651.

they had a surplus back then is almost incomprehensible, but then, fears are often irrational).

Of course, what saved the day for the textile industry was the willingness of the ladies, and the rest of us, to enlarge our wardrobes as cloth became more abundant and cheap. But that was the next chapter in the economic history of the West. Both workers and intellectuals hated the "dark Satanic mills" springing up in the new factory towns and this, along with industrial growing pains plus the Napoleonic Wars and postwar depression, gave dissenters plenty of ammunition for their war on laissez faire economics. The new crop of businessmen and industrialists had enough personal failings, made enough blunders and enemies, and in a number of ways alienated the general public sufficiently to give rise to a growing protest movement.

Although Marx was militantly atheistic and hence repelled many devout people, Christian socialism emerged as the ethical answer to the problem of human need: to them Christianity was the religion of which socialism was the practice. The social gospel movement emerged in the latter part of the last century and it is no secret that the Church has had a large leftist element ever since, often in high places. This is in no small

part the failure of disillusioned men of good will to see that socialism would create, as the late Reinhold Niebuhr¹⁴ finally realized, "pools of excessive power in the hands of those who manage both its economic and political processes" — if businessmen could not be trusted with power over their little segment of the national life, what about bureaucrats who have us all at their mercy?

We had to learn the hard way. too, that socialism is not efficient. Perhaps today, having lived with socialism and communism as well as capitalism these many years. we are now in a position to reevaluate the whole question of ethics as it relates to business and government in a way that our fathers could not. One wonders if we had another crisis like the Crash of '29 and the Great Depression, would people still blame this on the failure of Free Enterprise, or realize that the welfare state might with some logic share part of the blame?

Caesar or God?

Our Puritan ancestors believed that they, like the early Israelites, were people of the Covenant: obey God and all would be well. The men of the Enlightenment, less devout, believed if we obeyed the

¹⁴ Kenneth W. Ingwalson (ed.), Your Church - Their Target, p. 47.

laws of "Nature and of Nature's God," we would have the best possible world men could arrange down here below. Most of our contemporaries believe that Adam Smith was an anarchist, Indeed, many people see no possible philosophical position between laissez faire anarchism and totalitarianism. It has not always been so. Our Founding Fathers believed in liberty under law - God's Law. It is true that men with tender consciences who took the Bible seriously have disagreed on the policies they extracted therefrom just as scientists have disagreed on their conclusions, using the experimental method. There are some across the ages who have argued that Peter's communal arrangements after Pentecost¹⁵ set up socialism as the Christian standard, but there are others who feel that the experiment collapsed quite quickly just as the Pilgrim attempt at Plymouth did right after 1620. As evidence, St. Paul was engaged in gathering up relief funds for the Church at Jerusalem later which is a suspicious circumstance - we do not commonly raise money on the mission field to support the home church; also, Paul was eloquent in urging work and personal responsibility.

Whatever the confusion of the saints, religion has been a force

against totalitarianism over the ages, and there is impressive evidence to support the contention (the familiar "Weber Thesis" with its "Protestant Ethic") that perhaps the "gospel" of hard work, personal responsibility, and stewardship of time and money may have had as much to do with the explosive progress of the West in the recent past as did laissez faire economics à la Adam Smith, Indeed, would political and economic freedom have been possible without the moral base? What is the Christian viewpoint in economics and government, by any fair standard of interpretation? With the heavy emphasis on humanitarian and ethical values by the Left in our time, these are important questions. We simply permitted ourselves to be outflanked by the enemy.

The defense of free enterprise has commonly been in pragmatic terms — profit and production but not principle. According to Ayn Rand,

... capitalism's classical defenders and modern apologists... are responsible — by default — for capitalism's destruction. The default consisted of their inability or unwillingness to fight the battle where it had to be fought: on moral-philosophical grounds. 16

¹⁵ Acts 4: 34-37.

¹⁶ Ayn Rand, Capitalism: the Unknown Ideal, p. vii.

I would agree with her contention, though I am not a Randian myself. Since we have been so very busy trying to make a little money in spite of mounting taxes or fighting a rather ineffective rear guard action against socialism, we have not done our "home work" and have let the socialists get by with a lot of misrepresentations which have been exceedingly damaging to the market economy - we have mostly been content to brag about how many high-powered automobiles and color TV sets we can produce as compared with the rest of the world.

Capitalism Not Based on Greed

It is a common fallacy that capitalism was founded on greed. Max Weber¹⁷ pointed out long years ago: "Unlimited greed for gain is not in the least identical with capitalism. . . ." Indeed, as he insisted, "absolute unscrupulousness in the pursuit of selfish interests" has been most dominant in the lands that are most backward, where capitalism has not yet developed as a system and, one might add, perhaps cannot, due to the lack of a moral base. Anyone who has traveled in those countries knows how right Weber was.

A kindred delusion is that Big Government is for the little fellow, that but for the intervention of a benevolent state Big Business would gobble us up. Since most of us identify with the underdog and hate bullies, this is good political propaganda, but may be a long way from the truth. There is considerable evidence to support the contention of Walter Adams¹⁸ of Michigan State University and others who have studied the problem that the government has done more to encourage industrial and commercial "elephantiasis" than to promote Small Business. This has been the history of the Farm Program, also, another scheme to rescue the "little fellow." What has resulted instead has been what Clarence Carson has called The War on the Poor, as he entitled a recent book.

If the welfare state's campaign for "social justice" has failed on the homefront, what about our attempts to save the starving millions overseas? Evidently our global give-away program has too often been a grab bag for crooked politicians or so I have been told when I traveled in the so-called "backward areas" of the world and by competent observers, both native and American. Further-

¹⁷ Max Weber, The Protestant Ethic and the Spirit of Capitalism, pp. 17 and 56-57.

¹⁸ Walter Adams and Horace M. Gray, Monopoly in America: The Government as Promoter.

more, foreign aid has fallen woefully short of world need, according to those sympathetic to the program, and the enthusiasm of the American taxpayer is diminishing. A few years ago Josué de Castro¹⁹ complained that "foreign capital invested in the underdeveloped regions is less than \$6 billion, whereas...a minimum of \$15 billion would be required" each year to begin to meet the need.

Private Investment Abroad

But there has been a better way to do this, too. According to pre-President Richard M. Nixon,²⁰ writing more than a dozen years ago, the United States alone would have invested \$30 billion abroad in 1958 instead of the trifling \$4 billion we did loan that year, if we had been investing at the rate the British did in 1910. Think what this would have meant in the way of employment and economic development across the seas, if we had been so doing.

Unfortunately, there are almost no decent places to invest any more. Because of turbulent social conditions, political instability, and outright thievery on the part of governments which will na-

tionalize your investments as soon as you get something profitable started, finding a place to invest is as difficult for the "haves" as finding investment capital is for the "have-nots." They ought to get together on this, and could, if they could learn to trust one another again - which brings right back to the moral question once more. Unfortunately, this means that large areas of the world which are poor and backward, where people are hungry and desperate, must remain that way: they cannot hope to make progress until they straighten out their ethics and economics, for the right is also the expedient in the long run. A wee glimpse of the Victorian age with its free trade and free enterprise, its propriety and progress, its stability and certainty, is quite revealing, as the following quotation which appeared in 1882 in The Spectator. a "sedate, middle-of-the-road magazine," so eloquently tells us:

Britain as a whole was never more tranquil and happy. No class is at war with society or the government; there is no disaffection anywhere, the Treasury is fairly full, the accumulations of capital are vast.²¹

Just as a fascinating experiment, substitute today and the U.S.A.

¹⁹ Josué de Castro, The Black Book of Hunger, p. 49.

²⁰ Richard M. Nixon, The Challenges We Face, p. 73.

²¹ Albert H. Hobbs, "Welfarism and Orwell's Reversal," *Intercollegiate Review* (Spring, 1970), p. 107.

for 1882 and Britain in the above quotation. Perhaps the "Faith of Our Fathers" was not so misplaced after all

Rebuilding the Foundations

It would be a pity to end on such a note of despair. Actually, I am not that discouraged: the very bankruptcy of modern man's utopian schemes has left a vacuum which someone will try to fill. What better time to urge a return to ethical standards, freedom under law, personal responsibility and the values which made Western civilization great? We launch space ships according to God's Law; then why not consult Him about reordering this chaotic world down here below? As Beniamin M. Anderson wrote shortly after the second World War, commenting on Germany's violation of her treaty guaranteeing the neutrality of Belgium in 1914, that famous "scrap of paper" which has been the model of most recent treaties:

The greatest and most important task of the next few decades must be to rebuild the shattered fabric of national and international good faith. Men and nations must learn to trust one another again. Political good faith must be restored. Treaties must become sacred again.

A world in which all men are upright and in which all nations are voluntarily decent in their international relations is, of course, too much to expect, but a world in which the ill-intentioned fear the condemnation of the well-intentioned we can rebuild. The same basic human nature which created the fahric of national and international good faith on which we relied in the century preceding 1914 exists today --- just as we have discovered that the same human nature which animated the Assyrian conquerors and the hordes of Genghis Khan exists today. The raw stuff of human nature is immensely plastic. ... There is no certainty that we can recreate the fabric of good faith which we have destroyed, but there is no higher duty than to make the effort.22

²² Benjamin M. Anderson, Economics and the Public Welfare, pp. 4-5.

What Is a "Less-Developed" Country?

IDEAS ON

Among the "less-developed" countries, as the term is most often used, almost all have at least one thing in common. They are countries that desire capital but have not yet put into practice the methods of capitalism.



MAN

and his Environment

AGRICULTURE has a tremendous impact on the environment. The farmer's goal, in fact, is to manage the environment for the long-term benefit of mankind. This he has done with eminent success.

Decisions about farming to this point in time have been based mainly upon economic considerations. To put it bluntly, if it paid, we did it (with minor restrictions for known hazards). Recently a new dimension has been added. Society is insisting that long-term effects on all aspects of the environment be considered in deciding practices to be followed.

The image of agriculture is poor in the minds of environmentalists. Ecologists generally view farmers,

Dr. Aldrich is a member of the Illinois Pollution Control Board, on leave from the University of Illinois where he is Professor of Soil Fertility Extension. This is a paper delivered before the Foundation for American Agriculture in Chicago, December 2, 1970. agribusiness, and agricultural scientists as interested only in making a profit and as having little knowledge of or concern for effects on the environment and even human health. Ecologists and social scientists feel that they must, therefore, assume responsibility for saving the environment.

In contrast, persons in agriculture perceive themselves as being responsible for producing high quality food at a reasonable price and thus contributing to the welfare of mankind. They view ecologists as idealists without practical knowledge of agriculture, hence capable neither of suggesting acceptable changes nor of foreseeing the disastrous effects of some simple solutions they suggest.

During the past few years when the attitudes of society were being formulated, ecologists and many social scientists were effectively using the news media to mold public opinion. Meanwhile, we in agriculture were mainly going about the business of efficient production. Consequently, there is both lack of information and much misinformation about the effects of agriculture.

Every school child has heard about the pervasive effects of DDT and the claim that nitrogen and phosphorus from fertilizers are destroying streams and lakes. Most everyone has heard of the "concentration of DDT in the food chain." I submit that there is a corollary: "The concentration of unsubstantiated opinions in the information chain."

We should not blame environmentalists and the media entirely for this state of affairs. We simply have been remiss in analyzing the over-all, long-term effects of practices and making them known to scientists in other disciplines and to the public through the news media.

Many persons have been led to believe that science and technology have caused the problems and therefore must be restricted in a wholesale manner. The fact is that, though science and technology in agriculture and elsewhere have created certain environmental problems (along with tremendous benefits), only more science and technology correctly applied can solve the problems!

More Effective Communication

We are experiencing an unusual phenomenon. A substantial number of people, especially young people, believe that we are on the verge of catastrophe unless we *immediately* stop many forms of pollution including the use of fertilizers and pesticides. Since a lot of people hold that view, it should not surprise us that some drastic measures to curb pollution are being suggested. Desperate persons are susceptible to radical ideas.

Those engaged in agriculture and members of society in general would benefit from a thorough understanding of the effects, both favorable and unfavorable, of modern agriculture on the environment. But there is a barrier to effective communication. How do you reach persons whose views are already firmly set and who therefore interpret your sincere attempts at objective presentations as merely defending continued use of fertilizers, pesticides, and so on, for personal gain?

There are two ways to react to environmentalists whom you believe to be wrong:

 Watch for their mistakes and then "slap them down."
 The trouble with that course is that charges make the front page headlines whereas rebuttals are put on the back pages near the want ads.

b. Assume they are sincere and try to work with them before they have interpreted their data, made up their minds, and published their mistakes. This is a more mature and effective course of action.

The Facts About Nitrates

There are three false impressions about nitrogen that are generally held by environmentalists and widely accepted by the public:

- 1. That nitrate in water is increasing at an alarming rate.
- 2. That commercial fertilizer is the cause.
- 3. That returning to legumes, animal manure, and soil humus for nitrogen would correct the supposed situation.

The nitrate content of the Mississippi River at Chester, Illinois, has not increased over the past ten years. Nitrate in the Illinois and Wabash Rivers appears to have increased slightly since 1956. The Kaskaskia near its confluence with the Mississippi has not increased in nitrate concentration since 1946. This river, through an unfortunate error in data summary, is the basis for the widely disseminated idea that nitrates tripled between

1946 and 1966. Specific cases of high nitrates and rapid increases in small rivers and streams can be found, and undoubtedly nitrogen fertilizer is a contributing cause. There are also instances of decreases in nitrates. We should continue to be concerned about nitrates and to increase surveillance of streams but not assume that nitrates have generally reached alarming levels.

Impressions 2 and 3 are predicated on the belief that nitrogen from commercial fertilizer behaves differently than nitrogen from animal manure, legumes, or soil humus. Regardless of source. nearly all of the nitrogen used by crops is in the ammonium (NH[†]) form prior to conversion by nitrifying soil organisms to nitrate (NO₅). Nitrate derived from fertilizer is neither more nor less leachable than nitrate from manure, legumes, or soil humus; and regardless of source, a definite amount of nitrate nitrogen is required to produce 100 bushels of corn. The potential for excessive nitrates in the environment is determined by the crop yield goal.

The undesirable effects of agricultural technology have been extensively analyzed, though not always accurately or in proper perspective, in both popular and scientific literature and through the news media.

Technology Works Both Ways

The beneficial effects of technology on the environment have not received the attention they deserve! The usual approach in supporting continued use of fertilizers, pesticides, and antibiotics is quite logically that they are essential for the production of adequate amounts of high quality food at a reasonable price. But I feel that technology properly used is justified because of its positive effects on the environment.

Data from the Morrow Plots on the campus of the University of Illinois illustrate the effect of different levels of fertility. The plots have been under cultivation and study for nearly a century; hence they are a valid index of longterm effects.

Illinois grows about 10 million acres of corn with intensive use of modern technology. The Morrow Plots data indicate that if only manure, lime, and phosphorus were applied in a continuous corn system, 14 million acres would be required. If no fertility treatments were applied, the need would increase to 27 million acres.

An alternative cropping system of corn-oats-legume hay with manure, lime, and phosphorus would require 14 million acres to produce usable therms of energy equal to 10 million acres of corn with full treatment (nitrogen, phosphorus,

potassium, limestone) and 30 million if no fertility treatments were applied.

These are, of course, extreme and unrealistic alternatives but they illustrate the point that fertility treatments minimize the cropland acres needed for food production. What, then, would be the effect on the environment of greatly reducing or giving up fertilizers?

It would be a disaster.

Without nitrogen, phosphorus, potassium, and limestone applications our soil resource could not be preserved and future generations would reap a tragic harvest of famine. Nitrogen is the key to maintaining soil organic matter in intensive cropping systems. Soil organic matter is a key to maintaining surface structure and water infiltration capacity.

The increased acres needed for food production as a result of lower acre yields would increase water runoff, floods, and erosion, thus accelerating pollution due to sediment, phosphorus, pesticides, and organic matter. Two contributing causes would be: a) increased acres of cropland, and b) more cropland on sloping fields.

Increasing the acres of cropland would further reduce the small areas of woodland, wildlife habitat, and recreational land in much of the Midwest. I have used fertilizers to show that technology has a positive effect because it minimizes the acres required for food production. The principle applies to all of agriculture. The facts that one modern dairy cow replaces two of a few generations ago or that a broiler now can be grown on little more than one-half as much feed as before reduce the undesirable impact of man's demands upon the environment.

No Simple Solutions; Intertwining Practices

There are few if any simple solutions to the control of pollution. In agriculture, as in the ecosystem as a whole or among the facets of a free enterprise economic system, practices are intricately intertwined. Restrictions on the use of science and technology in agriculture must be approached with caution and with broad understanding of the side effects lest the cure be worse than the disease.

Henry Hazlitt in his epilogue to The Art of Thinking (Nash Publishing Corp., 1969) makes some comments that I feel could well guide anyone who wants to contribute to environmental improvement.

"... no man can hope to do original work or even profitable thinking in any science or branch of knowledge until he has gone to the trouble to learn what has already been discovered in that branch of knowledge. He must know the previous state of the question. Then he will see whether he can make any contribution of his own.

"When the great Isaac Newton was asked how he had been able to make such tremendous contributions to human knowledge and thought, and to see so much farther than other men, he answered modestly: 'I stood on the shoulders of giants.' In other words, he was able to build on what his predecessors had discovered.

"We who live today are in one respect in a more enviable position than any other generation in history. We stand on the shoulders of giants. . . . So an intelligent college student today is in a position to learn more about calculus than Newton, more about economics than Adam Smith, more about evolution than Darwin," and, may I add, more about the environment than any scientist to this point in time.

I am convinced that concern for the environment will continue to grow but will likely receive less attention from the news media and politicians. Though agriculture is presently a target for criticism, I believe that by choosing the right strategy the interest that has been generated in agricultural practices can be used for the betterment of agriculture and society as a whole.

I have a positive, constructive attitude toward our economic system. It has produced miracles within a framework of limited objectives. I feel that it is unfair and serves no purpose to blame previous generations for blind-

ness, ruthlessness, or sheer greed in their use of the environment. They had as many thoughtful, sensitive citizens as we have. But we have the advantage of observing the cumulative effects of our activities over a longer period of time. Consequently, we evaluate some practices differently now than then, and should act accordingly.

"Every Man a King"

LIBERTY, or the right to act as one wills according to his wisdom and conscience, is sometimes charged with being "license" and totally irresponsible conduct. But, on the contrary, responsibility of the highest order is required in a liberal society. What social design could be more challenging, in terms of responsibility, self-discipline, and self-control, than that of liberalism in its requirements of self-restraint; in avoiding trespass on the rights and the property of others; in its respect for the rights of others to disagree without precipitating conflict? Liberty requires the highest order of conduct in its practice.

The disciplines of liberty, however, have their rewards. "Every man a king" has had great appeal as a political slogan. The nearest possible approach to it is to be found in a liberal society, in which everyone is king over his own affairs to the greatest possible extent. At the other extreme, one man is king over all men instead of every man being king to a degree.

IDEAS ON

LIBERTY

CLARENCE B. CARSON

THE
FOUNDING
OF
THE
AMERICAN
REPUBLIC

4

The Colonial Political Experience

I HAVE OFTEN asked a class at the beginning of a course in history if they have heard the saying, "Experience is the best teacher." Usually, all or most of them indicate that they have. To confound them, I tell them that what they have heard is most likely a debasement of an older and possibly much wiser epigram. Benjamin Franklin gave this formulation to it: "Experience keeps a dear school: the fool will learn in no other." This is a prelude to making a case for the study of history to my classes. The point is that it is quite costly to learn by personal experience, while it is much less expensive to learn from the experience of others.

Actually, however, the case for vicarious historical versus personal experience is not as conclusive as I tend to make it. Personal experience usually makes a much stronger and lasting impression than do accounts of the experience of others. Any retelling of an experience is to a large extent an abstraction which leaves out the warp and woof of life. The difference between vicarious and personal experience is quite often like the difference between travel folders of an area and the actual

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vacation experience—a chasm of considerable dimensions. Still, there is much that has to be learned, if it is to be learned at all, from the experiences of others because of the limited career of an individual and because some things—e. g., drowning—are likely to be experienced only once, and all experience ceases.

Political experience - both vicarious and personal - is of particular urgency for those who would erect governments and govern. This is so because government is both essential and potentially man's most dangerous instrument, most dangerous because it can muster all other instruments and bring them to bear in the pursuit of whatever end those who govern may have. Government is that body charged with the monopoly of the use of force in a given jurisdiction. Politics is the arena of contest over who shall employ the force for what ends. Each of us is prey to the notion that if we had power we would exercise it only for the good of those who fell within our jurisdiction. Without experience, we can easily concoct plans whose fulfillment we would achieve if we could get the reins of power. The plans may have all the beauty of any abstraction, but they usually ignore the reality of the contest of wills by which power is actually gained and exercised, contests in which the man with a vision imputes evil to those of a different view, seeks power at first for the good he would do, then seeks power because he thinks he is good, and eventually seeks power for itself alone. There is a human tendency for anyone in power to concentrate it in his hands and absolutize it.

