

the Freeman

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- The Gullible Society** **W. A. Paton** **3**
A careful review of the economic folly rampant today and some of the contributing factors, with a view toward correction.
- The Voluntarist's Role** **Ridgway K. Foley, Jr.** **10**
A call for action, of the reflective type that denotes self-responsibility.
- The Multinational Corporation** **Mark Peterson** **18**
The critics of the multinational firms seem unaware of the benefits they would destroy.
- On "Using" the Government** **Ralph Bradford** **24**
When special interests start using the government for their purposes, look to your defenses.
- Liberty vs. Coercion: The Burden of Proof** **Tibor R. Machan** **35**
Let the proponent of coercion explain why he should force us to help with his plan.
- The Future of the Dollar** **Henry Hazlitt** **39**
A review of the U.S. and international departures from gold and of the prospects for a return to sound monetary policy.
- "Free Parking"—Space Not Available** **Gary North** **50**
If it is scarce and valuable, it should carry a price.
- Book Reviews:** **53**
"Children of Darkness: Some Heretical Reflections on the Kid Cult"
by Richard S. Wheeler
"Abraham Lincoln — Theologian of American Anguish" by Elton Trueblood
"Understanding the Dollar Crisis" by Percy L. Greaves, Jr.
"Two Concepts of the Rule of Law" by Gottfried Dietze

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the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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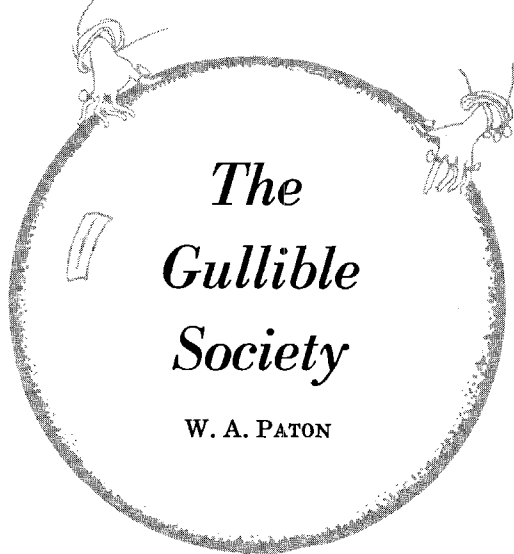
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The Gullible Society

W. A. PATON

THERE IS some justification for saying that this is an age of reason in the physical sciences and engineering, but in the realm of economics it is a time of well-nigh unprecedented folly. Currently many Americans appear to have thrown their stock of common sense to the winds. It is true, of course, that man has suffered acutely throughout most of what we know of his history from superstition, religious quackery, tyranny, and fallacious notions about his physical environment. Although the only form of life on the planet capable of careful scrutiny and pondering with respect

to himself and his surroundings, *Homo sapiens* has often proved to be an easy mark for the witch doctor, the soothsayer, the spell-binder, and other nonsense peddlers. But I doubt if at any earlier period were people generally so susceptible to economic pipe dreams and pie-in-the-sky proposals as we are today. If we don't go beyond American history the case is clear.

Our forefathers, at no stage, would have widely accepted the view that the road to prosperity, the abundant life for all, is by way of blocking early entry to the working ranks, an enforced 40-hour — or less — work week, with the trimmings of minimum wage laws, paid vacations, featherbedding and soldiering, and retirement with a handsome pension

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after thirty years of service, coupled with a program of government handouts on a vast scale to those unemployed for almost any reason or excuse. They were addicted to hard work, recognized that we can't consume what we don't produce, and were skeptical of all schemes to pick ourselves up by our bootstraps. And they would be shocked by today's widespread tide of vandalism, violence, and disorder, which is becoming a serious obstacle to efficient utilization of available resources and increasing — or even maintaining — the level of economic output.

It should also be noted that the astrologers, fortunetellers, seers, gurus, ESP experts, and assorted cult leaders — as well as the economic con men — are flourishing these days.

In short, as an adjective to describe present-day attitudes, aims, and popular proposals for dealing with current economic problems, real or pseudo, the term "gullible" is a much more appropriate label for our society than "good" or "great."

Contributing Changes

There are explanations and excuses for the current state of economic confusion aside from the persistent streak of susceptibility to humbug to be observed in mankind. To refer again to the Amer-

ican scene, the fantastic changes in economic conditions and methods that have occurred in a few generations — often pointed out and also often forgotten — have undoubtedly contributed heavily to present-day misunderstanding and blindness regarding fundamental principles and requirements. The tremendous increase in production and standard of living resulting from the pioneering spirit, an excellent endowment of natural resources, and the technological surge, has beguiled many into thinking that the sky is the limit, that the well will never run dry, that all that is necessary to secure an abundance for everybody is taking from the haves and giving to the havenots, that hard work and slow saving are outmoded.

A partial explanation of the willingness to accept economic programs that are largely poppycock is also found in the growing complexity of the economic structure, with its network of markets, elaborate fabric of banking and related facilities, multitude of business organizations, corporate and otherwise, and so on. Even in my boyhood days the state of the economy was so simple, with the family farm still a dominant feature, that there was less excuse for becoming befuddled as to the basics of economic behavior. It

those days we all knew that we had to work and produce to live.