Constraints Upon Power

There is, however, a counter tendency at work in most governments at most times. It arises, in the first place, out of the difficulty which any ruler experiences of putting into effect personally his edicts. Authority must be parceled out. Those who exercise it incline to arrogate to themselves that particular authority. Moreover, it is easier to do anything if it is made into a routine. Routines become customs, and customs assume the character of law in the course of time. Hence, power is balanced and constrained to some extent and as a rule at most times and in most places. This can be prevented from happening only by relentless terror, a terror of a kind which is unusual.

Political experience is experience of the contest of many wills, of routine and custom become law, of devices by which power is constrained, of compromise, of the

gap between conception and execution because both those who rule and those who are ruled have wills. A deep reading of history may acquaint one with these processes and actualities; personal experience will be even more likely to do so.

Americans in the colonies had a goodly amount of political experience before they broke from England, experience with the uses and abuses of power. They had it in what is probably the best way to gain experience with the use of power: the power at their disposal was limited and constrained. The colonists gained experience within the confines of the English constitution, in the first place. Their laws were supposed to conform to those of England. To make sure that they did, the system provided that court cases could be appealed to the Privy Council in England.

Restrictive Charters

The colonists were restricted in what they could do also by their charters. Most of the colonies had originally been founded as commercial ventures, though a few were founded as proprietaries which harked back to the feudal system for models, and one—Georgia—was a trust. In any case, they were founded on the basis of charters. These spelled out the territory to be occupied, the finan-

cial arrangements, and the rights and privileges of the settlers. Ordinarily, the settlers were permitted to participate in the making of laws, and such laws as were passed had to be in keeping with and not contrary to English law. It would be correct to say that the colonists were both restrained and enfranchised by their charters.

The colonies were restricted also in that they were a part of the British Empire. In that capacity, they fell under the authority of the government of England (after 1707, the United Kingdom) and were subject to certain of the acts of the Crown-in-Parliament.

Before discussing this relationship, however, it will be useful to note some major changes that had occurred in the English government in the last years of the seventeenth century, the changes associated with the Glorious Revolution. These changes raised questions about the extent of parliamentary authority over the colonies under the constitution as it had developed, questions that were not finally pushed to the point of irreconcilable contradiction until the 1770's.

At the time when most of the colonies were chartered and founded, England was more or less of an absolute monarchy. Parliament was, for the Tudors and the

early Stuarts, an auxiliary to them in the exercise of their power. In theory, and usually in practice, Parliament was that body which enabled the monarch to make alterations from time to time in the contract with his subjects whom he ruled by Divine right. Ordinarily, he could and did rule without consultations with Parliament, If some change were wanted by the monarch - e. g., a new tax measure - then he might call a session in order to get the needed legislation. If he could get by on established revenues and laws, he had usually foregone the nuisance of having Parliament meet.

The Stuart Kings and Parliament were at odds for most of the seventeenth century over their respective powers. The issues were resolved by the Glorious Revolution and its aftermath, resolved in favor of Parliament. As one historian summarizes the consequences of this Revolution, it "demolished the doctrine of the divine right of kings. . . . After that momentous victory Parliament slowly and gradually, yet remorselessly and irresistibly, extended its power in all directions."1 Another sums up the changes this way:

William III began his reign with a clear recognition on his part that the roval office had been shorn of extensive powers. As it has been expressed by a distinguished historian of the constitution: "The king was distinctly below statute; he was to have no power to suspend statutes or to dispense with statutes; he could not by his proclamations create any new offence; he could not keep a standing army in the realm in time of peace without the consent of parliament; parliament had begun to appropriate supplies; the military tenures were gone; he had no powers of purveyance and preemption: he could not try men by martial law; the judges were no longer to hold office during his good pleasure. . . ." We may add: he could make no laws without the consent of the nation's representatives: he could lay no taxes: he could claim no kingship by divine right...2

In short, Parliament had come to occupy much of the ground formerly held by the monarch and would in the course of the eighteenth century gain much more control over affairs. England had a constitutional monarchy.

Parliamentary Powers

These changes affected Americans in two most important ways. One of them is that Parliament's powers were neither clearly de-

¹ Curtis P. Nettels, The Roots of American Civilization (New York: Appleton-Century-Crofts, 1963, 2nd ed.), p. 543.

² George B. Adams, Constitutional History of England, Rev. by Robert L. Schuyler (New York: Holt, Rinehart and Winston, 1962), p. 366.

lineated nor restricted. The British had spent much energy over the centuries in limiting the king. This was now as well accomplished as it might be without making him impotent. In doing so, however, a new power had been loosed—Parliament. It is true that the House of Commons is restrained by having its members stand for election. This was so, however, only for England and then the United Kingdom.

The other import of this for Americans was related, for it had to do with what the power of Parliament over colonials would be. The colonists had no representatives in the House of Commons, nor were there any American bishops or nobles sitting in the House of Lords. Moreover. nothing comparable to the Glorious Revolution occurred in the colonies. Parliament proceeded to pass acts affecting the colonies, though there was now doubtful constitutional warrant for such measures. For a long time the issue was not pushed with vigor by either side; it lay dormant ready to spring to life when differences between the colonists and the mother country rose to the point where constitutional questions would come into focus.

One reason that the issue did not come to the fore was that Parliament exercised restraint in legislating for the colonies until the 1760's. Parliamentary acts known as statutes of the realm usually applied only to England. Wales, and to Scotland after 1707. "Inasmuch as both Parliament and the colonial assemblies exercised the lawmaking power, a rather indefinite distinction between internal and external legislation was allowed to develop. Parliament generally confined itself to the regulation of the external affairs of the colonies (trade, currency, etc.) and permitted the colonial assemblies to legislate for domestic concerns."3 This policy is sometimes referred to as one of "salutary neglect." Why it should be so called except by a partisan of British rule and Parliament is not clear; it suggests that the colonies were neglected and that Parliament had the authority to impose its will over the colonies - both doubtful propositions.

If there was "neglect," it was in the neglectful manner of the founding of the colonies, not so much in their later governance. The Stuart kings probably had two prime motives in authorizing plantations. One was to benefit England commercially; the other was to be rid of troublesome, undesirable, or, in the case of Roman Catholics to whom they were sympathetic, persecuted elements. The

³ Nettels, op. cit., p. 546.

latitude that many of them were given in matters of religion suggests that the monarchs did not expect the growth of large, peaceful societies under their dominion. At any rate, a strong case can be made that over the years the British government was less and less "neglectful" and more and more concerned to tie the colonies close to England and make them conform to the British pattern. It is certain that over the years more and more laws were passed, and more and more attention was given to imposing the British will over the colonies.

Trend Toward Royal Control

One way to see the trend toward greater British control is to look at the types of colonial governments and changes in them. There were three types of governments in the colonies: royal or crown, proprietary, and charter. A royal colony was one in which the colony fell directly under the king: the governor was appointed by the monarch: he was an agent of the king, in effect, acted in the place of the king, and he, in turn, appointed lesser officers. A proprietary colony was one in which the proprietor appointed the governor and otherwise had authority reminiscent of a feudal lord. He, in turn, was a kind of vassal of the king. A charter colony was one operating on the basis of a charter; in effect, the members of the colony were members of a corporation, and the electors among them controlled the government on the basis of the charter.

The trend over the years was for England to extinguish the charters and proprietorships, which the original colonies had been, and to make of them royal colonies. By the middle of the eighteenth century, there were only three proprietary colonies and two charter colonies. The meaning of this is made clearer by this contemporary comment on the power of the people in the charter colonies: "The people in these Colonies chuse their Governors. Judges, Assemblymen, Counsellors, and all the rest of their Officers: and the King and Parliament have as much influence there as in the wilds of Tartary."4 This is an exaggeration, but it does indicate that the trend toward royal colonies was a trend toward greater British control.

Despite the fact that the colonies had grown up to considerable degree separate from one another, they had a similar form of government to one another and to that of England. Each of them had a governor, whose powers

⁴ Quoted in Clinton Rossiter, The First American Revolution (New York: Harcourt, Brace and World, 1956), p. 103.

were modeled on those of the English monarch. The extent to which the English attempted to gain or maintain control of colonial development is indicated both by the fact that most colonies were made royal colonies and by the extensive powers of the governor. He "was the personal representative of the king and the symbol of the empire in the colony. 'endowed with vice-regal powers, analogous though inferior in degree to those of the monarch.' As such he was the commander-inchief of the military forces in the colony and the chief among the agents of the crown. He had the power to appoint judges in the vice-admiralty court, where there was such a court in his colony, and judges, justices of the peace, and sheriffs in the administration of civil justice. He also had the power to nominate members of the executive council . . . , and the power to veto acts passed by the legislature. . . . "5 He could summon, adjourn, and dissolve the legislature, and he could pardon those who had been convicted of offenses. "The governor's powers were thus fourfold, for he was at once a Crown agent and the effective head of the executive, the

legislative, and the judicial arms of government."6

A colony ordinarily had one or more councils, but usually there was a single council which served in several capacities. These were men chosen from among natives who were usually men of wealth and position in their communities. In one of their capacities, they were a sort of governor's cabinet. assisting him in governing by advice and in other ways. In another capacity, they might serve as a court of appeals. And, they were the nearest thing to an upper house of the legislature that the colonies had. In this capacity, they were analogous to the House of Lords. Many colonials got experience in governing by serving on councils.

However, most of the colonial political experience was gained by serving in the legislative assembly. This body was known by different names from colony to colony -i. e., House of Delegates, General Court, House of Burgesses, and so forth - but each of the colonies had one. It was the fount of popular government in the colonies, the only body at the level of colony that was chosen by the freeholders. In theory, it was subordinate to the governor in royal and proprietary colonies, awaiting on his call, subject to his dis-

⁵ Max Savelle, A History of Colonial America, Rev. by Robert Middlekauf (New York: Holt, Rinehart and Winsten, 1964), p. 402.

⁶ Ibid.

missal, even subject to being dissolved in favor of the election of a new one, and its acts subject to his absolute veto. It could almost be said that it existed at the pleasure of the governor.

Colonies Develop Self-Government in Subtle Ways

Theory is often one thing, however, practice another, and this was certainly so for the colonial assemblies. In their service in assemblies colonials learned the subtleties by which power is counterbalanced and the maneuvers by which power can be gained. The way they worked, in general, is described by one scholar in this passage:

One is impressed with the rather prosaic manner in which the lower houses went about the task of extending their authority, with the infrequency of dramatic conflict. They gained much of their power in the course of routine business, quietly and simply extending and consolidating their authority by passing laws and establishing practices, the implications of which escaped both colonial executive and imperial authorities and were not always fully recognized even by the lower houses themselves. In this way they gradually extended their financial authority to include the powers to audit accounts of all public officers, to share in disbursing public funds, and eventually even to appoint officials concerned in collecting and handling revenues.7

Some of the devices by which they gained power are interesting and were quite valuable experience for colonists. One position from which they gained leverage over governors was that the salary of most of the governors was paid by their respective colonies. This meant that the legislature had to appropriate it. If they would only appropriate it on an annual basis. the governor would find it expedient to call the legislature into session each year. If they made the appropriation of his salary the last item of business before they were ready to adjourn, he could be, and was, effectively stripped of his powers to prorogue the assembly. "Not content with reducing the governors' legislative power, the assemblies . . . used their control over the purse to usurp many executive functions, insisting that certain conditions be met before appropriation bills were sanctioned. Thus the assemblies extended their sway over financial matters by stating in detail how money was to be spent, by appointing provincial treasurers . . . , by naming collectors of 7 Jack P. Greene, "The Role of the

⁷ Jack P. Greene, "The Role of the Lower Houses of Assembly in Eighteenth-Century Politics," Essays in American Colonial History, Paul Goodman, ed. (New York: Holt, Rinehart and Winston, 1967), pp. 431-32.

the revenues . . . , and by setting up committees to supervise the spending of money appropriated."8

Colonists got political experience at two other levels than that of colony. One level that did not involve many people directly but was nonetheless important was as agent for a colony to the government in England. An agent was sent from most colonies toward the end of the colonial period to England to explain to various governing bodies the situation in the particular colony, the attitudes of the inhabitants, and the effects laws and other English actions might have. Sometimes both a governor and a legislature would send such an agent. He would have no official standing in England, but he would be valued for his service both by the mother countries and the colonies and would gain much valuable experience. Benjamin Franklin undoubtedly got the most experience as agent, for he represented several colonies at one time; through this experience, he was prepared for the yeoman work he would later perform as diplomat for the United States.

The other level was local governments. Of their importance, Clinton Rossiter says: "In general, the central governments of the colonies exercised even less

control over local institutions than did the mother country over the colonies."9 That is, they managed most governmental affairs locally by institutions that were in keeping with the locale. In New England, town government was the most important level, and the town meeting the device by which the electorate directed affairs. In other parts of the country, county and parish government handled most local affairs. These were the features of local governments Rossiter thought particularly worthy of note: "the broader suffrage for local than for colony-wide elections; the multiplicity of unpaid offices and duties, a system under which a much larger percentage of citizens performed some sort of public duty than is the case today. . . ." In short, a large number of colonists had political experience while they were under nominal British control.

The British government did not neglect the colonists in the last hundred years or so of the colonial period. They set over most of them an arrangement that should, in theory, have brought them under the will of those who governed in England. There were governors with comprehensive appointive powers, numerous agents of a variety of boards and committees were sent to America, and Ameri-

⁸ Nettels, op. cit., p. 563.

⁹ Rossiter, op. cit., p. 119.

cans were in some ways more clearly under the dominion of the king than were the inhabitants of the United Kingdom. Short of taking from the Americans their institutions of government, it is not clear how they could have been prevented from developing as they did.

Evolving Institutions

Nonetheless, the American colonies did evolve away from the British pattern, even as, to a lesser extent, the government in the homeland was evolving away from its older pattern. Americans today do not feel great unfamiliarity with colonial institutions and practices as they had developed by 1765. They would, however, if they understood them, find most of the institutions that were originally transplanted unfamiliar and foreign. Many of these institutions were medieval in character when they had been set up. For example, a town was a corporation with definite bounds, with privileges for its inhabitants, with powers to exclude others from them, with monopolistic powers, with an exclusive and delimited character. This had so far broken down by the end of the colonial period that men could generally come and go, move in or out, and go about their business without much onerous restriction.

In a similar and related manner, there was an attempt to maintain class arrangements and prescriptions in America. In the middle of the seventeenth century, the General Court of Massachusetts forbade the wearing of certain clothing to the lower orders. Yet, such efforts were of little avail, and long before the end of the colonial period it was commonly observed that respect for and distinctions among classes were disappearing.

When confronted with the Puritan demands for the abolition of episcopacy, James I declared, "No bishop, no king." His prophecy proved correct for America. Though there were several colonies in which the Anglican Church was established, there was never a bishop in America. The Bishop of London was appointed over the American colonies, and he was represented from time to time in particular colonies by a commissary, a man appointed to perform some of the overseeing functions of the bishop. But there was no clerical hierarchy that amounted to anything in America. Hence, even in Anglican colonies, the control of church affairs tended to slip out of the hands of the clergy and into that of the vestry. Of course, in several of the colonies, the prevailing denominations neither had any hierarchy nor approved of it as an institution. The religious supports for rule by an hierarchical order were missing.

In the same manner, there was never any titled nobility in the colonies to speak of. There is a saying that "Dukes don't migrate," and it is substantially true. For decades on end most Americans never saw a titled noble, and if they did, he was most likely a roval governor. No native Americans were ever raised to such rank, to my knowledge, nor is it likely that they aspired to it. Americans who acquired extensive possessions aspired to the life of a country gentleman, so far as we can tell, and would have been aliens in their own country had they been titled.

The effect of this is that Americans turned away from the old sources of authority and political power even more than did their counterparts in England. Authority, for them, did not extend from the top downward; it derived from the place they were accorded by their peers. Americans looked up to men who had acquired possessions by their own efforts or that of their immediate forebears and. among these, to those who showed ability at managing their affairs. Birth counted for little: achievement counted most.

Probably, Americans had more extensive experience in governing

in legislatures, in towns, in counties, and as councilors than did any people anywhere in the world at that time. True, it was limited experience. They had little experience as chief executives or in foreign affairs, and they operated within the limitations of the British constitution and the empire. Even so, they were probably better prepared for popular government than anyone else, unless it was the English people themselves.

It is possible, however, to overrate experience. There are experienced thieves and murderers. There are experienced demagogues, and there are politicians with a vast amount of experience at gaining more and more power by plundering the populace. Experience can be useful in attaining any end, but it does not discriminate among ends. That is determined by what a people, or some portion of them, value. And values are a resultant of ideas held and cherished. It was not enough for Americans that their experience had turned them away from monarchy, from hierarchies. and from authoritarian government. If their experience was to stand them in good stead, they must be drawn to something constructive to take the place of these things. Americans were, and developments in ideas prepared the **(4)** way for this shift.

BAD MONEY drives out GOODS

PAUL L. POIROT

WHY GRESHAM omitted the "s" when he drafted his famous law is not clear. What is painfully clear to U.S. citizens caught in the wage-price freeze of 1971. however, is that Gresham's Law remains in force: bad money drives good money into hiding. People will hang onto their good money and meet their financial obligations with bad money so long as the government declares the bad money to be legal tender. What makes money "good" is its redeemability or its purchasing power in terms of goods and services: sellers are happy to receive it in exchange for their wares. So, what the bad money really drives away from the market are the suppliers of goods, the savers and investors of the capital that accounts for employment opportunities. These people will hoard their current holdings or else take them to some other market where a better money can be had in exchange.

The President's problem, or

rather, the problem of the people of the United States, is that bad paper money has flooded the country. The Federal government is printing this money to pay its obligations. Another name for the process is *inflation*: monetization of the Federal deficit.

Now, when people recognize that dollars are rapidly depreciating, their first response is to get rid of their bad money just as fast as they can, spending it for almost anything in the way of tangible goods or services. Of course, they still try to find bargains; and it may happen that foreign suppliers afford the best bargains. Why would that be the case? Why, because in a somewhat strange and roundabout way foreign suppliers had, up to the time of the freeze, been able to claim payment for their wares in "good" money rather than bad. In effect, they were buying gold from the United States at the price set in 1934 - \$35 an ounce. Because that

bargain was available to them in the U.S., they were most willing and anxious to exchange cars and steel and textiles and all sorts of goods and services at prices American customers recognized as bargains.

Because the American people responded as they did to protect themselves against inflation, the Federal government was obliged either to outlaw such response or else stop its deficit spending and expansion of the money supply. Quite contrary to most of the publicity, the wage-price freeze of August 15, 1971, announced the intention of the Federal government to persist in its policy of inflation - not stop it, but step it up; reduce some taxes, cut down the supplies of foreign goods, and make it illegal for an American citizen to offer more bad money for any product than he had paid for a similar item before the freeze. Certainly, there could be no reason for such measures if the government meant to stop printing bad money and balance the Federal budget.

The mislabeled "balance of payments" problem, implying that foreigners aren't paying us what our exports are worth, is simply the strictly domestic problem of an unbalanced Federal budget—deficits printed out as money. It's hardly the sin of foreign govern-

ments if they show greater fiscal responsibility than does our own; that sin is ours, for urging or allowing our government to spend more than it collects from us in taxes. Unless other national governments sin in sympathy and unbalance their budgets to match our reckless rate of inflation, we can't long maintain the fiction that our paper money is as good as theirs. They may continue to sell us their goods at our inflated prices but will not be so anxious to buy our goods at our inflated prices; they'd much prefer gold, if they could get it, at \$35 an ounce; hence, a so-called "balance of payments" problem, all of our own making.

If the Federal government were seriously determined to stop inflation - that is, balance its budget then it would have to seek politically possible ways to shut off the spending. The process is simple enough to describe: identify which subsidies or spending programs are least attractive to U.S. voters and repeal them in that order. Whether that would be the War in Vietnam, the exploration of outerspace, foreign aid, farm supports, environmental improvement, unemployment compensation, urban renewal, medicare, compulsory unionism, or any of hundreds of other uneconomic and unprincipled governmental ventures is strictly a political decision. But one thing is certain, there is no way to maintain U. S. credit in the world market without curbing domestic inflation, and the only way to do that is to whittle off some of the Federal boondoggles. If politicians in power believe in voluntary controls, let them voluntarily curb their spending. They then should find neither reason nor excuse to control ours.

The Frozen Laborer

Government control of prices and wages, as distinguished from market determination in open competition, boils down in reality to control of people. Peaceful persons are compelled by the government to use their lives and their property for purposes or in ways other than they might have chosen.

The most common justification given for wage and price control is inflation; people are said to be investing or spending their lives and property recklessly, causing prices to rise. But the fact is that inflation is simply another form of people control—a process by which government takes scarce and valuable resources from private owners in exchange for irredeemable promises to pay. Infla-

tion is effective as a form of people control so long as, and to the extent that, people believe the government will redeem its promises in whole or in part; they accept and hold money today in faith that it may later purchase at least as much as now, and possibly more. The people are controlled through their blind faith, their property taken without their knowledge.

Once the people open their eyes to the nature and effect of inflation, lose faith in the government's promise to pay, then government must resort to sterner measures such as a price and wage freeze if it expects to control the people, take their property without their consent. The government, no doubt, will continue to print and spend money for its purposes, while denying individuals the right to spend their money for their own purposes. In other words, governmental control of prices and wages reduces the owner's bundle of rights concerning the use and disposition of private property; that is a long step back toward feudalism.2

Private property exists in many shapes and sizes, but one of the most neglected and perhaps most important forms pertains to the right of the individual to direct

¹ See "Government should control prices but not people," by Dean Russell, Clichés of Socialism (Irvington, N. Y.: Foundation for Economic Education, 1970), p. 222.

² See "Changing Concepts of Private Property," by Bertel M. Sparks, THE FREEMAN, October, 1971, p. 583.

and control his own efforts, to sell his services for the most attractive bid in the market as distinguished from involuntary servitude.

The so-called Industrial Revolution, involving specialization, trade, saving, investment, and numerous job opportunities in various industries, did much to free the laborer from the lowly status of serfdom - a steadily strengthened and expanded bundle rights to his own efforts. Then, government was asked, or volunteered, to intervene on the laborer's behalf - and, in the process, damage was done to his rights. The labor union that was empowered to help him bargain exercised that political power to bargain for him without his express consent. The power of the union to arbitrarily exclude any laborer from bargaining for a given job opportunity diminishes that laborer's property and his right to his own efforts. One laborer's political power to strike or picket a given job opportunity jeopardizes every laborer's right of access to the job opportunity of his own choice.

Laws such as the Wagner and Taft-Hartley Acts in the United States extend political privilege to union bosses and the favored few, but at the expense of the property rights of laborers in general. Various State and Federal minimum wage laws exclude from the market those least skilled laborers unable or unwilling to earn the minimum wage, thereby diminishing rather than enhancing their bundle of rights. The regressive social security tax discriminates against laborers in the lower wage brackets. And what some refer to as "the Welfare State against the Negro" really concerns the modern infringement of government regulation and control upon the property rights of the least skilled and lowest paid laborers.

The government attempts too much in its various welfare measures, spending more, much more, than it dare try to collect through direct taxation of the supposed beneficiaries. Such deficit spending, Federal borrowing from its captive banking system, is the process of inflation which in due course manifests itself in what is called wage control and what is in reality the regulation and control of the laborer — much as in the days of feudalism.

Laborers and others who would defend their lives and property against inflation and controls and confiscation must first insist that government mind none but its own business: policing the market to keep it open.

And in any event, Gresham's Law does prevail: bad money drives out goods.

Bertel M. Sparks

Conflict of **WHOSE**

interests?

A FEW YEARS AGO the president of one of America's major manufacturing corporations was named Secretary of Defense. Prior to his assuming the duties of his new job he was called upon, not only to resign his position as corporate president, but to arrange for the disposition of all his stock in the corporation. It was felt that this was necessary in order to avoid a possible conflict of interests. Even after he had disposed of his holdings, he continued to be the subject of much criticism because of his former business connections. It seemed that every major decision he made in his capacity as Secretary of Defense was carefully examined with a view toward finding some reason to believe that it might have been influenced by

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the "corporate mind." On one occasion the Secretary offered as a defense for his position a statement that what was good for the corporation he had previously headed was good for the country. The reaction of the press was immediate. The Secretary's statement made headlines in most of the major newspapers of the country. It was cited as a prime example of both the ignorance and the arrogance of successful businessmen in government.

The experience of the corporate president who became Secretary of Defense is illustrative of a growing trend of our times. The cry of "conflict of interests" as a challenge to qualification for the performance of certain civil and political responsibilities is being heard with increasing frequency. Occasionally it has been directed at elected officials but it has been par-

ticularly noticeable where appointive ones are concerned. The idea seems to be abroad in the land that any substantial degree of success in business constitutes an automatic disqualification for public office. Experience in manufacturing, particularly if it is in heavy industry, is interpreted as a sure sign of unfitness for high position in the Defense Department. By the same standard a man who has had wide experience in banking or other types of financial management is automatically disqualified for service as Secretary of the Treasury. Similar reasoning has led others to conclude that a person who owns stock in American industry should not be allowed to sit as judge on an American court.

Who Is Qualified?

In view of the above observations, one might wonder where he should look to find suitable public officials. If experience in financial management disqualifies one from becoming a treasury official, then what is the appropriate background for the job? If management of a large manufacturing enterprise renders one ineligible for the Defense Department, who is eligible? And what is there about personal ownership of a financial stake in the continued survival and prosperity of American society that disqualifies one for service as a judge in the courts of that society? Critics might suggest that questions such as these do not go to the heart of the matter since they are related only to the technical competence or skill for the proposed job and fail to resolve the problem of personal interests that might tend to conflict with public duty. But that problem cannot be resolved without inquiring into just what personal interests are involved and what is the nature of the public duty with which these interests conflict.

The interests of a businessman in his capacity as a businessman necessarily have something to do with the success of his business. He is interested in increasing his profits. He is interested in producing his product at the lowest possible cost and selling it at the highest obtainable price. His desire to keep costs down includes a desire that his plant be shielded from violence and that it be filled with satisfied, contented workers. His desire to get a favorable price for his product includes a desire for a continuing stream of satisfied customers with money in their pockets. This adds up to nothing more and nothing less than a desire for a peaceful and prosperous society. Such a desire does not conflict in any way with the desired goals for society as a whole. In fact, the two are identical.

Governments are established for the purpose of maintaining order. That means that the true function of government is to maintain an environment wherein a peaceful and prosperous society is possible. It means a society where voluntary exchange is permitted, where contracts are enforced, and where fraud, deception, and violence are punished. All human beings except those few who hope to become the beneficiaries of fraud, deception, and violence desire these same goals. And if the degree of the intensity of the desire may be measured by the extent of the particular person's personal or selfish interest, the desire is keenest among the most successful businessmen. It is they who stand to lose most if contracts are not enforced and if theft, burglary, and other forms of violence are not restrained. At the same time it is their selfish interests operating peacefully in a free economy that tend to bring the greatest material benefits to all. This is the normal and natural result of a free market operation because the greater the number of producers who are competing peacefully for customer attention, the wider will be the range of choice available to each customer and the greater will be the likelihood that the peculiar tastes of each one will be satisfied at the lowest possible cost.

The Founders Understood

The unity of interests between the businessman and society as a whole was clearly understood by the founders of the American Republic. The vast majority of the signers of the Declaration of Independence were well-to-do or even wealthy businessmen who saw as their primary task that of establishing a government under which freedom and order could be maintained. Their rebellion was not a rebellion against an established order but a rebellion against the efforts of a government to impose trade restrictions upon some and to grant special privileges to others, the latter being those who happened to be favorites of a parliamentary majority. For the most part the Founding Fathers served without pay and when they pledged their lives, their fortunes. and their sacred honor, their fortunes were more than mere incidental parts of that pledge. These were men of substantial means. They had much to lose and most of them actually suffered the loss.1 They did so because they placed high value upon the long-term benefits to be derived from the

¹ A vivid account of the backgrounds of the men who signed the Declaration of Independence and the suffering, both personal and financial, they endured as a result of their having done so is presented in summary form in Fehrenbach, Greatness to Spare (1968).

preservation of ordered liberty where individual freedom of choice could be maintained and where voluntary exchange of goods and services could be practiced without any intervention or coercion from governmental authority. They understood, as did the recent Secretary of Defense, that what is good for business is good for the country.

Tariffs "Protect" Producers at the Expense of Consumers

But a government can be so ordered and the governmental function so conceived that the private interests of particular individuals or particular business enterprises do conflict with public duties. This occurs most frequently when subsidies, tariffs, or other forms of special privileges are established. A steel manufacturer might reap substantial short-term benefits from a tariff law imposing a duty on imported steel. When such duties are imposed, the price of the imported product will have to go up or else the product will have to leave the market. In either event the domestic producer will be given an opportunity to sell at a higher price than would be obtainable under free market conditions. While this might be of immediate benefit to the domestic producer, it will mean higher prices for the consumer of steel products and therefore a detriment to such consumers.

But the detriment to the immediate users of steel is not the end of the story. The cost of everything dependent upon the use of steel will tend to rise. When this happens, the quantity of consumable goods the ordinary citizen can afford will tend to decline. For even if he can find some desired goods that have no direct relationship to steel (a supposition that is itself unlikely), the fact that he has had to spend more for those goods that do have that relationship will reduce the amount of money he will have available for the unrelated products. This is but another way of saving that there will be a decline in the general standard of living, or if not an actual decline, the standard will not be permitted to rise to the levels that would otherwise be achieved.

What has been said about the steel industry is equally applicable to every other item of commerce upon which import duties are imposed. A tariff on imported textile products might be of immediate benefit to the domestic textile producers, including the employees in that industry, but it is hardly beneficial to either the 20-year-old office girl or the 70-year-old widow living on a fixed income when both ladies are trying to outfit themselves with garments appropriate

to their respective needs. And a tariff law that can keep a foreign automobile off the domestic market might appear advantageous to the domestic producer, whether he is the president of the company, a stockholder, or a laborer on the assembly line, but it is less than helpful to the school teacher seeking low-cost transportation.

Special Privileges

The common characteristic of each of the illustrations cited above is that in each instance a particular individual or a particular industry is seeking a special privilege. In each instance somebody is trying to escape the rigorous discipline of the free market. The market is a system that tends to reward those who produce the things people want at the lowest possible price. In that sense it is a system that rewards the best producers. It is a system in which the only way one can serve himself is by serving others, by producing the things or offering the services others want. But the erection of a tariff barrier is a means of artificially keeping the most desired goods or the most desired services beyond the reach of the customer. It is a system under which the customer is coerced into accepting something less than his first choice, a system for keeping marginal and substandard producers in business at the expense of

Thus it becomes clear that in the tariff cases there is a private interest that conflicts with the best interests of the public. But in each instance it is a conflict created by the departure of government from its proper function of maintaining the peace and its entry into the nongovernmental role of interfering with the operation of the market. It is a conflict created by attempts to use force rather than customer choice to dictate the production and distribution of goods.

The proper way out of this predicament is to get rid of the law creating the conflict and permit government to return to its proper function of maintaining order. thereby enabling its citizens to peacefully pursue their own happiness in the manner pleasing to them. But until that step is taken the presence of the conflict must be recognized. And if the conflict is to be avoided, the particular businessman reaping a benefit from a particular tariff law must not be permitted to participate in any decision concerning the rate or the administration of the tariff involved. Neither should he be permitted to vote for or against candidates who might be called upon to participate in such decisions.

Such a regulation of the franchise would be cumbersome indeed. It might even prove to be totally unworkable in its operation but it is an essential part of the operation if conflict of interests is to be avoided while the tariff law remains. And it should be kept clearly in mind that what is being dealt with is, not the interests of businessmen as a group, but the special privilege the government is extending to a particular businessman or a particular group of businessmen at the expense of all other businessmen and of society as a whole

The Farm Bloc

What has been said about the tariff laws is equally applicable to all forms of subsidies and production controls the government might attempt to impose. When farmers are being subsidized for growing certain crops or when they are being paid not to grow others, the funds from which they are paid must be taken from other members of society. From whom shall such funds be taken and who is to decide when, how, and how much to take? These are political questions to be decided in the political arena. And any serious concern about conflict of interests would appear to dictate that farmers be excluded from the electorate when these special privileges for farmers are being voted upon either directly or indirectly.

If this were done, it would no longer be possible for legislators from the farming regions to win elections by promising their constituents to support laws imposing heavier burdens upon city laborers in order to hand out greater rewards to farmers. This is but another way of saying that candidates for office would no longer be permitted to use the tax laws to raise funds to support their own campaign efforts and to perpetuate themselves in office. Farmers would be left to seek their rewards by producing in the most efficient manner of which they are capable the products people actually want. Their rewards would be for more efficient production rather than for the precarious circumstance of being represented in legislative halls by friendly but unscrupulous power-grabbing politicians.

. . . and Other Subsidies

But the so-called "farm program" is only one example of special privilege being supported by government at the present time. Similar discriminatory advantages are being extended on a large scale to selected individuals or groups at all levels, Federal, state, and local. Exclusive franchises to power and transportation companies, subsidies for airport construction, Federal support to rural

cooperatives operating electric. telephone, or other business enterprises, direct financial help to certain segments of the housing industry, government guaranteed loans to individuals or business enterprises within certain classifications, and numerous other illustrations that could be cited are instances where the taxpavers are being forced to sacrifice their own well-being in order to support individuals or industrial organizations the taxpayers have not voluntarily chosen to support.

The truth is that in most instances where these discriminatory practices prevail the beneficiaries of the special privileges are individuals or organizations whom the taxpayers, acting in their capacity as consumers in the market place, have already affirmatively rejected in favor of others who are offering goods and services more in accord with consumer wishes. If this were not so, the special privilege would not be needed. And aside from the wisdom of the sage remark of Ludwig von Mises that "the average man is both better informed and less corruptible in the decisions he makes as a consumer than as a voter in political elections,"2 a decent respect for simple human dignity would seem to demand that the individual person should be permitted to spend his own earnings for the goods and services that are most pleasing to him.

The Vote-Buying Process

If all the concern about conflict of interests were both genuine and informed, it is doubtful if any of the recipients of special privilege would be permitted to vote in political elections. It seems a little ridiculous to permit one group of citizens to vote themselves subsidies at the expense of other citizens. Permitting them to do so extends to them the opportunity of using the power of the state, the state being the only agency authorized to use force, to impose their wills upon the nonprivileged group without regard to whether they are performing any services that are needed or desired by the nonprivileged citizens.

Under such a coercive system the continued production of unwanted products is inevitable and so is the perpetuation of incompetent and inefficient producers. It is far different from the free market where only the most efficient producers of the most wanted products can survive, where the only reward is that of a voluntary purchase by a willing customer.

A business enterprise might suffer financial embarrassment because of inefficient management or because it has misjudged market

² Socialism 21 (1951).

demand or for any number of other reasons. Regardless of the reason for the difficulty, if the rules of the market are permitted to operate, that enterprise will have to either reform its approach or go out of business and that right early. But if government can be depended upon to rescue a failing business, the need for improvement is removed. Inefficient management is left free to continue in operation and unwanted products may continue to be produced. In either event the profits earned by the efficient producers of products the citizens want will be expropriated to subsidize the continued operation of the incompetent producers or the producers of products the citizens do not want. Consumers will be compelled to buy less, competition in foreign markets will become more difficult, and the general level of industrial activity will be forced to decline. In the short run all this will be beneficial to the inefficient producer of unwanted goods, but in the long run it will benefit no one.

Withhold the Right to Vote

The proper solution to this destructive and debilitating situation is to abolish special privileges and return to the constitutional principle of giving all citizens equal treatment before the law. But until that is done, it would seem appro-

priate to at least take more seriously the much-vaunted abhorrence of conflict of interests. A suitable beginning place would appear to be that of withdrawing the right to vote from persons to whom the government is extending special advantages above and beyond those that are accorded to other citizens. This doctrine should be applied to all citizens who are receiving special privileges of any kind and the term special privilege should include any privilege that is offered on an individual or group basis but not extended to the citizenry as a whole.

Presumably all citizens are entitled to the benefits of protection from murderers, thieves, marauders, or robbers. It is protection provided by government but it is protection offered to all citizens. Even the murderer is entitled to protection against being murdered. Therefore, this kind of protection is not a special privilege. It is not discriminatory. It is a privilege offered to all citizens equally.

But suppose the law against murder applied only to the killing of members of a particular occupation, religion, race, economic classification, or other identifiable group. In that rather ridiculous imaginary situation it would be discriminatory to call upon the unprotected groups to pay taxes to support a police department for the benefit

of the recipients of the privilege of protection. It would be equally ridiculous to permit the members of the protected group to cast their ballots to decide whether the cost of their special protection should be shared by the unprotected citizens.

Unwarranted Discrimination

It is easy to comprehend the discriminatory nature of the imaginary law against murder that is restricted to the killing of a particular group while treating the vast majority as free game to be plundered and slain at will. But the fact that precisely the same type of discrimination is actually practiced in numerous other areas is often overlooked. Whether it is the manufacturer calling for a tariff law to give his product an advantage his customers have already decided it isn't worth, a farmer asking for "parity" prices which his skill and judgment as a farmer cannot maintain, or a failing business asking the government to use its power of coercion to provide it with a lowcost loan which its business performance is unable to justify, all are alike in that they are all asking that the power of the state be used to enable them to obtain by force that which they could not obtain by willing exchange. And a more direct illustration of conflict of interests could hardly be imagined than that of allowing the recipient of any one of these special privileges to vote for the granting or the continuation of the privilege.

One of the clearest illustrations of conflict of interests is that of giving the right to vote to persons on the welfare rolls. The illustration is perfect because the conflict is direct. It is permitting a nonworker who is receiving a direct subsidy at the expense of the working members of the community to participate in a decision as to whether or not the workers should have their real wages reduced in order that the special advantage to the nonworker may be continued or enlarged. So long as the nonworker is permitted to participate in the decision there can be little doubt as to how his vote will be cast.

And the influence of even a small number on the welfare rolls or other special-privilege category should not be underestimated. A significant feature of the twoparty system, a system that has dominated the political process in the United States throughout most of its history, is that in most political campaigns the contest is between two parties whose constituencies have usually been fairly evenly divided. Several years ago office seekers learned that if a particular group could be singled out for special privilege and if an appeal on its behalf could be made on humanitarian grounds, either real or imagined, the favored group could be won almost unanimously without significantly upsetting the balance within other groups. This meant that the purveyor of special privilege could be reasonably sure of victory. As the nonprivileged citizens became more aware of the discrimination being practiced upon them, resentments began to accumulate. The political remedy presenting itself to the officeholder was that of enlarging the privileged group in order to stay in power.

This has been done with great regularity. The spiraling effect has continued at an accelerating rate as each party has tried to outdo the other in its promises of special privilege. It is the easiest and least expensive means of winning elections. The result has been that the number of privileged groups has multiplied and the population within each group has grown. In the meantime the political process has become largely a game in which the winner is little more than the fellow who can demonstrate the greatest degree of skill in selecting for special favors such groups and classifications as will round out a majority while leaving in the nonfavored, working group a sufficiently productive body of citizens to provide the favors.

Raising the "Poverty Level"

In any welfare system some figure must be chosen as the income level at which subsidies will begin. Regardless of what that figure is, it is inevitable that there will be at least some fully employed workers whose earnings are only slightly above that level. As the meager incomes of this low-income group are expropriated for the benefit of the nonworkers, the low-income workers can hardly be expected to escape discouragement. They cannot be blamed if they begin to abandon their jobs in favor of a march to the welfare office. In that way they can have more leisure time and often enjoy even higher incomes at the same time. They can claim their maximum welfare benefits while keeping themselves available for the earning of additional income as handymen, yardmen, domestic workers, seasonal agricultural employees, and similar positions taken on an irregular and unreported basis. In this way they can avoid income tax worries and enjoy a real income substantially above that of their employed friends who continue to work at regular jobs.

Under this system the cost of government will go up but the politician knows that taxes are unpopular; therefore, he will prefer deficit spending to current financing. As the government debt increases, the supply of money will increase without a comparable increase in the supply of goods. The result is higher prices. Welfare benefits at the established level will become less attractive. But the officeholder must remain in power at all costs; therefore, he proposes an increase in benefits. This invades a still higher level of the comparatively low-income workers. They now find it advantageous to give up their jobs for the dole, thus starting another round of the boresome process on its way.

Each round of increases will become larger and will move from one phase to the next with increasing rapidity. To see the process in operation in its most carefree. runaway form one need look no further than the United States of the 1960's. That was a time when the political parties in power (and in some sections of the country that meant one party and in some sections another) were claiming unparalleled prosperity while welfare rolls were increasing at an unparalleled rate. The reasons for this inconsistent situation are not difficult to see nor was its development difficult to predict. In fact it was inevitable. It is equally easy to predict both the increasing acceleration and the ultimate consequences if established policies are continued. The next development to expect is an economically fatal but politically attractive system of wage and price controls.³ From there the move is toward the rationing of goods and the drying up of production as scarcity mounts and the point is eventually reached when there are no longer any goods to ration.⁴

Trends Can Change

But none of this has to happen. The trend can be stopped. History teaches that there is little likelihood that it will be stopped short of disaster but history also teaches that all the necessary means for changing the course while still on safe ground are readily at hand. The downward trend is actually the fruit of man-made schemes for interfering with the productive capacity of individuals. The free operation of the market is being replaced by the coercive power of the state. And as soon as the power of the state is applied to tinker with any segment of the market in any degree, some citizen somewhere is being given a special benefit which could not exist if it were not being expropriated from citizens who are actively engaged

³ This article was written prior to President Nixon's announcement of the wage-price freeze on August 15, 1971.—Ed.

⁴ For an outline of the route to rationing see Read, "When Rationing Comes," THE FREEMAN, July, 1971.

in the production of wanted goods.