A sidelight that perhaps should be noticed is the availability of improved communication facilities. One of the great wonders of our time, surely, is the development of means making possible virtually instant communication to everybody, everywhere. But our radios and TV sets can be used for spreading folly as well as enlightenment, and the proponents of economic nostrums have not neglected to take advantage of this fact. Back in 1896, when William Jennings Bryan first ran for president, he made a great impact with his wonderful voice and oratorical skill, although his "free-silver" monetary program was sheer tommyrot. If he had had the radio at his command — as did Franklin Delano Roosevelt in presenting his "fireside chats," likewise largely nonsense — he might well have won the election.

These few comments, obviously, are an inadequate account of the factors which have resulted in the shift in points of view and the growth of economic illiteracy in the past sixty to seventy years. They leave largely unanswered the crucial question: why have the majority of our citizens become willing to support and accept an array of socialist programs, while still giving lip service to the con-

cept of an economy featuring private enterprise and a system of free markets? I have a few suggestions to offer that have a bearing on this phenomenon.

The Great Delusion

The outstanding delusion with which Americans have become afflicted, and which also plagues a host of our contemporaries in other countries, is the belief that economic problems can be dealt with most effectively by turning them over to the machinery of government. Indeed this belief in the power of government has become so embedded in many minds, throughout our population, as to constitute an article of faith, so to speak, to be taken for granted, immune to critical examination. And this delusion is also our taproot folly, the fountainhead of unsound views and policies. Upon close scrutiny it will be found that most of our misconceptions in the economic field, and the specific proposals and programs that promise what they can't deliver, are rooted in the almost mystic view that resort to the apparatus of government is the ultimate solution for all economic difficulties and ailments.

The hold that this delusion has upon us is rather amazing in view of the historical record, and the very obvious limitations inherent

in government. Any form or level of government is implemented by one or more human beings who has either seized power, by one means or another, or been granted power by some process in which at least some of the folks to be governed have participated. There is nothing mysterious or supernatural involved. The person or persons functioning as an arm of government—the people that make up any bureau, commission, department, court, cabinet, city council, and the like or fill seats in such bodies as our national and state legislatures—don't take on heroic proportions, don't become supermen, simply by putting on the governmental mantle. At the best they are conscientious individuals trying to carry out the duties that presumably go with their positions. At the worst they are tyrants and crooks interested only in power for what they can get out of it, or fanatics and messiahs obsessed with the notion that they have the right to rule and know all the answers.

A Sorry History

The history of all forms of government to date is a sorry one. Governments generally have been inefficient, bloody, lacking high moral standards, and not dedicated to the best interests of the governed group. But a common

human failing is the tendency to put on dark glasses when it comes to the lessons that history might teach us.

Having power is a ticklish assignment, in any activity, and restraints are required if those with power are to be kept within bounds. Our founding fathers understood this, and fashioned a remarkable governmental structure, designed to keep both kings and mobs at bay, and to be restricted to a limited set of controls and functions. They would certainly be appalled if they could take a look at the sprawling octopus of coercion that has developed, with tentacles of authority reaching in all directions.

The central concept that is so widely overlooked is that government, like other institutional arrangements, should be regarded as a specialized instrument, not a do-everything mechanism. The intrinsic function of government is to serve as the domestic policeman and to resist aggression from outsiders. And if the world were peopled exclusively by individuals wholeheartedly committed to respecting the rights of their fellow men, coercive government might well fade away to the vanishing point. In the prevailing state of affairs I grant the need for some government, but it would be a blessing if this necessary appa-

ratus would tend to its knitting, not butt into the business of raising potatoes or building automobiles — to say nothing of going to the length of becoming guardian and guide over all our personal activities and welfare from the cradle to the grave.

Moreover, as government becomes overextended, takes on the role of Jack-of-all-trades, it tends to become increasingly inefficient. Anyone who has had any considerable experience in governmental control and operation of business knows very well that this is the case. No government agency is free from the political influences that tend to thwart attempts to improve methods and procedures. Lack of planning, inflexibility, waste, delay, are familiar features throughout government, at all levels.

There is also an inherent tendency for those in government business, even if well intentioned at the start, to become increasingly indifferent to their clients or customers. The history of the U. S. Post Office affords a notorious example. And as citizens become accustomed to the faults of government service, and to the obstacles in the way of making complaints felt, they gradually learn to put up with bad treatment, to take their lot for granted, to lose their inclination to resist.

It should also be noted that government interference in business operation, even if stopping short of a complete take-over, has the unfortunate effect of putting a damper on the initiative and ingenuity of owners and managers, and their technical staffs. An outstanding illustration is afforded by the long history of blundering in the regulation of our railway system.

Our Socialist Trend — Why?

But in spite of the plain evidence of government incompetence all about us, and the chilling impact of government interference and regulation on private initiative, many Americans — including a lot of folks who should know better — clamor for more of the same. Why have we become so benighted? Why do we believe we can have our cake and eat it too? Why is there so much fence straddling, often without awareness? I'll attempt a brief answer to this query.

First, let's take note of the efforts of the dedicated and persistent Fabians and Marxists who have long been in our midst. When I began systematic study of economics back in 1912 at the University of Michigan, there were a few avowed socialists on the faculty, and a sprinkling of their like in the student body. These

people were not taken very seriously, however, by most of the campus population, and were certainly not regarded with great anxiety, as a possible menace to our way of life. But these advocates of the socialist state were indefatigable in efforts to spread their brand of gospel, and may have had some impact, at least as seed sowers. And perhaps they laid a groundwork that later on facilitated the growth of a swarm of procommunists, fellow travelers, and assorted "anticapitalists," bent on destroying the American system of government and private business enterprise.