And if the power to tinker is accepted as a proper function of government, the temptation to use the power is too strong for the politician to resist. Its use enables him to expand his popularity, and hence his personal power base, by the simple technique of enlarging the area of benefit while charging the cost to the productive citizens who are made the victims of the crudest form of discrimination. Special benefits are extended to an ever enlarging group of citizens. But every time a citizen is added to the special privilege category one is removed from the productive sector. Production declines. The politician's tenure in office comes to depend, not upon his integrity or his skill in statecraft, but upon his shrewdness and his skill in the selection of the favored groups to become the recipients of the state's bounty. But as the groups are shifted and as their numbers increase, as they inevitably must, the number left to supply the benefits is constantly diminished and the arrival at the breaking point is only a matter of time.

The overriding characteristic of this seemingly irreversible course is that production is being penalized and nonproduction is being rewarded. That is the crux of the matter and that is the point to touch if the trend is to be reversed. This can be done by an honest enforcement of a rule against conflict of interests. But enforcement will not come until there is recognition of the conflict. Let those who are receiving special privilege be excluded from the decision-making process. If they complain that they are being deprived of their political rights, remind them that they have removed themselves from the political arena and that they may restore themselves by abandoning their special privilege and joining with other citizens in a willingness to be treated equally before the law. And if a rule against conflict of interests is to be applied, its application should begin where the conflict is most direct and therefore most indisputable. If that were done the office seeker could no longer use the dole or any other form of special privilege as a scheme for buving votes. The temptation to use the power of the state to frustrate the operation of the market would decline. The inflexible rule of freedom, which is a rule that the only way one can serve himself is by serving others, might be allowed to assert itself and a period of burgeoning prosperity and well-being, such as has characterized all periods of maximum freedom in past ages, might **(P)** be seen again.



HENRY HAZLITT

THE MYTH still assiduously cultivated in some quarters is that the Negro community has been sunk in hopeless poverty and despair, because it has not been allowed to participate in the general economic prosperity of the last ten or twenty years. The actual record does not support this.

What we find, in fact, is that the Negroes as a whole have not only made great absolute economic gains in this period, but gains at least fully proportional to those made by the white population.

The median income of Negro families in 1949 (calculated in 1969 prices) was \$2,538. In 1959 this had risen to \$3,661, and in 1969 to \$6,191. Thus the median income had risen 44 per cent in the ten years from 1949 to 1959,

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and 144 per cent in the twenty years to 1969. This was a real gain in "constant" dollars and therefore owed nothing to the steep rise in prices during the period. The percentage of Negro families with incomes under \$3,000 (also calculated in constant 1969 dollars) fell from 58.1 per cent in 1949 to 41.9 per cent in 1959 and to 20.4 per cent in 1969.

Thus the Negroes not only shared proportionately with the whites in the economic improvement of the twenty-year period, but somewhat better than proportionately. Compared with the 144 per cent increase in Negro family "real" incomes between 1949 and 1969, white family real incomes in the same period increased only 97 per cent.¹

¹ Source: Department of Commerce, Bureau of the Census; Economic Report of the President, February 1971, Table C-20, p. 220.

Interpreting the Statistics

I have presented the figures in this way in order to emphasize the real economic progress made by the blacks in this twenty-year period. But these figures standing by themselves could give a misleading impression. They fail to call attention to the big gap still remaining between the incomes of white and black families. In 1949, when the median income of Negro families was \$2,538 (in 1969 prices) the median income of white families was \$4,973. In 1969, when the median income of black families had risen to \$6,191, that of white families had risen to \$9.794. Thus the median income of black families, which averaged only 51 per cent of that of white families in 1949, had advanced to no more than 63 per cent in 1969.

This, of course, is still far from satisfactory; but the comparison should not lead us to depreciate the extent of the blacks' real gains. Some writers talk as if the only gain worth talking about that the blacks have made is this gain in comparison with increased white incomes. But this is a captious and confused way of looking at the matter, and leads to some paradoxical results. Suppose in this twenty-year period the gains of Negro families had been the same as they were in absolute terms, but that the real incomes of white families had shown no improvement whatever. Then though only 20.4 per cent of Negro families would have had incomes under \$3,000 in 1969, 23.4 per cent of white families would still have had such low incomes, as they did in 1949. And though the median income of Negro families would have been \$6,191 in 1969, the median income of white families (in 1969 prices) would have been only \$4,973, as it was in 1949. In both respects the Negro families. though with no better incomes in absolute terms than they actually had in 1969, would have been better off than the white families. Could this be seriously regarded as a more desirable all-around situation?

In still other ways the Negro has made great progress in the last ten or twenty years. A leading example is in the field of education. In 1957, the median years of school completed by nonwhite men (who were eighteen years of age and over, and who were in the labor force) stood at 8.0 years; for white men the corresponding figure was 11.5 years, a gap of 3.5 years. By 1967, however, the median years of schooling for nonwhite men increased to 102 years, and for white men the figure had increased to 12.3 years, reducing the difference to 2.1 vears.

Differences Within Groups

One trouble with all the comparisons I have made so far is that, because they arbitrarily group all whites together on the one hand, and all blacks together on the other (for the sake of making over-all comparisons), they may help to encourage the naive tendency of many people to think of the black community as a homogeneous, undifferentiated group all in the same circumstances and with the same outlook. But as Negro leaders have reminded us, for example: "Young Negroes are at least as hostile toward their elders as white New Leftists are toward their liberal parents."2 In addition Negroes are separated by great gaps in experience - Northern from Southern, urban from rural - and great differences in income. In 1967, for example, the relative spread in incomes among the nonwhite population was even greater than among the whites. The lowest fifth of white families received 5.8 per cent of the total income of such families, the highest fifth received 40.7 per cent, and the top 5 per cent of families 14.9 per cent. But among nonwhite families, the lowest fifth received only 4.4 per cent of the total income of such families, the highest fifth 44.7 per cent, and the top 5 per cent received 17.5 per cent.

These differences are emphasized further when we compare selected groups of black families, from different regions, with the corresponding white groups. In 1969, for the nation as a whole, black families earned 61 per cent as much as their white counterparts (compared with 54 per cent in 1960). But in the North and West, black families over-all earned 75 per cent as much as white families. More striking, Northern black families with the husband and wife under age 35 both present, averaged an \$8,900 annual income in 1969, or 91 per cent of the average of their white counterparts, compared with only a 62 per cent average in 1960. Still more striking, Northern black families with the husband and wife under age 24 averaged 107 per cent of the income of their white counterparts. (The Census Bureau thinks this is probably the result of a sampling error. But that the income of such black families is at least equal to that of their white counterparts is suggested by the result of a similar sampling in 1968; this showed such black family incomes averaging 99 per cent of corresponding white incomes.)

It is significant that where we find the Negroes making the least

² Bayard Rustin in Harper's Magazine, January, 1970.

progress comparatively is in the areas where the free market is not allowed to operate. This is particularly striking in labor union membership. In the unionized trades the unwritten rule seems to be that the higher the pay, the harder it is for blacks to get in. They make up 11 per cent of the labor force. But at latest count, in such high-paying trades as plumbers, sheet-metal workers, electrical workers, and elevator constructors, less than 1 per cent of the workers are black.³

Minimum Wage Laws and Other Interventions Cause Unemployment

In one important respect, the position of the Negroes has retrogressed. An increasing gap has developed between the respective rates of unemployment of whites and blacks. In June of 1971, the over-all rate of unemployment among whites was 5.2 per cent, among Negroes 9.4 per cent. A difference of this sort has long existed. For example, even in the relatively good employment years 1950 to 1954 inclusive, when the white unemployment rate averaged 3.7 per cent, the rate for Negroes averaged 6.8 per cent. Part of this difference probably reflected discrimination by employers, and part of it the exclusion of Negroes from unions. In those five years

unemployment among teenagers (16 to 19) was also higher, as it is now, than in the working force as a whole. But the gap in this respect between white and black teenagers was comparatively small. Unemployment among white teenagers in 1950 to 1954 averaged 10.3 per cent, and among black teenagers 11.1 per cent.

Since that time the situation has been steadily deteriorating. In June of 1971 the unemployment rate among white teenagers was 13.5 per cent, while among black teenagers it reached the appalling level of 33.8 per cent.

By far the main cause of this has been the Federal minimum wage law. Minimum wage legislation has been on the books since 1938, but in March 1956 the minimum rate was jacked up from 75 cents to \$1 an hour, and it has since been raised by successive jumps to \$1.60 an hour in February 1968. But the law cannot make a worker worth a given amount by making it illegal for anyone to offer him less. It can merely make it unprofitable for employers to hire workers of low skills, and therefore forces such workers into unemployment. One of the greatest helps we could give the Negro today would be to repeal the statutory minimum wage.

What our politicians still do not realize is that the greatest coun-

³ Author's source: Time, April 6, 1970.

teracting force to racial discrimination is the free market. As the economist W. H. Hutt has put it, "The market is color-blind." If an employer can make a greater profit by employing a Negro than a white man at a given job, he is likely to do it. Even the militant Negro Marcus Garvey recognized this, though in a somewhat cynical manner:

"It seems strange and a paradox, but the only convenient friend the Negro worker or laborer has in America at the present time is the white capitalist. The capitalist being selfish—seeking only the largest profit out of labor—is willing and glad to use Negro labor wherever possible on a scale reasonably below the standard union wage... but if the Negro unionizes himself to the level of the white worker, the choice and preference of employment is given to the white worker.

In a free market, however, Negro employment does not necessarily depend on acceptance of a lower wage rate. If a Negro — say an outstanding professional baseball player or musician — is clearly superior to the best white competitor, he is likely to be employed in preference, at an even higher rate, because the employer expects to make a greater profit on him.

Not a Separate "Black Economy" but Full Admission to the Market

The chief hope for the economic progress of the Negroes lies not in some dream-world effort to form a separate "black economy." but in their becoming and being accepted as a more fully integrated part of a great expanding capitalist economy. In spite of the discrimination that still exists, the economic position of the Negro in the United States is not only incomparably higher than in Haiti or in any of the all-black countries of Africa, but higher than most whites even in the industrialized countries of Europe.

For what the best available statistical comparisons are worth, here they are: As compared with a median annual income of \$2,138 for Negro unrelated individuals in 1968, the per capital gross national product for that year was \$91 in Haiti, \$238 in Ghana, \$298 in Zambia, and \$304 in the Ivory Coast. In Chad, the Congo, Mali, Niger, and Nigeria, it ranged from a low of \$63 to a high of \$88.5

Turning to European comparisons: In the early 1960's, when it was calculated that some 44 per cent of America's nonwhite population was below the so-called poverty line of \$3,000 a year, it developed that some 75 per cent of

⁴ Quoted by Bayard Rustin, Harper's Magazine, January 1970.

⁵ Source: Statistical Abstract, 1970, p. 810.

Britain's entire, predominantly white, population was also below that line.⁶ The \$2,138 median income for American unrelated Negroes in 1968 compares with a per capita gross national product for that year of \$1,544 in Austria, \$2,154 in Belgium, \$2,206 in West Germany, \$1,418 in Italy, and

\$1,861 in the United Kingdom.

THE STORY OF NEGRO GAINS

What chiefly counts is the productivity of the whole economy; what counts is the maximization of the incentives to that productivity. And those incentives are maximized when opportunities are maximized — when we neither favor nor discriminate against any man because of his color, but treat everyone according to his merits as an individual.

They Constantly Clamor

THERE ARE PERSONS who constantly clamor. They complain of oppression, speculation, and pernicious influence of accumulated wealth. They cry out loudly against all banks and corporations and all means by which small capitalists become united in order to produce important and beneficial results. They carry on mad hostility against all established institutions. They would choke the fountain of industry and dry all streams. In a country of unbounded liberty, they clamor against oppression. In a country of perfect equality, they would move heaven and earth against privilege and monopoly. In a country where property is more evenly divided than anywhere else, they rend the air shouting agrarian doctrines. In a country where wages of labor are high beyond parallel, they would teach the laborer that he is but an oppressed slave.

IDEAS ON

DANIEL WEBSTER, in the Senate in 1833

⁶ Author's source: M. Stanton Evans in *National Review Bulletin*, February 3, 1970.

Dividing the Wealth

ECONOMICS, as a science, is supposed to be "value free." But, after one has pursued the subject through all its ramifications, it turns out that if men are permitted to make voluntary decisions their own about production, with the state relegated to the role of policing contracts and maintaining an honcurrency, the creation of wealth, of value itself, rises to a higher pitch and more people get more goods, services, and opportunities. So, paradoxically, a "value free" subject leads one into an inevitable discussion of values. A free economic system is worth pearls and rubies when compared to any of the many permutations of socialism that more and more afflict our globe.

Howard E. Kershner, who helped found the Christian Freedom Foundation and is editor of its journal, *Christian Economics*, tumbled long ago to the fact that, as Edmund Opitz puts it, religion and the free economic system of capitalism are natural allies, not enemies. Christian voluntarism goes hand in hand with economic voluntarism; their values support and enhance each other. One can only be Christian if one is voluntarily choosing between good and evil. And it is a positive good if, as a Christian, one chooses the specific economic system of capitalism. which, if it can't exactly reproduce the miracle of manna from Heaven, at least does the next thing to it. People have more scope for freedom under capitalism, and freedom is at the heart of Christianity.

Dr. Kershner's Dividing the Wealth: Are You Getting Your Share? (Devin-Adair, \$5.50 cloth; \$2.25 paper), makes the case that free economics is a natural expression of Christian order. But his case, as set forth here, is an implicit case; in his study of "the means by which the production of wealth for individuals and for

countries can be accelerated or retarded," Dr. Kershner limits his theological speculation to the statement that if you "put God first," then "the other things will be added, as the history of our country shows." The rest of the book, which is an uncommonly lucid one, is nicely divided into chapters that show, on the one hand, how freedom increases the capital available to each and every individual and how socialism, on the other hand, results in "decapitalizing ourselves."

The Workers' Share

Dr. Kershner begins his story with an account of a hoax perpetrated way back in 1905 by the socialist firebrand, Daniel De Leon. In a famous speech delivered in Minneapolis, De Leon produced a chart that "proved" that the American workingman in 1900 received only 17 per cent of the total national production of more than \$13 billion. Going back to the Civil War, De Leon concluded that, on the average, the owners of American industry grabbed off 80 per cent of the wealth produced in their factories, while the workers got only 20 per cent.

De Leon's great error resided in his assumption that the manufacturer got everything in the final selling price of an article that was not paid out to labor in his own factory. This, of course, failed to reckon with such items as rent, interest, the cost of raw materials, the parts made by other manufacturers, taxes, accounting overhead. and the cost of sales. Since labor costs make up a large part of almost every item in the list, De Leon had monstrously perverted things. Taking the economic process as a whole, labor gets 87.5 cents out of every dollar divided between owners and workers, leaving 12.5 cents to be reserved for company growth and for dividends. These are U.S. Department of Commerce figures. In 1968 dividends accounted for only 6.7 cents of the gross dollar.

The importance of the De Leon hoax is that it still colors the thinking of the AFL-CIO and a majority of people who are polled from time to time by Dr. Gallup. In his chapter on "What Ups Prices - Wages or Profits?," Dr. Kershner quotes a statement put out by the AFL-CIO at its 1969 winter meeting in Florida. Between 1960 and 1968, so the AFL-CIO declared, profits rose 91 per cent, before-tax dividends to stockholders 84 per cent, while the after-tax take-home pay of the average nonsupervisory worker rose by only 31 per cent. What the AFL-CIO didn't say was that 60 per cent more capital was in use in 1968 than in 1960, and that the amount of profit per dollar of sales on a much larger volume of

business had merely remained stable. The rate of return on the stockholders' equity was actually lower in 1968 than in 1960.

Professor Milton Friedman keeps saying that wage increases, even beyond productivity, do not cause inflation. Technically, of course, he is right: it is only an increase in the money and credit supply that causes inflation. But uneconomic wage increases would result in a shrinking market and consequent unemployment if the money supply were not expanded, and where is the political party that can afford to go into an election year without validating the wage increases by flushing the currency? When productivity does not keep pace, it is, as Dr. Kershner says, "the higher the wage the higher the price, and the smaller the quantity of goods that can be sold."

Government Intervention Precludes Voluntary Bargaining and Trade

Instead of trying to exact huge wage increases to offset a rise in the cost of living, Dr. Kershner thinks that labor ought to exercise a little Christian forbearance in favor of relating wage demands to productivity. But since such forbearance will probably not be forthcoming, something will have to be done to change "legislation favoring unions" and so help restore flexibility to the competitive sys-

tem. How can employers resist uneconomic wage demands when competition is destroyed by bureaucratic rulings that make uncoerced collective bargaining impossible?

"We are in a vicious circle," says Dr. Kershner. "To get out we must find a way to stop the growth of the money supply and to keep labor costs per unit of production from rising." The AFL-CIO's George Meany says labor would be willing to forego some of its efforts to get "more" if the manufacturers would restrain profits. But for the past five years, as Dr. Kershner says. the return on stockholders' equity "is only about 3.9 per cent." And it follows that "you can't do much about reducing prices by working on this 3.9 per cent. It is so small in comparison with the wage factor in prices that it would make little difference if eliminated entirely. As an average figure, employee compensation is seven or eight times greater than profits."

Besides, as Dr. Kershner shows, it is the drive for profits that makes the mare go. Little, if any, profit is generated by pinching wages or by overcharging the consumer. Profit, in any nonmonopolistic situation, is something taken out of costs. If goods are not extensively used, there will be no profit, and no expanded factories employing more labor. Profit, says Dr. Kershner, "is proof that there has been ex-

tensive use," which is good for everybody. If George Meany only knew, he is hurting both labor and the consumer when he attacks profit.

Dr. Kershner is not hopeful for the short run. He sees us "decapitalizing ourselves" by an inflation that compels enterprisers to replace a depreciated machine that originally cost \$25,000 with a new machine costing \$50,000. The cost of replacement means more debt and less money for expanding the economic system as a whole. Meanwhile the population keeps growing. We have reached the horrendous point where we owe more than \$3 trillion, which is 50 per cent more "than our entire worth as a nation and a people." "How rich," so Dr. Kershner asks, "is a man who owes 50 per cent more than his entire wealth?" There used to be a word for it - it was bankruptcy. This assumes, of course, that the man couldn't work it off, as is unlikely, given all our current trends.

▶ UNCLE SAM, MONOPOLY MAN by William C. Wooldridge (New Rochelle: Arlington House, 1970), 160 pp., \$6.95.

Reviewed by Haven Bradford Gow

THE POST OFFICE is a monopoly, and service deteriorates as a result, while deficits accumulate.

Could the private sector handle the various delivery services now preempted by government, doing the job more efficiently while showing a profit? Of course, replies Mr. Wooldridge, in a chapter describing the mess government has made of the mails, and the improvements several entrepreneurs have made in various kinds of delivery in competition with the postal system.

Another chapter tackles the government school structure and describes what the free market can accomplish in the field of education. Harlem Prep is a dramatic illustration. Encouraged by parents, community leaders, and charitable organizations, a private school was established in Harlem. Students - most of them former drop-outs - are busily studying math, English, history, and even branching out into Plato and Aristotle. In 1968, twentyseven former drop-outs received their diplomas from Harlem Prep. All received full or partial scholarships to attend such colleges as Harvard, Vassar, Wesleyan, Fordham, and the University of California. In 1969, seventy-one graduates were accepted by thirtyseven colleges and universities. One of those who received his diploma, Charles Trahan, aptly summed up the feelings of the graduates: "Next September I will be a freshmen at Wesleyan. Last year I was blind and lost. Now I have a scholarship."

This is a lucid book, written in an engaging style. By precept and example, the author demonstrates the suffocating power of an overgrown government, and the happy consequences of relying on the creative resources of private ingenuity and enterprise. He shows what the private sector can do even in such areas as highway development, arbitration, and coinage. The author is less successful, however, in his chapter on policing, failing to realize that policing is a unique kind of performance.

Policing deals in acts of force—blows from a club or shots from a gun— and these are not the peaceful and voluntary interpersonal actions which is the market in action

The reviewer heartily concurs with the author's conclusion that "independent action encroaches on ancient habits, laws, and fiefdoms, which grew up unremarked while generations argued over whether the state should help those who wanted help. The coming generation is already struggling instead over whether the state can step aside when individuals prefer to serve themselves."



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FRANK CHODOROV



The Tale of Two Students

THEY WERE members of the debating club at a local college, and would we please help them prepare for the debate: Resolved, that the Federal government should adopt a permanent program of wage and price control.

They had good reason for coming to us. *Human Events* had made editorial comment on this debate topic in a recent issue, and the students inferred that we were something of an authority. We are not immune to flattery, and the coed debater was pleasant to talk to.

To bring the matter up to date:

The late Frank Chodorov, former editor of THE FREEMAN, was associate editor of *Human Events* when this article first appeared there, November 28, 1951.