Although capitalism has often been accused of fostering armed conflict between nations, the fact is that a condition of war is incompatible with a free-market economy. War inevitably expands the authority of central government and puts a brake on individual initiative and decision-making. It seems very clear that our participation in World Wars I and II, and subsequent serious military involvement in the Far East, plus the overhanging fear of armed conflict and resulting vast "defense" expenditures, is the major explanation of the growing subservience to government power that we have been experiencing. And in between the two great war efforts, and in part induced by

postwar turmoil and adjustment, came the "Great Depression" of the early 1930s, and the resulting programs for relieving distress, of which President Roosevelt was the master architect — programs that failed so miserably as to encourage said architect to push us into a second tremendous military adventure.

In view of this history, indeed, the great expansion of the mechanism of government, and the encroachment of government into the processes of both production and distribution throughout the economic pipe line, is hardly surprising. Perhaps the wonder is that we still have some vestiges left of a free society.


A Weak Defense

The defense of economic liberty, too, has been feeble and ineffective. Especially from the depression days on, the teaching of economics has been increasingly socialistic in most colleges and universities, taking the form of either downright condemnation of business and the market system or damning capitalism with faint praise. Religious leaders generally, never too well-disposed to private enterprise, have also become more aggressive with their half-baked attacks on American business. And many journalists and writers, growing up in war and

depression days, have joined in the chorus of criticism. Even business executives, nominally supporters of economic freedom, have made a sorry showing. I find it hard to forget the way business leaders generally rushed to get on the bandwagon in the days when the effort was made to establish synthetic socialism, almost overnight, through adoption of the NIRA codes. Happily this effort failed because of a decisive ruling of the U.S. Supreme Court of that time. But many business leaders, with a seeming lack of clear comprehension of the essentials of a market economy, still participate in sawing off the limb they are sitting on while continuing to prate about "our system of free enterprise."

Perhaps it should also be noted that the socialist trend in America in the last few decades has been disguised as a great humanitarian movement. We have been making the trek into socialism

under the banner of assorted welfare programs, caring for the ailing and unfortunate and the needs of "senior citizens," guarding the interests of consumers, conserving natural resources, cleaning up the environment, and so on. Even at this stage an avowed socialist or Marxist couldn't be elected president in the United States, but a clever chap who promises that government will control the bad boys in business, and see that we are all well-housed, well-fed, and have an adequate standard of living in other respects, and be our protector, counselor, and guide in all our activities, may well make it.

The current outlook is rather bleak from the standpoint of those who believe that individual initiative and responsibility are characteristics worth preserving in our society. But it's still important to keep the leaven of that point of view alive in the loaf. 

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The Constitution of Liberty

IDEAS ON

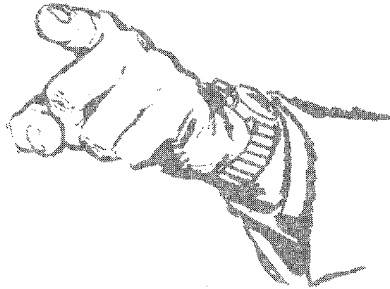


LIBERTY

THERE can be little doubt that man owes some of his greatest successes in the past to the fact that he has not been able to control social life. His continued advance may well depend on his deliberately refraining from exercising controls which are now in his power.

FRIEDRICH A. HAYEK

The Voluntarist's Role



RIDGWAY K. FOLEY, JR.

THE COMMITTED LIBERTARIAN abides on at least two levels. Initially, a practitioner of freedom must understand that which he practices. We never cease being students of liberty. No one can truly say that he has fully mastered the art, for the process appears to be an ongoing endeavor. Self-understanding of freedom represents an obligation which cannot be fulfilled, even with a lifetime of effort. The role of the free market, the concept of limited government, the ideal of individual freedom and initiative in a voluntary society, all command attention to their myriad applications in day-to-day living.

Nevertheless, seminal mastery of the idea of liberty impels recognition of a second-level enterprise: implementation of the freedom

ethic. At this level of development, the voluntarist¹ has gained sufficient maturity and knowledge to enjoy a partial command of his subject; he now quests for ways and means of branching forth, of inculcating like beliefs in other individuals in the hope that practice will replace theory in our world.

An immediate problem confronts each of us as we emerge from the cocoon of internal analysis to the incipient butterfly of action — we are outnumbered, we are outflanked, and we face a plethora of brush fires scorching what precious little freedom remains to us. Too often the tendency is to throw up our hands in horror, bemoan the lack of full-time “freedom fighters,” and drop out of the fray.

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¹ I use “libertarian” and “voluntarist” interchangeably to mean one committed to the precepts of individual liberty briefly noted in the opening paragraph.

Such a reaction should not surprise anyone, for we perceive attacks on liberty on all fronts. Reflect briefly on a few. The Bank Secrecy Act of 1970 commandeers the allegedly private but actually publicly controlled banking system into full-time espionage by requiring all banks to microfilm and preserve copies of all of our checks for governmental inspection and use. Now, if a private citizen or entity undertook such a project to build a dossier on every citizen in the nation, or if the FBI pursued such a course of conduct without court authority, the hue and cry of "police state" would ring in our ears; yet, when a benevolent government deals thus with its citizens in the economic realm, scarcely a bleat is heard above the din of approval. Nevertheless, one cannot imagine a more virulent excursion into personal rights; whose business is it if I write checks to FEE, or to the IRS, or to the local massage parlor? Not the state's business, to be sure!