The question of price controls has been debated for several thousand years but seems to plague anew each succeeding generation. Before the college season opens, some five hundred colleges submit to a central committee their ideas on what ought to be debated. The committee consists of faculty representatives from four intercollegiate fraternities and a member of the American Society of Speech. These five sift the suggested subjects and draft four resolutions that seem to embrace the major ideas. The four resolutions are submitted to the member colleges; the one receiving the highest vote becomes the debate of the year.

Our editorial comment on the topic for 1951-1952 was that it is "loaded" — the mere statement implies the acceptance of a questionable premise. The premise is that a wage and price control program is not only practical but even desirable; that goes without saying, and the only matter left open for discussion is the desirability of a permanent program. We pointed

out, also, that in the current textbooks, with which we are familiar, the idea of controls is favorably treated, so that the debaters on the negative side would be arguing against what they had learned in class. If they debated well, how would they fare in their economics examinations?

The notebooks were made ready. We adopted the Socratic method. What is the purpose of price controls? we asked.

"To keep prices down, of course." What made them high?

"A shortage of goods and a great demand."

Or an abundance of money, we volunteered. The controls won't bring more goods to market and they are not intended to reduce the amount of money in circulation. They simply aim to compel sellers to accept, and buyers to quote, prices lower than those prevailing in the free market.

"You are implying," said the young lady, "that there is an immutable law of supply and demand. One of my books says there is no such law."

Immutable, we ventured, is a long word leading to a long argument. Would she be good enough to tell me what she would do, were she a dressmaker, if the fixed price of dresses were below her costs?

"I'd quit making dresses."

Unless she reluctantly accepted

prices forced upon her by women who disregarded the law, we added. However, if she went out of business, there would be fewer dresses on the market. Would the price of dresses then go up or down? The question, she suggested, answered itself. So, we jumped to the Q.E.D.: that price controls had the effect of creating shortages and thus raising the prices they were designed to lower.

She demurred: "The government could go into the business."

And could sell dresses at a loss which would be made up by taxing the buyers of dresses.

"Can't enforcement agencies hold prices down?"

We traced the course of a pork chop from litter to the butcher shop, just to pick up the number of points at which prices would have to be fixed and surveillance maintained, not overlooking the hide's trip from slaughterhouse to the glove shop. Would it be wrong to estimate that the number of cops needed to enforce price controls in general would come to at least a tenth of the population? Would not the withdrawal of these men from productive work result in lessening the supply of goods? And, who would watch the cops?

"Well, then, are you in favor of the black market?"

We are in favor of the true market, even if it is labeled "black." The true market never can be suppressed. Even the ruthless Soviet commissars cannot do it. The students were surprised at this remark, so we related how, when the Russians reduced the value of the ruble several years ago, they gave as their reason the large fortunes that had been built up by "profiteers" — which was an admission that an illegal market had been in operation. (Patronized by lawenforcement agents.)

The Loophole Economy

"But, Americans are law-abiding. Didn't the OPA hold down prices during the war?"

They were too young to remember, and their textbooks do not record the shenanigans under OPA: how butchers would be "fresh out" if you asked them to weigh the meat before your eyes; how the tails of men's shirts were cut short to meet the fixed prices; how you had to buy an accessory you didn't want, at an outrageous price, in order to get an automobile at the legal price.

"If wages are held in line, prices would automatically follow."

Under wage controls, we explained, both employer and employee become criminals if one offers and the other accepts an increase in wages. During the war, to avoid putting everybody in jail, the War Labor Board hit on the

device of up-grading jobs so as to make increases in pay legal. But applications for permission to increase were too numerous for the Board to handle, and the employers in desperation resorted to under-the-counter wage boosts, in order to hold their employees (so as to fill defense orders).

"You mean that neither prices nor wages can be controlled?"

Yes, they can; in the army or in prison.

The Argument for Controls When There is No Case

"Wait a minute," the coed interjected, "I've got to take the affirmative side. I need arguments in favor of controls."

That was a chore. How does one support what one holds to be a fallacy? Well, underlying every fallacy is a doctrine, and if you accept the doctrine, the fallacy seems to melt away. In this case, the doctrine is that political power can make the market place jump through a hoop; there are no laws of economics to hamper the strong arm of the state. We had to accept that position, if we were to be of any help to the affirmative side.

Sticking to the Socratic method, we asked: what is the advertised social purpose of controls?

"To distribute equitably whatever is in short supply."

Like the father, we suggested.

who sees to it that none of his children gets more than the others. That is what we call "egalitarianism." To argue the affirmative in this debate, we said, you must accept egalitarianism as an ideal and a possibility; you must assume that the state has the right, the capacity, and the duty to allocate production and equalize consumption.

"Hold on; you're preaching socialism."

Maybe statism, we volunteered, is a better word. But, why get disturbed over a name?

"We don't dare mention socialism. The students don't like it, and neither does the faculty adviser."

Then we remembered that in the textbooks this controlled economy business is described as "democratic." Socialism is not mentioned. Putting nomenclature aside, we pointed out that the affirmative in this debate must rest its case on the goal of abolishing inequalities in the distribution of wealth and the state's ability to do so.

"What about the rights of the citizens?"

Pure fiction, we sneered. The only rights the citizens have are the privileges given him, on lendlease, by the state.

"You mean the worker does not have the right to sell his services to the highest bidder?"

Of course not. We must keep in mind that the good of society, as determined by the state, takes precedence over the good of the individual. After all, if the worker insists on fending for himself, how can the state take care of his interests?

"But, surely, if a farmer has put his back into a bushel of potatoes, those potatoes belong to him and he has a right to sell them for whatever is offered."

Property Rights Rejected

It was the young man who brought up the right of property, and we had to argue that that, too, is fiction. In his textbooks, we said, he would learn that in our highly integrated economy the individual worker produces nothing; society is the only producer. If society produces everything, the state has a first claim on everything, and is entirely within its rights when it confiscates property (by taxation) and distributes it for the general good.

They were perturbed. This was hard to take. "You mean to say that to support the affirmative in this debate we have to take the position that the individual has no rights? That the state is supreme?"

That's your basic premise, we insisted. Once you admit that the individual has rights which the

state must respect, the case for controls is lost.

The students had come to us without prejudice. They were interested only in winning a debate, whichever side they took. But, when the argument for controls was related to the underlying doctrine of statism, their sensibilities were aroused. The debate took on a new meaning; it was not an impersonal verbal joust; it was a

battle of values, a contest between right and wrong — and neutrality was impossible.

When they left, we felt that freedom is not a lost cause. It is rooted in the human soul; it cannot be eradicated by sophistry, nor obfuscated by erudition. Once it is spelled out, youth will recognize freedom, embrace it, and, if need be, fight for it.

Lost Freedoms

I WILL NOT undertake to list all of the many freedoms we have surrendered in the United States — the restraints against freedom of choice that we have voted against ourselves. But such a list would include controls over farmers, businessmen, industrial workers, bankers, foreign traders, and other groups. It would include price controls, wage controls, rent controls, raw materials controls, controlled rates of interest, inflated money, artificially cheap credit, and controlled production. Each of these measures has the effect of preventing honest persons from doing what they want to do or of forcing honest persons to do something that they do not want to do. As such, each is a clear-cut denial of freedom. Else why has freedom been forsaken and forbidden in these vast areas of our daily activities?

IDEAS ON

To me, the sad part of these controls is that, even if we disregard the moral issues involved, I believe they will not accomplish what they are designed to do. I can find no evidence in history that they will work and I believe the reason is clear. It is not, as is claimed, an attempt to control prices or materials; it is always an attempt to control persons.

BRIAN SUMMERS

Charity and

CHARITY is a virtuous act of conscience whereby an individual voluntarily gives of himself in the belief that he is helping his fellow men. Neither the psyche of the benefactor nor the merits of his beneficiary need concern us here. The point is that an act of charity is a willful deed of an individual prodded only by his concern for others.

It is in this light that the Welfare State appears most obscene, for it replaces charity with the confiscation and redistribution of wealth. This is not charity because there are beneficiaries with no corresponding benefactors! The taxpayers as a group are not the benefactor because collectives can't have consciences any more than they can have headaches. Individuals and only individuals can have consciences. The voluntary bestowers of charity are replaced with involuntary payers of taxes, many of whom now contemplate their own trips to the feeding place. The beneficiaries, no longer having any individuals to thank for their gains, come to view them no longer as gifts, but as "rights." Thus does the Welfare State replace the noble acts of individuals gratuitously aiding one another with

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the Welfare State

a demoralizing confiscation of private property and an immoral, ever-swelling crush at the trough.

Aside from this corrupting influence of the Welfare State, there is the more pragmatic matter of selecting the beneficiaries. A charitable person will usually carefully screen the candidates. After all, it is his own property that he is giving away. Not so the bureaucrats of the Welfare State. They are doling out the confiscated property of others, and are thus not motivated to be so choosy. They act accordingly.

Could this be taken to mean that I favor tossing all Welfare State beneficiaries into self-reliance under the free enterprise system? For some beneficiaries this would be good. It might surprise many statists how many of them would land on their feet. Concerning the truly helpless, let me offer the reader an observation and a challenge. The observation is that an abolition of the Welfare State would drastically cut the need for taxes, and thus leave more wealth for present benefactors to distribute. It would also enable new people to enjoy the subjective benefits of performing charitable works. My challenge is for the reader, having paid all his taxes, to send off a check to his favorite charity.

miseducation About American Business

ANNE WORTHAM

THE CONSISTENT misrepresentation of the principles of political and economic freedom has reached its zenith. The result is a generation of young people who have come to believe:

- that men are basically irrational and not to be trusted to act in their best interest;
- that ideas are impotent and have no relevance to reality:
- that government control is needed to make men free;
- that capitalism is synonymous with political pull;
- that an unearned share of another's property is a moral right;
- that competition is a threat to freedom;

Following graduation from Tuskegee Institute, Miss Wortham served a term in the Peace Corps and has worked since in the communications industry. As a free-lance information researcher, she presently is contracted to IBM World Trade Corporation.

- that businessmen are natural conspirators against freedom:
- that the need of one man is his claim to the productivity of another.

The latest decade of the American Story marks the emergence of young people whose ideals are antithetical to everything basic in the development of the freest nation on earth.

The idealism ascribed to the youth of the early sixties had, by the turn of the decade, been transformed into rebellion against America's productive forces. Many business organizations, firms, and universities responded with proposals that they and the youth come together and sort out their differences.

On June 11, 1968, while university campuses erupted with student

demonstrations and violence, the National Association of Manufacturers held a joint conference of students and industrialists for a possible meeting of the minds. But there was little meeting of the minds between these people who otherwise would have come together as producers and consumers—sellers and buyers—potential workers and employers. Instead they came together as traditional enemies of one another: the exploiters and the exploited.

Their meeting typified the dialogue that can be heard screaming across the land even now - marking the beginning of but another wretched chapter of the anticapitalist campaign. It was but a repeat of past times when the American businessman was made the scapegoat for the failures of such government intervention as Wilson's "New Freedom," Roosevelt's "New Deal," Truman's "Fair Deal," Kennedy's "New Frontier," and Johnson's "Great Society." Once again, the businessmen at the NAM conference did little to defend their stand. I received this report from a friend who was there:

"One of the student panelists hurled the accusation of materialism at the businessmen. He resented the fact that businessmen expect a university to educate and graduate students who are adequately prepared for the responsibilities and opportunities that industry has available for them. This emphasis on career orientation undercuts the idealism of young people and brings about a materialistic society—which the young panelist strongly condemned.

"Unfortunately, no one present was willing to step forward and rebut this and other student comments. One other accusation was that businessmen have failed to bring about the 'good society.' No one in the audience bothered to ask what a 'good society' is. whether a 'good society' had ever been achieved in any country in which businessmen have not been allowed to exist. No one pointed out that if a man wants to do things for people, he first has to know how to get things done; and he really won't get things done unless he likes the doing itself that is, work.

"The students made it abundantly clear that their goal was not work, but power. 'We want total re-evaluation of the existing structure,' one of them announced, while another echoed, 'We want a new political institution to determine what society needs.'

"A new political institution is what they called for. However, no one pointed out that any political institution that sets itself as the arbiter of what society needs invariably ends up dictating which needs and whose are to be satisfied . . . and whose lives and/or property must be sacrificed in the process."

The Advocates of Force

Three years later, the prediction of power leading to force has come true. A counterculture of young people dedicated to mysticism and force has emerged to carry one step further the assault against the businessman. They are engaged in a new life style called "ripping off." According to a New York Times Magazine article (August 8, 1971) by Michael Drosnin, ripping off — stealing, to the uninitiated — is rapidly becoming as much a part of the counterculture as drugs and rock music.

Summing up the philosophy of these young thieves, Mr. Drosnin writes: "Behind the new morality of theft-without-guilt is a radical ideology . . . which sees America as a society based on the rip-off, its most respected citizens businessmen who have most successfully held up the most people. Stealing from these robber barons, runs the argument, is certainly more moral than working for them. It may be called a crime, but it's only a justified redistribution of the wealth."

I must disagree with Mr. Drosnin. There's nothing radical

about the ideology of these young Robin Hoods. The idea of stealing from others what one cannot or will not produce himself is as old as man. But history records the fall of societies permeated by the morality of the thief.

Fortunately, these young people do not constitute a majority of today's youth who, like it or not, will inherit the responsibility of carrying on "the American way of life." But the mere fact that these young larcenists exist says something rather negative about this country's moral, political, and economic health. To quote Goethe: "The destiny of any nation, at any given time, depends on the opinions of its young men under five-and-twenty." Illustratively, in 1968 the students berated the free enterprise system and material property; they proclaimed as their goal a new society in which power. self-sacrifice, and semiconsciousness would determine man's state of affairs. Today's young looters have followed them as field agents. acting out the goals stated by radicals of earlier years. The young radicals of the sixties made explicit the values and goals of those who, for the last century, have been campaigning against reason and free trade in favor of faith and force. The plunder and looting going on today is the end result of that campaign.

Surely, this ironic state of affairs—where the acquisition of material goods by force is the rule of thumb for free, middle-class youth—is a sad commentary on the future of this country.

The Irony of Their Existence

It is ironic that these young people who have never known what it is like to be without wonder drugs, space age time-saving devices, mass transport, and instant communication should be among industry's most outspoken antagonists. It is ironic that they, the receivers of industry's massive output, should so diligently campaign to put American businessmen out of commission. It is ironic that statism should be the ideal of young people whose livelihood is the product of whatever degree of free enterprise there remains in this country.

It is ironic, but not so difficult to understand. Dr. Ludwig von Mises explains it this way: "People do not ask for socialism because they know that socialism will improve their conditions, and they do not reject capitalism because they know that it is a system prejudicial to their interests. They are socialists because they believe that socialism will improve their conditions, and they hate capitalism because they believe that it harms them. They are socialists

because they are blinded by envy and ignorance."1

How is it that today's youth have come to consider the businessman their arch enemy? One of the reasons is that young people have not been taught to see the man who believes in a free market for what he is. Indeed, they have not been adequately taught the very ideas of free enterprise. To compound the situation further. these youth have only experienced an economy that has moved farther and farther away from capitalism. They have been exposed to a citizenry for whom it has become commonplace to blame businessmen for the faults of the welfare state in which they exist.

Most American businessmen are not capitalistic: most believe in some form of government regulation of their property and work. But it is the resiliency of the free market that has allowed these betravers of the system to continue doing business. Conversely, however, it is also the objectivity of the free market that finally bucks them and sends them to the bankruptcy courts. If they continue to function in a market that has rendered them unworthy, it is only because of privileges and subsidies granted them by the govern-

¹ Ludwig von Mises, The Anti-Capitalistic Mentality (New York: D. Van Nostrand Company, Inc., 1956).

ment. And in this respect, receiving a government guarantee of a share in the market place is just as despicable and unjust as the act of taking unearned goods from a supermarket or being guaranteed an unearned share of the market as a consumer through government relief.

However, today's youth seem unable to make this distinction among businessmen and they don't trust the free market to weed out the bad from the good. When the market place renders justice to an unstable business and the government counteracts that verdict with a loan (taxpayers' money) to reinstate that business, thoughtless vouths then accuse all businessmen of bribing and controlling the government. They see all businessmen as an evil and dangerous force. And they trust nothing. short of government intervention. to rid them of what they think is their enemy. But they have unwittingly made American business the scapegoat for the unrealistic policies and bungling actions of a government that, to say the least, is itself too big. They do not see big government as the oppressor of business; rather they see the government as the protector that stands between them and big business. They see themselves as the exploited and the businessman as ubiquitous exploiter. the Thev seem to be unaware of the many ways in which their own freedom is jeopardized when government curtails the economic power of the business community.

Unfamiliar with the Principles

My contention is that those young people downgrade the ideas of free enterprise because they are unfamiliar with the principles on which the virtue of productivity is based. All they know about the kind of productivity consonant with free enterprise amounts to a misinterpretation passed on to them by their families, schools, community, and civic leaders.

Their outrage is due to the fact that everything they have been taught says that the materialistic ideals of capitalism to which many of the older generation still cling cannot be practiced in reality. They have been saturated by an intellectual onslaught against business. And not having heard any other dialogue, they are rare to question and quick to join in protest.

On the one hand we have seen American business produce at rates unheard of before in the history of mankind. But on the other hand, the development of young Americans committed to the principles of free enterprise has seemingly decreased. An anticapitalist

attitude has been taking shape in this country during the last half-century, particularly within the past three decades. The American businessman has stood by trying to appease every intellectual straw in the wind, only to see the straws pile higher and higher, until now he feels himself the needle in the haystack, lost and with no visibility.

And so they summon the young saying: "Here we are. See us for what we are – not as your enemies but as your allies."

How Is He to Know?

But what is a twenty-year-old supposed to think of the American businessman if all he remembers from his high school history courses are the reported bribes of robber barons and all he knows about a free economy is that government intervention was necessary to relieve the country of a depression allegedly caused by industry and big business? How is he to look at the businessman as anything else than a monster if his parents are heard saying that wars are supported by big business because of the profits it can make from selling to the military? How is he to understand the blessings of a free economy if his grandfather boasts of a farm subsidy that got him through "those tough years" - or his uncle lauds Roosevelt for a WPA program he claims kept him alive? And at the age of eighteen how is he to vote for a man who calls for less government spending, when for all of his eighteen years he has survived by the grace of a welfare check? How is he to understand the failures of his government when all he hears in school, at home, and on television is that big business is to blame for high prices and unemployment?

As young men and women begin to earn their own salaries and enter the market place as consumers, what are they to think except what they have been taught: a distinct distrust of those who make the products their money will buy? What are they to think if they have accepted the rationalization for government intervention into our nation's economy as reported in high school and college textbooks? What are they to think if their thoughts are based on the average citizen's fear that big business is a threat to his freedom?

In their ignorance, they are to think the very worst and respond with the very worst kind of behavior toward free enterprise: behavior aimed toward destruction.

How do we stop this vicious cycle so that the opinions of our young men five-and-twenty will not cause us to shake our heads in doubt about our country's future? I suggest the first step is to get to the source of the misinterpretation—and my conclusion, as an under-thirty young person, is that the source is the American textbook

Learning Distortions and Falsehoods

I have selected sections of my own high school and college texts to dramatize the gross misinterpretations of the free market that are passed on to American youth.

In the Applied Economics (James Henry Dodd) textbook used in my high school, I find the following:

"Capitalism does not approve of monopolies. It holds that where monopolies actually exist, so that there is little or no competition, such businesses should be regulated by the government."

There is no hint here that the only kind of monopoly that threatens the free market is the coercive monopoly held by the government.

The student is told that too much individual political freedom sometimes results in selfish "dogeat-dog" practices. The author goes on to say that "as the division of labor increases and ways of making a living become more specialized, new laws to prevent certain groups from taking advantage of others have become necessary."

This is the rationale offered for the regulation of big business and labor unions. In other words, the more freedom a man obtains due to the optimum use of his skills, the more control there must be on his labor and on the employer who agrees to pay him for his labor. From this, a student might easily conclude that if left alone men will take advantage of each other; that the only way to prevent men from acting against their best interest is to control them. The students in my classes would hardly have questioned the conclusion that freedom is preserved by means of regulations and controls.

In defining the American political economy, the author states:

"Probably the truth of the matter is that we have what we might call American capitalism. It is not the laissez-faire type of capitalism that was talked about so much a hundred years ago or more. Indeed, as we have said, we have never felt that government should pursue completely a hands-off policy with regard to business." And then comes this clincher: "To arm ourselves against communism, certain controls over business have become necessary."

In a chapter entitled "Big Business and Little Business," the author focuses on "the evils that have resulted from the growth of big business."

"Under the spur of competition for profits, there is always the possibility that some concerns... will take advantage of their competitors."

The chapter on "Competition and Monopoly" ends on the following note:

"We have never had a pure capitalistic system. Competition has always been imperfect, and always some business concerns have enjoyed advantages over others. Furthermore, it is not socially desirable or practicable to rely on competition to fix fair prices for the use of railroads and telephones. The prices of these things are controlled in part by government. . . . The question, therefore, is not whether we shall have perfect competition or pure monopoly as a method of determining the prices of the things we buy. Rather it is a question of how much unrestrained competition is desirable . . . shall business be controlled by means of government ownership or by regulation?"