Laws Against Gold

Again, consider the legislative norms and executive decrees which coalesce and prohibit American citizens from owning gold.² Per-

² See Holzer, Henry Marsh, "How Americans Lost Their Right to Own Gold—and Became Criminals in the Process," 39 *Brooklyn Law Review* 517-557 (1973).

haps a case might be made for inhibiting certain individuals with proven dangerous propensities from possessing instruments of destruction, like hydrogen bombs, plastic explosives or M-1 rifles. No such case exists for depriving anyone from converting the value he has created into any form he desires: gold, tobacco, wampum, or Hershey bars. Some befuddled economist named Keynes once labeled gold a "barbarous relic"; that act provides no reason to prohibit me from seeking refuge in a metal which I believe constitutes a store of value in these perilous economic times. The voluntarist believes that the creator of value ought to be able to spend, save, or waste that value in any way he sees fit, so long as he does no harm to others exercising an equal and reciprocal freedom. Only the possessor can assimilate and reflectively act upon the myriad bits of information which integrate into making the decision of the best choice for the actor under the circumstances.

Protectors of Consumers

Another petty coercion appears in the self-styled knights-errant who pose in the garb of protectors of the consumer. The Nader-like "public interest research groups" (PIRG's), which proliferate like rabbits, offer an apt example. Now,

I normally feel competent, as a consumer, to decide what I wish to purchase; at the very least, I possess adequate acumen that if I try a bar of Grandma's Lye Soap and discover that it is not up to snuff, I usually have little difficulty in dissuading myself from identical future purchases. A like-minded citizenry, operating on choice rather than coercion, will see to it that Grandma's Lye Soap goes out of business if it fails to produce desirable results. This vote — the dollar vote — represents the true key to economic democracy. Only producers who offer something of value desired by purchasers will continue to operate. The inefficient or incompetent producer will exhibit only a warehouse of unsold lye soap for his effort.

PIRG's arouse my animosity not because of their ends, some of which are laudable, but because of the means used to achieve those ends.³ PIRG's seek to warn consumers of frauds and deceptions. While doubting that such unofficial alarm systems operate very effectively and efficiently, few men of good will condone force or fraud

³ Remember Emerson's *caveat*: "The ends pre-exist in the means." See Read, Leonard E., "The Bloom Pre-Exists in the Seed," *Let Freedom Reign* (The Foundation For Economic Education, Inc., Irvington-On-Hudson, New York 1969) 78-86. Nowhere does this warning appear more starkly than in the instant setting.

in any guise, and all cheer efforts to allay such practices. But PIRG's invite rational attack because their very means are coercive and deceptive: most are funded by monies extorted from other individuals (often nonconsenting students merely seeking an education at state-supported institutions of higher learning) or taxpayers who do not agree with the ends sought, the means employed, or who simply want to exercise their own right of free choice. No libertarian can consistently deny the right of others to band together for protection against fraud; he can take umbrage at being mulcted to support their activities.

Safety Glasses

Can our sensitivities stand yet another example? The Safety Optics Act represents Congressional and bureaucratic usurpation of private rights to the nth degree. All eyeglasses (save a very few) must conform to rigid standards better fit for construction workers or jackhammer operators than for lawyers or housewives. These almost impossible requirements, enacted in the guise of public safety, increase the cost of prescription lenses (needlessly for the aged who generally can ill afford the charge and who seldom engage in hazardous activities), not to mention the time one must forego

needed lenses while his new glasses undergo endless testing. No one challenges the propriety of a party bargaining for strong, glare-treated, shatterproof, crack-resistant eyeglasses on a voluntary basis, but no one should compel another individual to accept only those lenses some person or group thinks "desirable." Risk is a part of living and, contrary to a peculiar statist notion, no one can legislate the risk out of life and produce an entirely wholesome and antiseptic world. Eliminate risk (assuming the possibility), and you have eliminated one element which forms the very verve and vitality of life.

Unwarranted Interferences

Other petty coercions appear hourly on the modern scene. While too numerous to catalog, the aspiring voluntarist can learn to recognize them and to accept these irritations for their true nature. Any time the state, the organized force of society, aids one individual or group at the expense of another individual or group, or inhibits free action of any citizen not engaged in coercive practices, it has overstepped its proper bounds and trampled freedom in the process. Every subsidy, every restraint of free trade, every inhibition on personal voluntary action, every censorship, and all

other rules of that ilk, demand condemnation precisely because they represent irrational and immoral interferences with the sacred life given to each human being.

The existence and proliferation of these mighty and petty ravages of freedom typically impel the second-stage volunteer to one of two courses of conduct. Either he laments his case as hopeless and hides himself into seclusion (the passive reaction), or he "rails against folly,"⁴ peripatetically flailing about at real and imagined targets (the active reaction).

The passive reaction mourns the lack of full-time "freedom fighters" to wage battle on behalf of all who love liberty. Yet each of us should commit himself to the fray. We cannot combat by proxy and exhibit the effectiveness necessary to carry the day. Success requires analysis, input and action from diverse individuals and groups, not a canned, one-dimensional, sterile approach.

The active reaction: action. Refuse to comply! Circumvent the law! To jail, if necessary, all to make a point! But to whom would the point be made? To the countless pre-reflective individuals, both within and without the political apparatus? Not likely, for they

⁴ See Read, Leonard E., "Railing Against Folly" (unpublished essay).

cannot comprehend the meaning connected with the act. A few, if they knew, might understand. The actor, too, would understand and would rest easily with his conscience for he would know that he performed morally by refusing to become a willing participant in coercion. A free man in an unfree world.