Control or regulation! These are the alternatives, two sides of the same ideology: communism or fascism. These are what the unsuspecting student is asked to choose from

History?

In a college-level American History handbook (American History

at a Glance by Marshall Smelser), used by many students at my college, no distinction is made between the giants of American industry who were believers in an unregulated economy and the justice of the free market and those men who sought political pull and government subsidies. J. P. Morgan and Andrew Carnegie are described, along with the Big Four of the Central Pacific Railroad, as a threat to competition. The economic revolution that followed the Civil War is depicted as the cause of the years of economic dislocation that ensued. The ill fate of the American farmer is blamed on industry.

The student reading this summary of American history would have to conclude from it that during the post-Civil War years until the height of the Progressive Movement of the early 1900's. American free enterprise was always in danger as a result of the actions of businessmen. Indeed. the student is told that the decline of the pro-business atmosphere and the increasing interest in reform came about because there was a "feeling" that the political and economic direction of American life had been given into the hands of a few or had been seized.

What of the consequences of taking the country's economy out of the market place and placing it in the hands of government bureaucrats? There is no way for the student to know from reading this particular handbook.

Booker T. Washington Portrayed an "Uncle Tom"

Turn now to the Negro history book (From Slavery to Freedom, rev. ed., 1956) required as a text at my college and still used extensively in most southern Negro colleges. The author, John Hope Franklin, has the following to say about the role of the American businessman: "Perhaps the greatest failure of Reconstruction was economic. . . . In the North, where their [Negro] lot was substantially better, they had not yet learned to cope with the powerful industrialists who were using political agencies as their most reliable aland bribing officials with greater regularity than they paid their employees. While the white leaders of the South were preoccupied with questions of Negro suffrage and civil rights, Northern financiers and industrialists took advantage of the opportunity to impose their economic control on the South. And it has endured to this day."

In his section entitled "Age of Booker T. Washington," Franklin criticizes Washington, a man who was easily the most sensible Negro of his time, if not one of the most rational intellectuals of the post-Civil War period. Washington believed that all races have gotten on their feet largely by laying an economic foundation. On one occasion, in answer to his opponents, he said. "I would set no limits to the attainment of the Negro in arts, in letters or salesmanship, but I believe the surest way to reach those ends is by laying the foundation in the little things of life that lie immediately about one's door. I plead for industrial education and development for the Negro not because I want to cramp him, but because I want to free him. I want to see him enter the all-powerful business and commercial world."

He held the strikingly practical and rational view of economic freedom as a prerequisite of political freedom; essentially his belief was that economic freedom was self-initiated and maintained in the market place rather than through handouts. In regard to these views, the author passes on the following interpretation of Washington's brand of capitalism to students:

"While there was much to be said for the position that Washington took, his doctrine contained some weaknesses that are perhaps more obvious now than they were 40 years ago. He accepted uncritically the dominant philosophy of

American business when he insisted that everyone had his future in his own hands, 'that success came to him who was worthy of it, and the greater the obstacles, the greater the victory over them.' It was a doctrine of triumphant commercialism, which was strengthened by his contact with . . . wealthy American businessmen."

In his final criticism, Franklin interprets Booker T. Washington's philosophy as being "an adaptation of the theories of free competition and political individualism that had been taught by the school of classical political economy and was becoming more fictitious than ever by 1900."

According to Franklin, the alleged concentration of economic power in the hands of a few discredited the idea that a man of small capital could raise himself to affluence and power through hard work and thrift. That Washington could have believed otherwise, says Franklin, showed his lack of understanding of that reality as he developed a program of industrial education for the economic salvation of Negroes.

It is no wonder that many young people with whom I attended Tuskegee Institute in the early sixties began to refer to its founder as an "Uncle Tom." Students who were benefiting from the industry of Booker T. Wash-

ington remembered him not for his ideas of individualism, economic self-determination, and free competition; instead they remembered him as the "Great Compromiser."

Political Science— Anticapitalistic Version

The textbook of my Political Science course was American Democracy in Theory and Practice by Robert Carr, Marver H. Bernstein, and Donald H. Morrison, In their assessment of the relations between government and business. the authors demonstrate the trend toward increasing governmental regulation of economic life. They concede government's role in protecting property rights. However, they add to this function of government four others which they say are the means by which government promotes business. In their view these functions are: (1) direct aid to business; (2) maintenance of competition; (3) public utility regulation; (4) financial controls.

After a detailed explanation of these alleged functions, the authors tell the unsuspecting student that government regulation and the growth of public powers have been inevitable results of industrialism and the spread of democracy. Regulation, they say, is designed to protect the public against

the excesses of arbitrary economic power which develops in a highly industrialized society.

It must be remembered that these conclusions presented to the student are done with the best intentions. Government regulation is described as being supportive of free enterprise — not obstructive to it. To quote Ludwig von Mises: "This assumption takes for granted the fundamental socialist idea that economic interests of the masses are hurt by the operation of capitalism for the sole benefit of the 'exploiters' and that socialism will improve the common man's standard of living."²

It is interesting that of the 810 pages of text the authors devote one-and-a-half pages to the ideologies of fascism and communism without defining the basic principles of these anticapitalistic ideas. And if the student has no concept of these opposing ideas, how is he to know that many of the claims made by the authors are themselves adherent to the principles of socialism? How is he to know that for some 115 pages, instead of explaining the theory and practice of free enterprise as proclaimed, the authors instead have dwelt upon the theory and practice of a version of socialism? How is the student, who is enjoying the blessings of liberty, to know that the reason that his general welfare is among the highest of the world's peoples is not *because* of government regulation—but in spite of it? How is he to know this if his textbook clearly states that it is because of government control (of business) that private enterprise is maintained?

What does he have to counteract six long chapters of text reiterating the position that the American economy "depends substantially upon government activity and control to safeguard and promote the public interest and to maintain private enterprise"?

Conclusion

I have presented the above excerpts from books that were a part of my own educational experience to show to what degree the tools for teaching the ideas of free enterprise were lacking in that experience. And I think my experience was not unique. It is my contention that the young person who calls a large corporation fascist doesn't do so because he knows what fascism is: rather he does so because he doesn't recognize free enterprise when he sees it. And this is the danger - that many young people in our school systems will never know the very principles upon which their lives and livelihood depend. They will be cheated of a means to distinguish between

² The Anti-Capitalistic Mentality.

statist principles and laissez-faire principles. I am fully aware how rare it is these days to see anything that looks remotely like a laissez-faire undertaking. But that does not excuse the inability of an entire generation to see these rare instances of man glorified by his productivity. That does not excuse the inability of young people to distinguish between an altruistic

principle against their lives and a capitalistic principle in support of their lives.

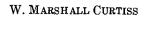
It is, in my opinion, time for new textbooks to appear in the American classroom. Either we supply young minds with an accurate means of comparison or we will continue to be subjected to the actions they take based on the distorted ideas they now hold.

The World of Make-Believe

IN ALL PLACES it is visible, that while people talk of a common-wealth, every man seeks his own wealth; but there, where no man has any property, all men zealously pursue the good of the public: and, indeed, it is no wonder to see men act so differently; for in other commonwealths every man knows that unless he provides for himself, how flourishing soever the commonwealth may be, he must die of hunger; so that he sees the necessity of preferring his own concerns to the public; but in Utopia, where every man has a right to everything, they all know that if care is taken to keep the public stores full, no private man can want anything; for among them there is no unequal distribution, so that no man is poor, none in necessity; and though no man has anything, yet they are all rich; for what can make a man so rich as to lead a serene and cheerful life, free from anxieties. . . .

IDEAS ON

SIR THOMAS MORE, Utopia



SUBSIDIZED
UNEMPLOYMENT

HAVE YOU ever tried to employ an "older" person and gotten this reply: "I would be glad to work part time, but if I earn more than \$140 in any month my social security that month will be reduced 50 cents for every additional dollar I earn." If he earned \$240 in a month, half of the extra \$100 would be deducted from his social security check. In other words, he would give up \$50 to earn \$100. Furthermore, the \$100 is taxable income whereas his social security check is not. The earned income also is apt to be subject to a deduction of around 10 per cent for social security taxes.

But let's go on. Whatever a social security claimant earns above \$240 in a month is deducted from his social security check, dollar for dollar up to the total

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amount of his social security check, Sav his social security check is \$140 a month. He has a full time job that pays him \$330 a month. He would have to give up all of his social security check; in addition, his withholding for Federal taxes would be \$20.30 (with two exemptions) and the social security tax on his \$330 would be about \$34, contributed half by his employer and half by himself. In all then, it would cost him nearly \$200 a month to earn \$330, whereas he could get his \$140 social security check by doing nothing. Not a very attractive job, is it!

Of course, some people would rather work than be idle in spite of the low return. Because the mathematics of this is figured month by month, a person might work full time for only a few months during which time he would receive no social security, then remain idle or earn no more than \$140 a month and thus draw full social security for the balance of the year.

As a person's earnings rise, say to \$500 or \$800 a month, then working becomes more attractive. And one can look forward to age 72 when he will be able to receive all of his social security check without penalty, regardless of earnings.

That Some May Be Subsidized, Others Are Taxed

At its beginning, in the mid-1930's, social security was portraved as an insurance plan to enable retired people to live comfortably after their earning days had passed. The benefits were often called annuities and the withholding referred to as premiums. It was described as a funded plan with a large trust fund. Most knowledgeable persons today realize that social security is pay-asyou-go rather than a funded plan. with workers currently taxed to pay benefits to those who qualify. It is of little avail to suggest that a young worker could more economically build up his own retirement through a private insurance company. Such options are seldom available to taxpayers. One might suggest that it would be less expensive to educate one's children in independent schools than to pay school taxes year after year, but that is not an open option.

The question we are examining here is why the formula for paying benefits is subject to the workincome rule. If social security were an annuity plan for elderly persons who had purchased their rights with premiums, why withhold some or all of the benefits if the person earned more than a given income?

The Incentive to Retire

The reason for the work-income test is not difficult to discover. In the mid-1930's, unemployment was high. Those who spoke for labor, then as now, seemed to believe that there were just so many jobs available—not enough to go round. A solution, given their premise, was to remove some of the available workers from the work force. How better than to use both the carrot and the stick?

The carrot was the social security handouts offered qualified persons over 65; and in the first several decades of the program the benefits far exceeded the value of prior contributions by employer and employee. The stick was the work-income rule which effectively removed many able-bodied workers from the work force. In effect the plan said: "We will give you so much a month if you will agree not to work—at least, not very

much." In 1961, in the face of increased unemployment, a further attempt was made to reduce the total work force by permitting men to start drawing social security payments at age 62 instead of 65.

The plan worked, after a fashion. In 1947, nearly 48 per cent of men 65 years of age and over were in the labor force. By 1970, only 27 per cent of those 65 and older were in the labor force. Other factors such as the end of the war, compulsory retirement from business, and a general increase in affluence helped bring the decline. But with the work-income rule removed at age 72, we find the percentage of men in the work force increasing from 31 per cent at age 71 to 35 per cent at age 73.

Making Jobs for Nonworkers

The attempt to control unemployment by regulating the size of the work force or the number of jobs has taken many forms. In the early days of the Industrial Revolution in England, weaving machines were destroyed in the belief that the number of available jobs otherwise would be reduced. In the 1930's in this country, especially in the rubber industry, the work week was reduced to 35 hours to create more jobs—to spread the work. Tightly controlled labor unions have attempted to limit the

number of workers by apprentice regulations, thus hoping to maintain higher wages than would otherwise prevail.

More subtle ways of limiting the size of the labor force include minimum wage laws. These have effectively kept young workers, especially those from minority groups, from being gainfully employed. Given a free labor market with willing buyers and willing sellers of labor at wages agreeable to both, those who want to be employed can get a job. A free labor market creates a tendency toward full employment.¹

In any consideration of employment opportunities, one must bear in mind that wants of individuals will always exceed the means of satisfaction however high the level of affluence. The philosophy of the song, "If I Were a Rich Man," seems to deny this. How often one hears from the young, "The day I reach a salary of \$10,000 a year, I'll have it made!" But human nature doesn't work that way. Achieve one economic goal and another springs up.

So it is with persons who have started drawing social security. Even though their incomes provide adequate food, clothing, and shelter, most have additional wants

¹ See Ludwig von Mises, "The Economics and Politics of My Job," Irvington-on-Hudson, N. Y.: The Foundation for Economic Education.

for the satisfaction of which they are willing and able to work.

Does It Hurt Me If You Work?

Now, if they work, who suffers from it? Political interventionists would have us think that other workers would be thrown out of jobs—that one man's productivity is another man's poverty. Of course, this makes no sense in a relatively free economy. Unless someone earns more than enough for his subsistence, there can be no employment opportunity for anyone else.

Let's further examine this point. Suppose I am over 65 and drawing social security. I'd like a little more income, so I take a job as a bookkeeper for a local firm. To be sure, the accounting I do is not done by anyone else, and it might appear that I have kept someone from a productive job.

However, my reason for working is to earn enough to buy additional goods or services — perhaps for a vacation, or better medical attention, or books to read, or to support my hobby of photography. What matters is that I will spend the money for something — possibly an investment — and the effect will be to provide employment for others, including the person who might otherwise have had my bookkeeping job.

This suggests another basic

principle of economics: the total welfare of a people is the sum of their productive efforts as individuals. Those who do not work add nothing to this total of productivity, do nothing to help raise the average level of living. The level of living of an individual or his family depends on his working in a productive way in an economy where the capital invested per worker is relatively high. This is the key to a prosperous economy. To arbitrarily preclude anyone from working, whether a teenager or someone retired on social security, is to reduce the level of living below its potential.

Who Threw the Monkey Wrench?

A situation such as developed in the 1930's cannot be explained as a lack of work to be done or as too few jobs to go round. The explanation must be sought in the unfreedoms or the interventions which keep the buyer and seller from trading to their mutual benefit.

There may be political reasons for encouraging social security recipients not to work. It has been argued that if social security payments were not diminished to those who earn more than \$140 a month, then there would be less to pay out to other recipients. It is also argued that if the work-income test were removed, some

would receive benefits for which they have "no real social need."

This is not an attempt to appraise the entire social security system. Our purpose is merely to show the absurdity of paying persons to remain idle. For they might otherwise be gainfully employed, to the advantage of themselves in the service of others and to no one's harm.

Whatever the stated purpose of social security, whether a compulsory scheme to redistribute wealth. or an actuarially sound retirement system, it currently functions in part to subsidize unemployment.

"Purchasing Power Creates Jobs"

SINCE 1930 and our government's deliberate policy of maintaining wages above the free market level, peacetime unemployment has become our most persistent economic problem. . . .

All the "consumer purchasing power" in the world cannot create even one permanent job in an economy where the return on capital is negligible or nothing. That is, if every person in the world

had twice as much money as he now has to spend, not one job

IDEAS ON

LIBERTY

would thereby be created unless the owners of the factories believed they could earn adequate profits. It is the actual and anticipated return on capital, not consumer purchasing power as such, that causes investment in new buildings and machines, and the resulting creation of more production and more jobs. Thus, laws and coercive union policies that increase wages at the expense of profits do not create jobs; they destroy them.

CLARENCE B. CARSON

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REPUBLIC

5

The Enlightenment Impetus

From the Early 1760's to the mid-1770's, as colonial resistance to British rule mounted, ebbed, flowed. colonists referred over and over again to the British constitution, to the rights of Englishmen, to the charters on which the colonies were founded. and so on. This they could do so long as they were attempting to alter British policy and retain existing relationships. But once they decided to break the connection with England they could no longer hinge their action on the British constitution nor any longer support their institutions with it. Experience could be utilized: forms and practices could be abstracted from the British pattern: but all these would have to have a new foundation and new justifications.

The new foundation on which they built was the natural law philosophy. This is not to say that the natural law philosophy was new or that Americans had just become acquainted with it. On the contrary, the natural law philosophy, or its underpinnings, is nearly as old as Western civilization; it had been greatly revived in English political discourse in the seventeenth century; and American thinkers were

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widely familiar with it long before the break from England, But it had got new impetus behind it in the past century and a half. and the doctrines out of it were being brought to a fruition at just the time that Americans turned to it to justify their actions and undergird their institutions. If James Madison had been aware of intellectual history in this way, he might have remarked about the occurrence of this fruition of the natural law philosophy at just this juncture of history in the same vein he did about another matter in these words: "It is impossible for the man of pious reflection not to perceive in it a finger of that Almighty hand which has been so frequently and signally extended to our relief in the critical stages of the revolution."

The Natural Law Philosophy

Documents, writings, and addresses of the revolutionary period are replete with references to the natural law philosophy and ideas derived from it. Jefferson based his argument in the Declaration of Independence on "Nature's laws." Thomas Paine argued both that independence was called for as a natural right and that the resulting country should be founded on underlying law. State constitutions frequently list-

ed a number of rights which were "natural," The United States Constitution was implicitly framed from an order explicit in the natural law philosophy. As Clinton Rossiter has said: "The principles in which they placed their special trust were . . . those of . . . the school of natural law." They "sought limits [on political powerl more universal than those staked out in laws, charters, and constitutions. The great philosophy that preached the reality of moral restraints on power had always been a part of their Anglo-Christian heritage. Now, in their time of trial, the colonists summoned it to their defense."1

The natural law philosophy is grounded in metaphysics. That is, it is grounded in something beyond the physical; it is not accessible to the senses directly. No one can see, hear, taste, feel (tactilely), or smell natural laws. If they are real, their reality is vouchsafed in some fashion other than through direct sensual contact. Their reality should not be understood as a becoming, either, as made up of ideals which may be fulfilled in the course of time. The founders of these United States were not idealists in this

¹ Clinton Rossiter, The Political Thought of the American Revolution (New York: Harcourt, Brace and World, 1963), p. 78.

sense; they did not conceive of natural laws as something it would be desirable to see established. On the contrary, they were understood as being already everywhere established, inviolable, and finished.

Self-evident Truths

Intellectual developments since the eighteenth century have made it increasingly difficult to understand the natural law philosophy. and the meaning of this is that it has become increasingly difficult to understand that on which these United States were founded. The difficulty can be exposed by examining a familiar phrase from the Declaration of Independence, the one which reads: "We hold these truths to be self-evident. that all men are created equal...." The phrase has been so often heard and seen that it has attained that status for us of an idea which is so familiar that it neither shocks nor calls forth any examination of it. Probably, in our day, most people hear not the words but a translation of them which would go something like this: We hold it as an ideal that all men should be made equal. Yet, that is not what the words say, nor is it reasonable to render them in this fashion.

In the first place, what does it mean that "these truths" are

"self-evident"? Today, the phrase "self-evident" is often used as if it were a synonym of "obvious" or "apparent." This is probably a way, unconsciously adopted, of avoiding the difficulty for us of the term, "Self-evident" means that the statement contains its own evidence. To turn it around. it means that there is no external evidence for the truth of the statement, or that none is being adduced. It can be made clear that in the instant case no evidence either is or can be adduced for the validity of the statement. All the evidence that I know of indicates that all men are not created equal. Each person is different from every other at birth, different in appearance, different in capacities, different in circumstance, and different in what he inherits. Jefferson's statement is one which, if true, must be "selfevident."

This is not to say that there is no evidence for the reality of natural laws; it is rather to affirm that such evidence as there is is indirect. Thomas Jefferson was working out of a long-established philosophical tradition when he wrote the Declaration of Independence. This tradition was dualistic, holding that there are two realms of being. They can most directly be described as the realms of the physical and the metaphy-

sical. The physical realm may also be described as the realm of the existential, the changing, the historical, and of appearances. The metaphysical may be called the realm of forms, of essences, of fixities, and of the real. It is, of course, the realm of natural law. It is that underlying order which gives shape, form, predictability, and their character to things.

Greek and Roman Influences

The philosophical roots of the natural law philosophy reach down deeply into Western thought from its early beginnings. The Greek thinkers of classical antiquity were early taken up with the difference between appearance and reality. To appearance, all things seemed to change; indeed, all physical objects undergo alteration and corruption with the passage of time. This led some men to conclude, such as Heraclitus, that all is flux, that there is only change. Others held, however, that the changing is only an appearance, that underlying it is fixity and order.

Philosophy, as we understand it, had its beginnings with efforts to find the primal stuff from which all else comes. It was commonly believed for a long time that there were four elements — earth, air, fire, and water—from which all

else is made. This search begot yet another one, the search for that which gives form and order to things, to that which causes them to assume the shapes that they do, to follow the course that they do in their development, and to behave as they do when impinged upon by something else. Men have, for as long as they have had settled modes of living at the least, been aware of numerous regularities and predictabilities in the world about them. Philosophy - by which is meant here its most abstruse branch - has been concerned with trying to make a coherent explanation of these.