The Reflective Reaction

An alternative exists: the reflective reaction: persuasion first of self, then of those roundabout who voluntarily listen, whose thirst for understanding brings them within the ambit of your light. Isn't this more sensible than "railing against folly," than running off in six different directions at once, waiving at poltergeists and tilting at windmills? A cool, calculated and objective approach merits consideration, and, probably, assures a greater measure of success and satisfaction.

By this methodology I do not advocate some mere passive resistance, retiring to a virgin mountaintop where one can think great thoughts. Whilst I remain of philosophical bent, I advocate action, but reflective, effective action. The time is now, the need acute, the task tremendous. We must summon all of our strength, our intelligence, our prayers to the endeavor; but this means conven-

ing our energies and employing them in a calculated and rational manner. The engaging little statisticians who tear about our society can be effectively defanged if individualists keep the faith, improve their own understanding, eschew preaching, exhibit a joyful demeanor, live their lives consistently in accordance with their philosophy, and light a few brush fires of their own along the way. Let us briefly examine these guidelines.

Keep the Faith

First, we must keep the faith. Withdrawal admits defeat. It hides our light from the rest of the world, for the faithless exude poor candlepower. We must believe, truly believe, in our basic precepts and act upon that belief.

Second, each of us must improve his understanding of the nature and philosophy of the freedom doctrine. As noted at the outset, this never-ending task will consume our whole life and dominate our whole being, for no one of us can accomplish perfect freedom even with a lifetime of effort. Reading, thinking, conversing with others of both like and unlike minds will propel us on our way in this regard. Growth represents our goal, for man is a "becoming" creature.

Third, we must avoid the tendency to preach to others, for no one listens much to a "know-it-

all."⁵ Like the converted sinner filled to the brim with the miracle of his conversion, the libertarian after long periods of study often appears so full of exuberance that he feels he must spray forth his beliefs or burst. Yet we know from common experience that the energetic young preacher detracts from his message when he intrudes so deeply into the conversation that he dominates all others. Each of us wants very much to be heard, to have other beings place value on his utterances. The libertarian must learn to listen as well as to speak, to offer his light in small bits, easy to assimilate. Electricity provides wonderful gifts, but none of our appliances can effectively use this source as it arrives from the powerhouse; the energy must be broken down into usable quantities and forces by means of a series of complicated distribution systems and transformers. The freedom devotee must provide his own transformer. Patience and perseverance represent ultimate values in this regard.

Compassion and Joy

Fourth, forget not the need for calmness, compassion and joy. Treat each human being as a hu-

man being, not as an object to be mauled and manipulated. Statists view mankind as so much putty to be molded by the social architect; libertarians conceive of man as possessed of a soul, of dignity, of intrinsic worth *qua* person. Far too often, gloom and darkness pervade the setting of the voluntarist and seem to follow him about like a dark cloud. Perhaps this state is caused by the gravity of the situation where statism seems to be winning on every side, or by the serious questions we constantly consider. But such an attitude ignores the solace of our own beliefs and the essential nature of our endeavor. The freedom philosophy offers a lilting rhapsody to man in this world; the tenets of our faith recognize that individuals, while imperfect, are capable of great creative and productive strides. Long faces have no place here, for life for the free man offers an exciting challenge and an exhilarating road to follow. Above all, we must retain a sense of humor ere we lose our stability and our effectiveness in the process. An ability to laugh, even at ourselves, in the face of overwhelming chaos, bodes well for the future success.

Fifth, we must live our lives consistently and in accordance with our philosophy. Consistency represents a major virtue. All too often purported believers in the

⁵ See Read, Leonard E., *Who's Listening?* (The Foundation For Economic Education, Inc., Irvington-on-Hudson, New York 1973) especially 1-10.

freedom ethic act altogether irrationally when they move from their chosen discipline into a related arena. Nothing can quell a questioning audience more quickly than an actor who belies his words by inconsistent deeds. The libertarian who accepts government subsidies or competitive advantages deviates as much from his beliefs as the hypocritical Christian who cheats his fellow man on Monday morning. No one will be attracted to voluntarism by cant or deceit. No one can truly express libertarian thought without living his life in harmony with those principles.

Signal Fires

Sixth, after all of the foregoing we must light a few brush fires along the way, to illuminate the path we call right and just. Libertarians assume a defensive posture in many instances: they are labeled "against" social security, wage and price and rent controls, the Federal Reserve System, criminalization of sexual conduct between consenting adults, and myriad other sanctions. Our role includes patient explanation of the fundamental principles underlying these positions: it also includes much more. Each of us must explain the affirmative of the individualist faith: belief in the dignity of individual man and his power to choose rationally between

alternatives, in the right of each human being to live his life strictly, solely, and uniquely in accordance with the dictates of his own conscience without interference from others save in the event that he acts coercively or fraudulently.

The signal fires I suggest can take many forms far beyond my limited imagination — so long as they truly reflect these basic principles. For example, libertarians living in a state which permits direct legislative action (initiative, referendum, recall) can refer odious legislation, initiate laws which repeal subsidies, recall venal public officials, and the like. Committed libertarians can seek elective office if such a course does not conflict with their concern with power.⁶ Yet reflective people must sound a *caveat*, for political power is power — force — and such tools must be carefully used lest we violate the noncoercive principles underlying the freedom ethic.


Respect Differences

My advocacy of brush fires exemplifies a concomitant thought:

⁶ Like Dr. Ludwig von Mises, if granted power, I would abdicate; that position does not mean that all voluntarists share such a view. Certainly, we need lawmakers and judges to administer common justice, adjudicate disputes, define crimes, prepare and provision armies, and administer those relatively few laws necessary to a free and ordered society.