Metaphysical thought reached a plateau with a line of Greeks which commences with Socrates. goes through Plato, and culminates with Aristotle, a plateau which it has ever since been difficult to reach or to rise above. New reaches in philosophy was only one of the achievements in the ancient world, of course, though these may have been the keystone. The Greek achievements were spread about the Mediterranean in what has since been known as the Hellenistic Age, and were taken up by the Romans who expanded and developed that portion of Greek culture which appealed to them. Roman thinkers were the first to set forth the natural law philosophy extensively. They did so both to undergird the edifice of Roman law and to justify the spread of that law over a vast empire. Their acquaintance with a multiplicity of peoples of diverse cultures led some of them to seek for common features underlying the differences which would be of the order of law everywhere applicable.

Revivals of the Natural Law Philosophy during Middle Ages

So impressive were the varied achievements of the Ancients that men refused to forget them even after the empires fell and Europe broke up once again. There were many revivals and renascences over the years. Two major efforts to revive the learning of the Greeks and Romans occurred in the Middle Ages: the first is known as the Carolingian Renaissance, and the second took place in the twelfth and thirteenth centuries. There was an almost continuous renaissance in the Modern era from the fifteenth into the eighteenth century. There was a neoclassical revival in literature in the seventeenth century, and the music of the eighteenth century is frequently described as classical. If what is meant by classical is an emphasis upon order, harmony, balance, moderation, reason, and form, then the eighteenth century was the preeminent neoclassical age of our era.

The natural law philosophy was revived in Europe in the seventeenth century. On the continent exponents of it in the political and legal realm included Hugo Grotius, Jean Bodin, and Samuel Pufendorf. English writers in this would include Thomas stream Hooker, Harry Vane. Richard Hooker. James Harrington, Algernon Sidney, and John Locke. Much of the English thought was produced during the constitutional struggles of the seventeenth century, struggles which culminated in the Glorious Revolution. This body of thought was most useful to Americans when they came to revolt, because they were able to hinge much of their case on English thinkers.

The natural law philosophy in general got a great boost in the seventeenth century from what we call scientific developments. These developments which are associated with the names of Francis Bacon, René Descartes, Galileo, Johannes Kepler, Leibniz, Spinoza, and Isaac Newton were both spawned by the revived natural law philosophy and gave new impetus to it. The central features of this development were the emphasis upon the rationality of the universe, the rationality of man, and mathematically expressible laws

governing the behavior of objects. Ways were worked out for discovering the laws, and these and other men experienced phenomenal success in the work of exposing them. Alexander Pope wrote:

Nature, and nature's laws lay hid in night, God said, Let Newton be, and all was light.

So impressive was the natural order revealed by scientists that renewed efforts were made to discover more precisely the natural order as it applied to man and his affairs. The effort to do this in the political, social, economic, religious, and artistic realm has come generally to be called the Enlightenment of the eighteenth century. The title contains a considerable measure of presumption in it: it suggests that men were coming to be enlightened while those who had gone before had been in the dark. This is pointed up, too, by the conscious sloughing off of the reliance on the ancient thinkers and attempts to discredit them. A case can be made that the thought of the Enlightenment was deeply influenced by classical antiquity even as that age was no longer venerated. An equally strong case can be made that there was in the Enlightenment a potentially fundamental break with tradition which would cut men off from their past. Both these things are true.

New Emphasis on Reason

It was with some trepidation that I used the term Enlightenment in the title of this installment. There is no doubt that Americans at the time of their revolt were under the sway of the natural law philosophy, but there is reason to doubt that they were under the sway of the Enlightenment. This doubt is occasioned, I think, because of the course of developments in France. Many historians of the Enlightenment have focused on French thinkers, on Voltaire, Diderot, Quesnay, Montesquieu, d'Alembert, Rousseau, and so forth. The French were the most dramatic proponents of the Enlightenment, the most daring and iconoclastic of thinkers, the ones who broke most emphatically with the past. In France, too, centuries-old anticlericalism shifted toward opposition to all the formal religions and became, for some, outright atheism. The repute of the Enlightenment has been tarnished. too, because in its wake came the French Revolution with all that entailed.

Now some Americans were influenced by French thinkers. Probably all Americans who knew of it were favorably influenced by Montesquieu's arguments for a separation and balance of powers in The Spirit of the Laws. The affinities between the French and Benjamin Franklin, Thomas Jefferson, and Thomas Paine, as major examples, are well enough established. But the Enlightenment was not an exclusively French affair, nor the directions in which some of the French took it an inevitable one. The Enlightenment can be considered a much broader development encompassing the emphasis on reason, natural law, and halanced with a thrust toward liberty. In this sense, Americans shared in its fruits, and used the ideas associated with it. The bulk of Americans did not accept the more radical breaks with the past nor become antireligious as a result of their thinking. Americans tended to counterbalance abstract ideas with reference to experience and by the use of common sense.

"A State of Nature"

There are several concepts basic to the natural law philosophy. The most basic concept is that of a state of nature. Thinkers in the seventeenth and eighteenth centuries were given to beginning some statement with the phrase, "Man, in a state of nature. . . ." Anthropologists of the nineteenth and twentieth centuries have

pointed out that man is nowhere discoverable in a state of nature. that, on the contrary, he always exists in a social state. As is frequently the case when men of one era take on those of another in controversy, those of a later date have misunderstood the position. whether intentionally or not we do not know. The thinkers of an earlier day did not mean that man had ever existed in a state of nature historically, or that he could somewhere be found in that state at any time. The concept is essential, hypothetical, and imaginary. To know the nature of anything, it is necessary to strip away all that is peculiar and particular to that thing, all that has been accidentally added, and view it in terms of the common features it shares with all others of its kind.

To know the nature of man. then, is to know him in a state of nature, that is, to know him stripped of all cultural accretions. Stripped of his culture, a creature is only potentially a man, of course. It is a work of the imagination to discover man in a state of nature. It is an hypothesis from which to reason to other conclusions. It is man reduced to his essence that is discovered in this fashion. It is, as understood by the men about whom we have been talking, man as he really is. Thus, it can be affirmed that man is a rational animal—i. e., that he is capable of reason, that his potentiality for reason separates him from other creatures. If reason were something acquired from the culture, then all other creatures in the culture could acquire it.

The state of nature concept. then, is used to discover the nature of things. Everything has its nature, men of the Enlightenment held, has its form, shape, and potentialities. This could be affirmed of government, of society, of economy, and so on. Nor was the state of nature a neutral concept in the Enlightenment. The nature of a thing was believed to be implanted there by God, and it behooved man and all institutions to conform to their natures. On this view, everything is either natural or artificial. Herein lies the most revolutionary side of the natural law philosophy. One can follow a line of reasoning that all culture and all artifice violates nature and must be destroyed. (This was the tendency of Rousseau's thought.) Or, this line of thinking may be followed in a more discriminating fashion and lead to conclusions that some cultural developments run athwart the nature of the thing - such as mercantile regulations, for example, while others do not, as, for example, the institution of marriage. The founders of these United States tended to be quite conservative in their interpretation of the relation of their institutions to the nature of things.

"The Social Contract"

Another basic concept of the natural law philosophy could form a counterbalance to the revolutionary tendency of the state of nature concept. This is the concept of the social contract or compact. It will be useful here to distinguish between the essential and the existential social contract, even though such a distinction was not usually carefully employed in the eighteenth century. The essential social contract is timeless and universal: it is that contract which must exist if men are to live at peace in society. It is an enduring contract which one perforce enters at birth and quits only when he leaves society. As I have noted elsewhere, the social contract "is that tacit, essential, and necessary agreement which binds man to man, members of a family to one another, members of communities together, binds generation to generation, binds people to government and government to people. It is everyman's tacit agreement not to use violence to get his way, to leave others to the enjoyment of the fruits of their labor, not to trespass upon the property of others, to fulfill

the terms of his individually entered into agreements, to honor his parents, to succor his children, to keep his word, to meet his obligations - to family, community, to country -, to keep all treaties, and to observe the amenities of his culture."2 It should be clear that the acceptance of such a social contract would mean that drastic changes would not be made in the social fabric, for to do so would be to violate the social contract. Americans accepted some such conception, as most peoples at most times do, whether they are aware of it or not.

The existential social contract is the particular one which prevails in a given society. When men referred to it they had in mind usually the compact between the governed and the governors. Any constitution would be such a contract, whether it had been written out or not, and whether or not both parties had formally ratified it. Americans in 1775 had a considerable history of dealing with such compacts. There was the British constitution, the colonial charters, the Mayflower Compact, the Fundamental Orders of Connecticut. In the natural law philosophy, if the rulers violated the existing social compact basically and consistently, a people could revert to their condition prior to their rulers and work out some new agreement. This is what Jefferson argued in the Declaration of Independence.

"Natural Rights"

Probably the most potent concept derived from natural law theory for the American colonists was the doctrine of natural rights. This is the doctrine that men have by nature, and as a gift of God, certain rights. They have been most commonly categorized as the right to life, liberty, and property. John Adams described the position this way:

All men are born free and independent, and have certain natural, essential, and unalienable rights, among which may be reckoned the right of enjoying and defending their lives and liberties; that of acquiring, possessing, and protecting property; in fine, that of seeking and obtaining their safety and happiness.³

It was in their claim to rights that Jefferson was saying all men are created equal in the Declaration of Independence. He followed his famous phrase about equality with this one: "that they are endowed by their Creator

² The Flight from Reality (Irvington: Foundation for Economic Education, 1969), p. 498.

³ George A. Peek, Jr., ed., The Political Writings of John Adams (New York: Liberal Arts Press, 1954), p. 96.

with certain unalienable rights. . . ." It should be clear that this statement cannot be validated by an appeal to historical evidence. History is replete with instances of violations of the rights of individuals to their life, liberty, and property. Murder, suppression, and trespass have been all too common throughout history, nor would surveys anywhere at any time have been likely to turn up the fact that all were equally protected in the enjoyment of their rights.

But Jefferson did not appeal to historical evidence: he said that the truth of the position is "selfevident." The effective meaning of this is that the truth of the statement follows from the nature of man and of conditions on earth. What does it mean that one is entitled to life? It means that no one has a prior claim to it, that no one may take it without provocation, that it is his to whom it has been given. In the nature of things it is clear that no one could have established a claim on the life of another at birth or thereafter.

In a similar manner, man has a natural right to liberty, that is, to the free use of his faculties (with the commonly stated proviso that he do no injury to others in his use of them). In the very nature of things, no one may construc-

tively employ the mind, the senses, and the limbs of a person but that person himself. It follows that he to whom they belong does so by prior right which it is impossible for him to alienate. The right to property is shorthand for the right to the fruits of one's labor. It is selfevident that a person who has produced something by his own labor with his materials on his own time has a rightful claim to it. The right to property is the better phrase, however, for it encompasses the subtleties of distribution by which the fruits of one's labor may be determined in complex situations which usually prevail.

An Ordered Universe

The natural law philosophy mightily buttressed a belief in liberty. It also provided methods for discovering liberties and the means for establishing and maintaining them. The Enlightenment gave added impetus to making such discoveries and an urgency to acting upon them.

The concept of an ordered universe provided the most profound basis for liberty. Seventeenth century scientists had affirmed that the universe was governed by laws capable of precise formulation. Newton's statement of the law of gravity explained how the great bodies in the solar system are

kept in their orbits by a combination of the motion of freely falling bodies and the attraction of the bodies to one another. All sorts of other phenomena were shown to operate according to law. These laws were believed to be the creation of God and to be immutable.

As thinkers extended their activities into the social realm they discovered a natural order there as well. It is an order modified. however, by the free will of man. Man not only can reason but he can will as well, and he can will to do wrong to others. Hence, government is necessary, and certain prohibitions by it are essential to enable men to live fruitfully in society. But the existence of an order prior to government means that the role of government can be limited and restrained. It is not to be expected that everything will come apart if some human agency does not control and direct it: on the contrary, things will operate as they are supposed to ordinarily without some compulsive force.

Separation and Balance of Powers

To restrain government to its proper role, power must be separated into its various functions, and powers must be counterbalanced against one another to prevent those who govern from exceeding their bounds. The separation and balance of powers

concept was a paradigm of Newton's description of the universe itself. The heavenly bodies are kept from flying off into space by mutual attraction. On the other hand, they are prevented by their own motion from being drawn into the sun and consumed. A basic separation and a delicate balance between thrusts and pulls holds them in their orbit. This is one of the models for the separation of powers in government by which it may be kept to its task.

There is not space here to describe in detail the arguments for and justifications of liberty that derived from this outlook. Some of them will be described at other points. Suffice it to say that Americans were impressed wherever they looked with the felicitous possibilities for liberty. The broad lines of the insight went something like this: Compulsion is not necessary to make men sociable; man is a social creature by nature. He needs the society of others to satisfy his wants and will seek out the company of others. To have that company, he will be under pressure to behave in ways acceptable to others. There is an economic order which men willingly take part in without being compelled to do so or without being told what to do. Man is religious by nature. He cannot be compelled to believe what he does not believe. By nature this is impossible. But he might be expected to worship with others of like mind if left to his own devices.

By the time the crisis between Britain and America came, Americans were prepared by the natural law philosophy in three most important ways. With it they had ready to hand a foundation to substitute for the British constitution, one which undergirded that institution and transcended it in its universal validity. And they were impelled toward liberty as a temporal object. The diversity of the colonies had once had the unity of a common British background. When they struck off the British connection they kept much of their diversity but thrust to a new unity on the basis of the natural law philosophy. Independence, liberty, unity, and diversity found shelter within the broad framework of natural law.

Next: The Mercantile Impasse

Nature's Way

EQUILIBRIUM is nature's scheme and she maintains it by the use of power, which is developed from strain, which, in turn, is created by inequality.

IDEAS ON

∭∆ LIBERTY Nature has never permitted stability in any form of life. Man will be going against nature if he seeks stability in his own affairs. It is strain that makes life not only worth while but actually possible, because from strain comes the only available power for individual development.

From The William Feather Magazine, July, 1971

"MONOPOLIST"

CAN HE CHARGE "ANYTHING HE WANTS"?

JOHN A. SPARKS

TO THEIR FIRST COURSE in economic principles, college students bring a wide assortment of misunderstandings. The "nature of competition," in particular, is a subject where there is almost always confusion. During a recent classroom discussion one student, who is representative, said: "This idea of rivalry between producers is fine, but what if there is only one producer of a product, for example, only one dairyman in a town. Then, it seems to me that he would have a monopoly and could successfully charge any price he wanted to charge." The class nodded a general assent.

The fallacy that the exclusive producer of a good or service holds the enviable power to charge

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"anything he wants" has been exposed and refuted. Yet, most members of the class assumed that in the absence of other "flesh and blood" competitors there would be no curbs upon the pricing practices of the single seller. Preoccupied with "competition by competitors," the class neglected other important kinds of competition. They are not alone.

"When competition is named as a regulator of enterprise outputs and prices, it is usually the competition among the firms already established in this or that industry which is emphasized . . . Most studies of individual industries refer, when discussing competition, almost entirely to rivalry

¹ Hans F. Sennholz, "The Phantom Called Monopoly," Essays on Liberty VII, (Irvington, N. Y.: Foundation for Economic Education, 1960), p. 295.

among established firms."² (Emphasis mine)

What are the alternatives to "competition by competitors"? What forces keep the lone producer from charging "anything he wants"?

Competition by Substitution

In order to start class discussion, I asked one girl if she would buy milk from the hypothetical dairy at \$5.00 a gallon. "No!" she said without hesitation. "I'd buy canned juices instead or maybe even powdered milk." The young common sense revealed some doubt that a single seller can successfully charge "anything he wants." Her answer indicates that sole sellers, no matter how powerful they think themselves to be, confront a very real kind of competition - competition by substitution.

In the classroom example the price of whole milk had become exorbitant. No other whole milk competitors were in sight, but resort could be made to powdered milk or other drinks. What economists call the "substitution effect" occurs in many areas. As a building material, steel can be supplanted by concrete and certain plastics. Glassine and plio-

film substitute well for cellophane. Peanuts can replace popcorn. The power of the consumer to substitute presents a continuous threat to the sole seller of a product who believes that he can charge "anything he wants."

Demand Elasticity

Another student interjected, "To me there is no real substitute for milk. I don't like powdered milk and I never drink fruit juices. Substitution isn't open to a person like me." Consumers, who for various reasons are unable or unwilling to substitute, may nevertheless have a sizable impact on the single seller who arbitrarily attempts to charge "anything he wants."

Simple curtailment of product use by such a consumer can seriously cut into the revenues of the overconfident exclusive producer. Buyers who have no alternative products available to them are nevertheless often able to cut back on current consumption. When consumer responses to a price rise are substantial and widespread—"elastic"—the single seller's price increase will actually yield him lower revenues than before because total consumer outlays for the product will decrease.³ The

² Joe S, Bain, *Barriers to New Competition* (Cambridge, Mass.: Harvard University Press, 1956), pp. 1-2.

³ Murray N. Rothbard, Man, Economy and State (Princeton, New Jersey: D. Van Nostrand, Inc., 1962), Vol I, p. 110.

single seller charging anything he wants in disregard of this "demand elasticity" may bring disaster upon himself in the market place.

It is said that although consumer demand for many products is "elastic," the demand for "necessities" is less changeable, that is "inelastic." The argument goes that since consumer response to price increases for "necessities" is so sluggish and limited, the single producer of such products escapes the discipline of demand elasticity. However, it has been estimated in studies of the demand for water that a doubling of prices would within a year reduce domestic household water consumption by about 30 to 50 per cent.4 Even a price increase of so necessary a commodity as water would result in quite a decrease in gallons demanded by users within a relatively short time. At best, the sole seller is taking a serious risk when he theorizes that his product is a "necessity" and therefore immune from the exercise of consumer buying restraint.

Potential Competition

The young man who had trig-

gered the whole discussion restated his argument: "I suppose it is unlikely, but what if consumers could neither find substitutes for the highly priced good nor could they significantly reduce their consumption of it? Then the single seller would be able to charge anything he wanted, wouldn't he?"

"Wait a minute," interrupted another student. "If the dairy owner is able to do so well, that is, successfully charge \$5.00 a gallon for milk, I just might start a dairy, too, People in town could buy milk from me instead of him and for less."

Potential competitors wait in the wings, as it were, to make their entrance onto the business stage. Today, companies large and small are in search of profitable products and markets. They have instant capital and "know-how" available. The threat of such new entrants is an unseen force with real impact on the single seller. Not only do potential competitors come from the outside, they often come from within a company. An employee of the single seller may become convinced that he can "split off" and produce the highly demanded product at a lower price than is currently being asked. The technical computer field has witnessed this pattern over and over. In all industries, high profits serve as a signal flare attracting com-

⁴ Armen A. Alchian and William R. Allen, University Economics (Belmont, California: Wadsworth Publishing Company, 1969), 2nd edition, p. 58.

petitors to the scene. Enticing as such profits may be to the single seller, he knows that they must certainly be shared if he continues to ask a high price.

Conclusion

Can the seller who is without actual competitors really "charge anything he wants"? Some may believe, as the class did, that this is so. But, the threat of substi-

tutes, the flexibility of consumer demand, and the eagerness of would-be competitors work together to firmly guide the exclusive producer of a good or service away from arbitrarily high prices toward the realism of the market. Charging "anything he wants" and receiving it is a seller's dream, but certainly not the reality with which he must continually deal.

Danger to Competitors

What is to happen to a country in which success in the market place is to be a signal for prosecution by politicians anxious to curry public favor? It is a serious question, prompted by the situation which prevails today. Danger of antitrust prosecution threatens any firm that manages to grow and to out-produce its competitors.

IDEAS ON

It would really be a comfort to know that each business was doing its utmost to get as much of the market as it possibly could, that each firm was striving to put out the greatest possible production at the lowest possible cost, that, in short, it was being directed in accordance with the public good. But because of so many interventionist devices, the measuring sticks provided by a free market are no longer available. You can't be sure that a move or a failure to move on the part of a business is dictated by economic considerations in response to the desires of the people.

SYLVESTER PETRO, "Do Antitrust Laws Preserve Competition!"

Harmonizing to Each His Own

LEONARD E. READ

Weep not
that the world changes —
did it keep
a stable, changeless state,
'twere cause indeed
to weep.
—BRYANT

MAN COULD NOT LIVE, let alone improve his lot, were all static as a rock. Change releases the hidden strength of men. Out of change comes variation and in this diversity are unique potentialities realized. Creative dissimilarities emerge and account for our moral, spiritual, intellectual, and material wealth. Change is of the very essence of life, and freedom to change is both an economic and a biologic necessity.

The enormity and persistence of change and variation is recognized and welcomed by some, though most persons tend to dislike it. "Change, indeed, is painful, yet ever needed," said Carlyle; inevitable and necessary but, nonetheless, much resented. This feature of human nature poses a major politico-economic problem and substantially accounts for the continuing debate over freedom versus coercive collectivism.

The main reason for resenting change, I suspect, originates in a misunderstanding of how security is best obtained. Individuals, with rare exceptions, are interested first and foremost in securing life and livelihood. Security is indeed desirable but, contrary to general belief, it is a dividend of natural change and variation—each pursuing his own uniqueness. There is no security to be found in bringing change and variation to

a halt; nothing is so at odds with security as freezing or solidifying the status quo. Seek first security and there will be neither security nor change. Seek first the dynamic, improving life and security is thrown in as a rewarding outcome.¹

To intelligently approach the politico-economic problem here posed requires, first of all, that we fully grasp just how fantastic our variations really are, else we will not know what the problem is or the meaning of "to each his own." Gloss over our variations, think of them as less than they are, and we will behave as unwitting, mindless persons.

On Being Human — and Different

Let us face a few facts. We resemble each other in outward appearance only: beings with two eyes, one nose, ten fingers, two arms, standing upright on two

legs, and somewhat alike in other superficial ways. Even in these ways the variation is fantastic, "identical twins" being far from identical.²

Human beings are distinguished from the animal world by the possession of such traits as the ability to reason, to evaluate different causes of action, to make rational choices, to will their own behaviors, and even to transcend themselves. So varied are these potentialities and their mode of realization that resemblances diminish sharply; we go every which way, in as many directions as each person takes in a lifetime multiplied by all the human beings who ever lived. Chaos, seemingly!

The human scene holds no such thing as a changeless, single performance with which to compare, to identify, to judge our works. At the human level there are as many kinds and qualities of performances as there are viewpoints. Thus, the variety of performances equals all the people who have ever lived times all the changing viewpoints each person ever experiences. Trillions times trillions!

This assertion itself is a personal viewpoint or evaluation and argues that the eye of the beholder is determinative. "Were

¹ Change, as I am extolling it, refers only to those forms induced in the exercise of free choice. The enormous technological changes resulting from present coercive practices - moon ventures, for example - are, in my view, disruptive, unbalancing, and uneconomic. They lead creativity toward "national goals" or political designs and away from subjective value judgments; they make for insecurity. The trouble is, we see the mooncraft and generally adjudge it wonderful. What we fail to see are the inevitable and disastrous consequences of - reactions to - the coercion which brought this fantastic gadget into being.

² See various works by Roger Williams, especially *You Are Extraordinary* (New York: Random House, 1967).

the eye not attuned to the Sun, the Sun could never be seen by it," wrote Goethe. Viewpoints, by and large, are based on major and easily observed distinctions. For instance. I glance at a smiling face and a moment later at the same face when angry. The distinction evokes two evaluations, varying viewpoints easily come by. But widen the aperture to increase sensitivity to infinitesimal changes, and even assuming no change in outward demeanor: the face is known to be older; the lighting is different; I have aged; and my vision has changed. The world of anyone sensitive to a wide range of variations is a far larger world than exists for those who are not so graced, that is, his viewpoints and evaluations are greatly multiplied.

Or reflect on what the world means to a farmer and to an astronomer. A particular farmer may be satisfied with treading the surface of our planet and scratching it with a plow; his world is a road, some furrows, and a field of grain. The astronomer's world, on the other hand, requires that he determine exactly the place that it occupies at each instant within sidereal space: from the standpoint of exactness he is forced to convert our globe into a mathematical abstraction, into a case of universal gravitation. We might say that the farmer and the astronomer "are worlds apart."3

Infinite Variation

In order to picture the enormity of variation, consider the varying evaluations or viewpoints of each farmer times all the farmers there are and then of all the astronomers since Copernicus and Galileo times all their changing viewpoints during these past four centuries. And last, contemplate all the performances there have been beyond the farmer and the astronomer and all the performances that lie between these two and all the varying evaluations thereof!

We can now see that it is the point of view that creates the variation panorama: an infinitude of performances in a constant flux. No person can do more than to become aware of this complexity; few even do this. To encompass this multiplicity, to bring it within anyone's comprehension, is out of the question. Initially, such awareness cannot help but breed confusion. How can harmony ever be brought out of this social maelstrom!

Confusion, however, does not end here. It starts anew with

³ The idea and some of the phrasing in this paragraph are from an essay, "Adán en el Paraiso" (Adam in Paradise) by José Ortega y Gasset, 1910.

countless attempts at harmonizing our variations. The confusion appears to stem from a fact seldom recognized in clarity: man is at once a social and an individualistic being. Confronting each of us are the we and the I or, one might say, association and isolation. Not only is there myself to cope with: to grow, emerge, evolve, to become what I am not vet: equally challenging. I must find out how to live in harmony with my fellow men. My life and welfare depend not only on what I make of me but also on how I associate myself with others upon whom I am also rigorously dependent, a dependence from which there is no escape. Except in association. I perish! No need to labor this point.

Psychological and Sociological

Thus, two extremely intricate problems are posed. The first is psychological in nature: freeing self from superstitions, imperfections, ignorance, fears. We know far less about this than is generally acknowledged. The second is sociological, that is, freeing men from the restraints and impositions which we in our ignorance are inclined to inflict on each other. Unless the latter is reasonably resolved, the former cannot flourish at its best. Yet, a resolution of the latter is impossible without a

flourishing of the former. Boxed in by a paradox! Or are we?

There are, broadly, two opposed theories as to how the sociological maelstrom should be resolved. The first - authoritarian - is steeped in tradition, as aged as humanity, and presently gaining ground all over the world. It is the old, old master-slave arrangement that has always stifled human progress and diverted man's efforts to fighting, either to force his will on others or to combat the tyrant's army. The second freedom - is brand new as history goes, all too seldom understood or accepted.

Perhaps no statement more openly and honestly reveals the authoritarian confusion than this:

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

Merged Into the Collective

Where we want to be! Here is the authoritarian position set forth in crystal clarity: an *I* pretending to be a *we*. It is safe to assume that no earthly person wants to be what the author wanted to be at the moment of this phrasing. One knows, without

⁴ The late Walter Reuther. See New York Times, June 30, 1962.

looking at the record, that this author experienced a constant shifting in what he wanted to be during every day of his life. The same can be said of Napoleon or any of our numerous political authoritarians, precisely as can be said of you or me. No living person ever stays put; as to our aspirations, all of us are in flight, on the wing, in orbit. We need do no more than look about us to confirm this fact.

The point is that no person who ever lived — not even Socrates — has observed more than an infinitesimal fraction of the total universe. Each gazes through a tiny peekhole into infinity, glimpsing hardly any of it. Did Hitler see the farmer's furrow or what Galileo saw or what I see as I write or you see as you read these scribblings? Of course not! The authoritarian vision is limited and blurred at best.

Pressed to a Single Mold

What then must be the outcome of the authoritarian's solution to social problems, assuming that his will is invoked? Simple: all of us compelled to abide by what he sees through his unique and tiny peekhole which, of course, is next to nothing. All of us, if his will prevails, restricted by his oblique view of reality.

Most appraisals of authoritar-

ianism are not as harsh as mine because no one has ever witnessed the horrible principle in more than partial practice. We observe people living, a few rather prosperously, in Russia, China, Uruguay, and falsely credit such of the good life as there is to the authoritarianism. To the contrary, it is in spite of it! All that is good - noexception - springs from creative human energy obeying its nature. that is, freely flowing when not squelched. Like lightning, it zigs and zags along the line of least resistance, finding its way through or around the commands and strictures of him-who-knows-next-tonothing. A harsh appraisal of the authoritarian? No: that rating applies to all of us!

A supervisor of schools, attending one of our workshops recently, made this observation concerning freedom as a solution to social problems:

I came to your summer seminar with a hazy and limited knowledge of the principles of economics and the free market. You have helped me to see the simplicity and self-evidence of these basic concepts of freedom. What most amazes me now is that anyone can fail to understand and put these ideas into practice.

Yes, the simplicity of freedom in action copes with infinite human variation and works its wonders! Amazing indeed that so many are unaware of these principles and thus have no faith in them. Parenthetically, any proposed solution to the social and individualistic aspects of humanity that is not simple has nothing to commend it. This is another way of saying that we should stick to what we know best—our own knitting—which, as already suggested, is not very much.

Each Free to Choose

Let me now return to the assertion, "Only a moron would believe that the millions of private economic decisions being made independently of each other will somehow harmonize in the end and bring us out where we want to be." I read this statement nine years ago and not until now did I realize that the author was substantially correct. Why? Only a person deficient in reasoning powers - not necessarily a moron could possibly believe that any scheme can "bring us out where we want to be." This is an I posing as we - absurd! The flowering society, the only kind that merits our interest, is one that will not stand in the way of bringing you out where you want to be, while permitting the same opportunities for everyone else. And this is definitely a prospect when millions yes, trillions - of decisions are made independently of each other

- that is, a situation in which freedom of choice prevails.

It is an observed fact that variation obtains throughout the natural order; it is a distinguishing feature of the universal scheme of things ranging from atoms and their components to galaxies which are but tiny parts of who knows what. No two things are identical - no two snowflakes or stars or sunsets or tidal waves. Everything at all times and in all places and in all circumstances is in motion. But note that instead of chaos there is order and stability - an incomprehensible harmony - and because of a mysterious principle at work:

All the phenomena of astronomy, which had baffled the acutest minds since the dawn of history, the movement of the heavens, of the sun and the moon, the very complex movement of the planets, suddenly tumble together and become intelligible in terms of the one staggering assumption, this mysterious "attractive force."

These variations we observe in nature, by reason of this "mysterious attractive force," gravitate into a harmony; that is, there is an inexplicable magnetism constantly, everlastingly exerting itself. And precisely this same force

⁵ See Science Is a Sacred Cow by Anthony Standen (New York: E. P. Dutton and Company, Inc., 1950), pp. 63-64.

operates in exactly the same manner on the fantastically varied outcroppings of the human cortex: viewpoints, evaluations, inventions, insights, intuitive flashes, think-of-thats.

Freedom Can Work Wonders, If Not Restrained

Who understands creative human energy? Who can define it? No one! It is as mysterious and indefinable as electrical energy. Indeed, the two behave in much the same manner: they naturally flow along the lines of least resistance. The point is, we live without understanding Creation or life; electricity and gravitation serve even though we haven't the slightest idea as to what they are; the same is true of creative human energy — provided we leave it free to flow.

What at first blush appears as utter chaos — a veritable hurricane of flighty performances — turns out to be precisely the opposite: an harmonic whole in the absence of

I's trying to play we. You to your knitting, I to mine, each pursuing his unique potential, be it farming or astronomy or whatever. For only in this manner am I able to draw on your and everyone else's unique realizations. others possessing countless ideas. enlightenments, goods. services hardly any one of which is within my own potential. When freedom prevails, we can think of our situation as a vast human grid, supplies responding to demands in a perpetual willing exchange. A harmonizing of to each his own!

We cannot know how freedom, any more than Creation, works its wonders. Nor do we need to know the how of it. We need only know (1) that freedom does work wonders—the evidence is commonplace and all about us—and (2) that freedom exists in the absence of man-concocted restraints against the release of creative energy. And observe how simple—and realistic—this is: it does not presuppose a single know-it-all!

Principles of Prosperity

IDEAS ON

∆Î∆ LIBERTY IN THE FIRST PLACE, two people can work to produce more than twice as many valuable things as one can. In the second place, two people, simply by exchanging things they have, can each end up with more of the things they want.

GENERAL OR SPECIFIC

WELFARE?

HANNIBAL CUNDARI

WHAT WOULD this country be like in 1971 had government, in 1787, been instituted to "promote the general welfare" as interpreted by today's misguided humanitarians? Suppose the government had at that time disregarded the promotion of economic freedom as the real meaning and intent of the "general welfare" clause of the Constitution! We need only to consider the increase of our national debt in the past thirty years and the hordes of individuals and agencies that qualify under present government standards as being in poverty to realize that this nation would long since have perished had such views prevailed from its beginning.

Aware that such a fate inevitably stalks an unlimited govern-

Mr. Cundari is a mechanical engineer. He also serves as Bergen County Chairman of the New Jersey Conservative Union. ment—one having power to direct the daily actions of individuals—our Founding Fathers declared in the Constitution that "We, the people... will promote the general welfare." Nowhere does it state that government shall promote personal welfare or provide it. Yet, misguided individuals misinterpret the "promote the general welfare" clause as a license to provide welfare.

Having suffered from the abuses and usurpations by coercive government, the framers of our Constitution could never have empowered any government to provide welfare to specific individuals.

The encouragement of individual freedom was the principal objective set forth in the Preamble to the Constitution, and it cannot be doubted that individual freedom is preferred by all people to enslavement. Whatever promotes individual freedom also promotes the general welfare. By the same token, one who toils to add material goods to society by his productive efforts also promotes the general welfare. Yet, when he is penalized through confiscation of his rewards for productive toil, to that extent he becomes a slave. losing his individual freedom, Furthermore, his contribution to the general welfare is diminished by the amount government confiscates from him. In such cases, government works to the detriment of the general welfare by its very efforts to provide specific welfare.

Impartial Justice

The Constitution contains no reference to specific welfare for individuals by government. The clause refers to the general protection offered by government as a referee in dispensing justice impartially; to promote tranquillity and to ensure that one does not encroach upon the private property of others; to guarantee that one party is not favored over another and that no one receives special privileges. Justice is not served when government allocates to the so-called poor the resources and property of others; to thus legalize injustice simply serves as warning that confiscation and redistribution of one's possessions is the fate to be expected when one endeavors to promote his own and thus the general welfare.

Shall one praise our government today, for instance, for its so-called promotion of the general welfare through the process of inflation? Or do these inflationary welfare measures simply place extra and unwarranted stumbling blocks in the path to personal freedom and economic well-being? How often have "public benefactors" caused the very problems and distortions their policies were supposed to cure! Witness the shortage of housing since the controlling government agency infused billions of dollars into the economy to "alleviate" housing shortages. Witness the increase in unemployment for those who are classed as underprivileged and who were to become the beneficiaries of the minimum wage law the law which denied those most in need of employment the opportunity to compete and work for lower than "minimum" wages. Witness the shortage of rental housing where rent control laws drove investors out of the "landlord" business and thereby aggravated the conditions in slum areas. Nevertheless, such detrimental legislation remains on the books, and bureaucracy continues to wield its deadly hand against the general welfare.

How is the general welfare to be promoted by government-imposed price-wage controls, import duties, restrictions on foreign investments, and scores of restraints upon the economic freedom of individuals to determine their own actions? Just how is an additional 10 per cent tariff against imports supposed to promote the welfare or increase the buying power of American citizens? Regardless of rationalizations, such governmental interferences with the free market most surely result in the impoverishment of many individuals.

The spirit of the general welfare clause was to limit the government to actions of a general nature, applicable to everyone rather than to privileged individuals or selective classes of people. It was an insurance against the use of the coercive force of gov-

ernment to fracture freedom. If it had been the intent of the Constitutional framers, would not welfare programs have proliferated then as they do today? But government-provided welfare was nonexistent in those days! Does this not lend proof that those who framed the clause had no such desire for the government to provide for the needs or wants of privileged individuals or groups?

Abdication of our rights to life, liberty, and property is the price we pay for liberalizing our limitation of government, for relaxing our eternal vigilance. The spoilers could not have perverted the welfare clause while those who framed it were still alive. They had to wait until a later generation had come to take freedom for granted. Now, it remains for the living to learn anew how to promote the general welfare.

No Federal Aid

IDEAS ON

LIBERTY

THE FRIENDLINESS and charity of our countrymen can always be relied upon to relieve their fellow-citizens in misfortune. This has been repeatedly and quite lately demonstrated. Federal aid in such cases encourages the expectation of paternal care on the part of the Government and weakens the sturdiness of our national character, while it prevents the indulgence among our people of that kindly sentiment and conduct which strengthens the bonds of a common brotherhood.

Then Truth Will Out

LEONARD READ has a phrase for the man who, while extolling free enterprise in general, makes one or two—or three or four—exceptions to the rule of freedom. Such a man, says Leonard, "leaks." There are all sorts of gradations in this business of "leaking," from the libertarian who makes excuses for government-subsidized theater or dance to the industrialist who is willing to compete at home provided he has a tariff wall to protect himself against the foreigner.

might be expected, Read's Then. TruthWillOut (Foundation for Economic Education, \$3.00 cloth, \$2.00 paper) is the work of a practically leakproof man. I consider myself a stalwart devotee of the "freedom philosophy." but in this book Leonard Read has compelled me to check my sights in a couple of matters. There is this business of the "voucher system" for education, for example.

The idea of refunding tax money in the form of vouchers to individuals for use as payment to the private school of their choice has been offered by Yale Brozen and Milton Friedman as a turn from the socialism of the public school. Leonard Read denies that such a scheme is "any escape from socialism." It would be only a matter of time, says Leonard, before the government moves to dictate the curricula of a voucher-sustained private school. "He who pays the fiddler calls the tune."

Since I have been a supporter of the voucher idea, Leonard Read's caveat brings me up short. Am I indulging in rationalization when I argue that the educational voucher does not mean that the government is supporting the private school? The voucher, so I have thought, should be considered a partial restitution of money that was taken by legalized theft in the first place, and the condition imposed upon its use should be that there can be no condition!

Is this an unrealistic hope? It seems to me that a parochial school, cashing vouchers at the Federal Treasury, could invoke the protection of the religious clause of the First Amendment against any governmental effort to interfere with curriculum matters. And couldn't the nonsectarian school, with no religious bulwark to fall back on, plead the Free Speech clause of the First Amendment, saying that its teachers have a constitutional right to conduct their classes as they, in consultation with the school authorities, see fit?

All of this, of course, assumes that the voucher is simply a form of money that has been reclaimed by the individual from a Robber State. The voucher money would not be a gift of the government, it would be grudging recognition that it is wrong to force anybody who chooses a private school to pay twice for his education. Equity is involved here, not government charity.

Having stated my viewpoint, I must admit that Leonard Read's fear of government control of the private school has a sound ground-

ing in history. States do not necessarily interpret their own constitutions with any regard to the plain meaning of language, and, despite the First Amendment, conditions could be imposed on the use of the voucher. Yale Brozen, Milton Friedman, and the American Conservative Union, all voucher proponents, will have to think this one over, and, at the very least, hire canny legal draftsmen to frame the bills calling for voucher legislation.

The Market as Conservator

Leonard Read is a gentle man. and he never tries to cram things down your throat. He lets an impeccable logic, dressed in some frequently delicious phraseology, do his work of conversion. He reaches his most persuasive peak in his ecological essay, "A Conservationist Looks at Freedom." which is a magnificent statement of the case for the private market as conservator. Far from destroving our forests, it is our private timberland owners, with their specialized knowledge of seed, spacing, fertilization, thinning, and other sustained yield practices. who have been keeping our nation in trees. "Today," says Leonard Read, "61 per cent more wood is being grown than is harvested and lost to fire, insects, and disease." Put together with Mr. Read's previous remark that "a conservation policy...counsels the use of trees for homes," this is the definitive answer to Mr. Justice William O. Douglas's claim that our lumber companies have been raping the continent.

As for the more extreme preservationists (who want nature to remain in a completely pristine state). Mr. Read offers them the witty observation that "had mankind been around throughout the ages and succeeded in preservation - 'retention undisturbed' dinosaurs would still be with us." This is a forceful way of saying not all change in nature is bad. Lest Leonard Read be accused of having a bias against wild animals, let the reader ponder his further statement that "there are now thousands of bison under private ownership - far from extinct." In addition to the bison, we also happen to have 109,000,000 head of cattle on our modern range. For the animal lover, it is a case of "all this and Heaven. too." Plus, of course, a good protein diet for millions.

Ralph Nader, now the frenetic apostle of a state-enforced "consumerism," once contributed a very sound argument against public housing to THE FREEMAN. Do I fancy that Mr. Read's essay on "A Consumer Looks at Freedom" is directed (more in sorrow than

in anger) at his ex-contributor? If Ralph Nader really cares for the consumer, he should listen to Mr. Read's point that the "welfare state way of life is adverse to consumer interest: unemployment compensation, low-income housing, tax-financed education, aid to dependent children, medicare, disability payments, food stamps, in short, the whole so-called welfare program." The inflation and taxes needed to sustain the welfare state way of life means that most people can only afford shoddy goods. which is what they get when industry, forced by labor union coercion to pay above-market wages. has to skimp on quality in order to maintain volume.

Rooted in Reality

It is as a consumer that Mr. Read cringes when business executives pay more attention to the welfarist's "social goals" than they do to alleviating poverty by manufacturing and selling a good product for the lowest possible price. The universal concern with "image" seems a mischievous trend to Mr. Read, for it takes away from a concern with performance. The irony is that, "when the emphasis is on the image rather than the performance, not only will the performance deteriorate, but so will the image."

Leonard Read does not often get

personal, but in his essay titled "A Laborer Looks at Freedom" he divulges some details about his past that were previously unknown to me (and I have known him for a quarter-century!) Making a point against government interference, he says that "happily" he grew up prior to the child labor laws. His work week from age eleven to age eighteen was 102 hours, "up every morning at four o'clock, cleaning stables, milking cows, six hours at school, and evening chores, and clerking in

the village store until nine o'clock week days..." During World War I he served, often around the clock, as an airplane mechanic. Such a novitiate made Leonard Read a fact-minded and thing-minded man, which means that his later career as a word man has been soundly rooted in the realities which are necessary to give verbal symbols any true meaning. Today, alas, we shield our children from work. And all too often they grow up to be indifferent, even dangerous, philosophers.



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