I do not join the throng which decries the so-called fragmentation of the "right," the tendency of libertarians to heed distinct toc-sins. Some of us exhibit more concern with an ordered civilization; some of us carry the label "traditionalist," others "libertarian," still others "conservative"; some of us consider defense posture important, while others denounce local interferences with our lives in one of the many real and touching guises. Yet our very real strength lies in our diversity, our individuality, not in our being a "cohesive political force"; save the latter for the modern-day liberal who enjoys one-mindedness! We

may exhibit minor philosophical differences between each other — after all, men are individuals, not carbon copies of one another — but we possess many more values in common with other voluntarists than we do with the statist.

Finally, let us display optimism in the ultimate success of our venture. It is quite easy to harken to the many and varied lootings of value which occur daily and to fall into despondency, but such an attitude serves no one well. See the light against the dark morning sky: each evil little scheme presents one or more of us with a grand opportunity to light his candle for freedom. 

Free To Discriminate

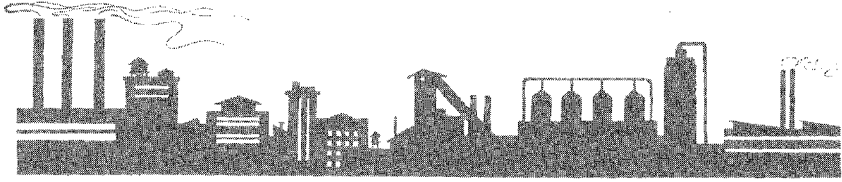
IF MAN IS TO CONTINUE his self-improvement, he must be free to exercise the powers of choice with which he has been endowed. When discrimination is not allowed according to one's wisdom and conscience, both discrimination and conscience will atrophy in the same manner as an unused muscle. Since man was given these faculties, it necessarily follows that he should use them and be personally responsible for the consequences of his choices. This means that he must be free to either enjoy or endure the consequences of each decision, because the lesson it teaches is the sole purpose of experience — the best of all teachers.

F. A. HARPER, *Blessings of Discrimination*

IDEAS ON



LIBERTY



The Multinational Corporation

MARK PETERSON

Is the AFL-CIO right when it warns of the "dimming of America" ensuing from the "export" of American jobs by multinational corporations? And are many non-industrial or underdeveloped countries, such as Mexico, right in clamping curbs and controls on multinationals?

I think not. The multinational corporation, one that undertakes a significant portion of its production outside its original home country, is actually a very natural phenomenon, like the weather, which recognizes no national boundaries. The multinational corporation (MNC) is simply a response to certain economic facts of life: Consumer markets for products are often international, and natural resource deposits bear little relation to Rand McNally's maps. Thus, Swiss Nestlé, an MNC, produces chocolate here because the market is here. GM pro-

duces Opels in Germany because the market is there. And Standard Oil (N.J.) is a MNC because nature favored Venezuela and the Middle East.

Accordingly, I believe the MNC is a natural, common sense response to the major law of economics: be efficient, or don't waste scarce resources. I hope to show that organized labor is wrong, since jobs are not really being "exported," and that underdeveloped countries are equally wrong, since the MNC helps, not hinders, economic growth. Notwithstanding the seemingly universal criticism, the MNC is an example of Adam Smith's "invisible hand" at work, of private enterprise in the public interest.

The stakes involved are huge. Perhaps \$350 billion worth of goods and services annually, or one-eighth of the free world's output, pours out from MNC factories located outside the MNC home countries. American MNCs

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account for roughly \$210 billion or three-fifths of the total MNC output.¹

Organized labor looks askance at that \$210 billion, wondering whether American workers wouldn't be better off if there were no foreign investment by MNCs. The AFL-CIO appears to contend that if MNCs were restricted, the investment money would be spent here, and our growth rate might rocket.

Jobs "Exported"

As it is, jobs have been "exported," according to George Meany. He's vexed by the "run-away plant," which boards up in New Jersey only to pop up in Taiwan, where wages are much lower. He claims the loss of such plants has cost hundreds of thousands of jobs. If the product is destined for foreign markets, why can't it be produced here and exported? Or if we Americans are the consumers (we import Opels, for example), isn't it more logical to produce the product here? (Actually, according to Commerce Department data, only 7 per cent of U.S. MNC production abroad comes back to the U.S.)

The AFL-CIO argument is as full of holes as Swiss cheese, since

¹ The Diebold Institute, *Business and Developing Countries*, Praeger, New York, 1973, p. 5.

it fails to recognize the compelling reasons of economic efficiency behind MNC production abroad. For example, when the customers are foreign (usually the case), U.S. firms often can't easily export to them, due to transportation costs and tariffs. With regard to the former, GM, for example, put up assembly plants in Europe during the 1920's, because it could ship nine unassembled Chevrolets from New York at the same cost as two assembled ones. If there were no assembly plants overseas, GM would have sold fewer cars in Europe, with fewer jobs for its American employees building parts.

In the case of tariffs, or taxes by foreign countries on U.S. exports, again American firms have trouble competing in foreign markets. Production inside the tariff walls of those countries enables them to compete.

Still another efficiency consideration is labor cost. Meany is irked by plants which have "run away" to low-wage countries. But why does this happen? In the words of a Harvard Business School professor:²

² Robert B. Stobaugh, "U.S. Multinational Enterprises and the U.S. Economy," in U.S. Department of Commerce, *The Multinational Corporation, Studies on U.S. Foreign Investment*, Vol. 1, U.S. Gov't. Printing Office, Washington, March 1972, p. 28.

Although U.S. firms have a preference for operating in the United States, in most cases of U.S. foreign . . . investment, U.S. firms do not have the alternative of continuing to serve the relevant market — either in the U.S. or abroad — from their U.S. plants. If U.S. firms tried to continue operating only in the U.S., they would lose their markets to foreign firms, usually large enterprises from Europe and Japan.

Thus, the U.S. electronics firm which has “run away” to Taiwan does so only to survive in the face of Japanese competition; the jobs lost when the domestic plant shut down would have been lost anyway. No jobs have been “exported.”

But why is foreign competition such a threat in the first place? Here the unions themselves are to blame. Normally (that is, in a free market), American firms would shun foreign sites because, though wages are higher here, productivity (or output per worker) is correspondingly higher, due to larger amounts of invested capital per worker. (Another factor for higher productivity is greater “human capital,” i.e., better training and education of American workers.) But the unions, with monopoly power over labor, have pressured wages above productivity levels. To recoup this added expense and to survive in the face

of less unionized foreign competition, the MNC has arisen.

American workers benefit in many ways from the MNC's quest for efficiency — despite, or rather because of, the MNC's move to outflank the unions.³ First, workers benefit through the added profits from foreign operations. It's an economic axiom that capital goes where its return is highest; a firm would never go abroad unless it expected a heightening of profits thereby. These profits return to the U.S.; part are paid out in dividends, and the rest swell the supply of savings. These savings are then often invested in the domestic operations of the company, thereby creating more jobs here. Thus, in the long run there may be more investment in American factories than there would be if firms were ordered to confine their investment to the U.S. True, foreign investment consumes a growing slice of the pie of total business capital, but, thanks to foreign investment, the pie is growing.

Some data bear out this assertion. MNCs do appear more profitable than other large firms.⁴

³ For an explanation that the workers are the real victims of the unions, see W. H. Hutt, *The Strike-Threat System, The Economic Consequences of Collective Bargaining*, Arlington House, New Rochelle, N.Y., 1973.

⁴ Raymond Vernon, *Sovereignty at Bay: The Multinational Spread of U.S. Enterprise*, Basic Books, New York, 1972.

And apparently these profits have fueled domestic expansion, for MNC domestic employment grew by 2.7 per cent a year during the late 1960's compared to only 1.8 per cent for the overall U.S. private sector (Commerce Department data). However, I'm not claiming this evidence is conclusive, since other, hidden factors may be at work.

A second way American workers benefit is through the domestic activity generated by foreign production. For example, American capital equipment may be installed in an overseas plant. Furthermore, an overseas plant can help the foreign sales of domestically produced goods by creating a "full" product line. For example, the addition of a low-priced item manufactured abroad may complement the high-priced export from America and thereby aid the whole sales effort.

Third, American workers benefit as consumers in the relatively rare case of foreign production for domestic consumption. If the MNC can economize on labor costs, it will pass the savings on through lower prices, thanks to competition. Thus U.S. purchasers of portable radios benefit from the plant which has "run away" to Taiwan.

Fourth, American workers benefit from the foreign prosperity

created by MNC investment, through a kind of "feedback." MNC foreign investment tends to expand the economy of a foreign nation; that nation then becomes a better market for U.S. exports. In addition, U.S. owned foreign factories are often better managed than locally owned foreign businesses. Foreign businessmen learn better management techniques by watching U.S. firms in action and by working for U.S. firms.⁵ Through a feedback, we benefit as well, since those more proficient foreigners can sell their goods to us at lower prices and feel more confident about investing here.

For these reasons, I conclude the AFL-CIO's warning of the "dimming of America" is pushing the panic button. The MNC contributes solidly to the national interest. What of the international interest — in particular, that of underdeveloped countries?

The MNC offers nonindustrial nations an opportunity to break out of poverty. One manner in which the MNC promotes growth is the provision of capital. Even liberal economist Paul Samuelson agrees on the need for capital.⁶ The MNC's capital provides jobs

⁵ John H. Dunning, *The Role of American Investment in the British Economy*, available from the Committee for Economic Development, New York, 1969.

⁶ *Economics*, McGraw-Hill, New York, 1973, 9th edition, pp. 775-81.

for many. Thus, to take one example, United Fruit enormously expanded the living standards of the peoples of Central America.⁷

Not only does the MNC pay good wages, but sometimes it offers training in skills, semiskills, and basic literacy and arithmetic, as well as more advanced subjects, in order to foster "human capital." In the case of GE Brazil, the workers had to contribute half the time for such training, while GE Brazil paid them for the other half and met all expenses of the courses.⁸

Improved Management

Another way underdeveloped countries benefit is through the learning of better management techniques. Sears Roebuck, for instance, sent consultants to its local suppliers to aid their operations.⁹ GE Brazil contacted local firms, encouraged them to enter new fields and supply GE, and loaned them funds; GE also sent a few engineers from the U.S. to give advice. Furthermore, GE Brazil

opened its executive suite to Brazilian nationals; of the 51 highest managerial posts, 35 were held by Brazilians in 1961. These native executives soon found themselves in demand throughout Brazil, and some left GE Brazil to work in other firms.

The MNC helps underdeveloped countries in still another way. It provides local consumers with the goods they want at prices lower than the competition's — the traditional way business helps consumer welfare and economic growth in all countries. Thus, Sears Roebuck introduced Mexico to the supermarket and its discount prices; in addition, it initiated a credit system for poorer customers. And GE Brazil built locomotives and electric generators, both helpful to growth, along with products much in demand by individual consumers, such as lamps and radios. When a businessman is able to reduce the price a consumer pays for a product, he helps economic growth, since the consumer has more money to save or spend on other products.

In view of these favorable effects of MNC investment, it is not surprising that the fastest growing underdeveloped countries have been those which have taken a lenient attitude toward foreign investment: Brazil, South Korea, Thailand, Iran, Jordan, Taiwan,

⁷ Stacy May and Galo Plaza, *The United Fruit Company in Latin America*, National Planning Association, Washington, D. C., 1958.

⁸ Theodore Geiger and Liesel Goode, *The General Electric Company in Brazil*, National Planning Association, Washington, D. C., 1961.

⁹ *Sears Roebuck de Mexico, S.A.*, National Planning Association, Washington, D. C., 1953.

Hong Kong.¹⁰ Meanwhile, India's people have experienced hardly any improvement in living standards since their government imposed stringent controls on MNCs, though part of the blame must be shared by India's central planning.

In view of this record, why the hostility to MNCs, such as Mexican President Echeverria's hard line policy and Libya's expropriations or nationalizations (thefts) of oil wells? One root of the problem is leftist ideology, the Leninist concept of imperialism. Another root is the sheer size of some MNCs, which are frequently big, inviting targets, hard to miss, and convenient scapegoats.

Still another root is the competition of MNCs with local businessmen; often a U.S. subsidiary may drive out less efficient local producers. So the government steps in to protect these businessmen (hurting the consumer in the process). Or the government may force the MNC to hire more nationals in top management and allow more shareholding by nationals (local ownership of the subsidiary). These policies manifest a desire to help the rich, the local businessmen, not the poor, the workers and consumers.

The hard line taken by underdeveloped countries is responsible

for the relatively declining interest shown by MNCs. For example, MNC investment in Latin America has declined from 39 per cent of the world total in 1950 to 19 per cent in 1970, while Europe's share increased (Commerce Department data). However, Latin American investment increased in absolute terms.

I believe the hard line policy and the reliance on central planning by nonindustrial nations are responsible for a disturbing trend: the income gap between rich and poor nations seems to be widening, not only absolutely, but relatively.¹¹

In essence, both unions and most underdeveloped countries are blind to the virtues of the free market and fail to perceive how private enterprise serves the public interest. As the late Ludwig von Mises, the distinguished economist, noted, we live in an age of interventionism, and the "anti-capitalistic mentality" increasingly predominates. The critics of multinationals in particular and of capitalism in general should keep in mind Albany's point in *King Lear*: "Striving to better, oft we mar what's well."

¹¹ Peter G. Peterson, *The United States in the Changing World Economy*, U. S. Gov't. Printing Office, Washington, 1971.

¹⁰ Diebold report, *supra* note 1, p. 86.

On "USING"

the Government

MY OLD FRIEND was reminiscing about the Roosevelt years. In his youth he had been a Republican, but when the New Deal battalions took over Washington he found himself marching to their drum.

He has mellowed considerably. As we exchanged ideas recently he was distressed about the nation's deteriorating financial situation. Rather surprisingly, he inveighed against "spending billions as though they were millions"; and he expressed great concern about the inevitably disastrous results of long-continued deficit financing.

But he still looks back nostalgically to the events of the Nineteen Thirties; and I suspect he secretly feels that he participated in a kind of sanctified crusade. Suddenly, after a thoughtful si-

lence, he made a casual remark (or made it casually) that slowly dawned on me as significant, and led finally to the writing of these paragraphs.

"We were terribly excited in those days," he said, "about making America great. We thought nothing of long hours or hard work. We welcomed ideas, and we used government as I think it ought to be used."

They used government as they thought it ought to be used!

He was not being facetious, and certainly no irony was intended. It was a simple statement of an operating principle or method that required no justification, and that apparently aroused no question in his mind.

He and many of his political associates of the New Deal era were men and women of humanity and good intention. They had lived through several years of economic

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depression. It was not limited to America but was a world catastrophe. It was not as bad as they liked to paint it, but it was bad enough in all conscience, and there was hardship and suffering along with business failures and bankruptcies. Something was wrong, they felt, with a politico-economic system in which such a disaster could occur. They wanted to do something about it. They wanted to see a better and more stable society, in which people could all be safe and happy.

And so they decided to have the government take charge of all their good intentions. They would "use" the government in the way they thought it ought to be used — which, though some of them did not realize it, was as a coercive agency to compel everybody to accept, be governed by, and pay for their particular ideas for insuring economic stability, spreading wealth, curbing greed, abolishing poverty, and generally improving the lot of mankind.

Many Demands

That all this could be done by "using the government as it ought to be used" they never doubted. That others were intent on "using" the government for different and often opposing ends did not deter them. The idea was strong and constant in the Washington

of that era. I once heard one of their number, who happened also to be a noted labor leader, express the same idea with respect to *his* program. "I look upon government," he said, "simply as a mechanism for getting things done." While he was generally sympathetic to the wide-ranging program of the New Dealers, the things he especially wanted to get done by force of governmental action were primarily pieces of legislation that favored the aspirations of union leaders. And he was not alone in his self-centered "use" of government. There were others in Washington who wanted to use the government as *they* thought it ought to be used — namely, for their own interest and benefit and that of their friends or constituents. They included representatives of particular lines of business or industry, various trade associations, community development federations, certain kinds of state and regional organizations — a small army of special pleaders, as there always had been. But for the time being the administration forces were in control. Because of a kind of nationwide intellectual paralysis, they had first call on the "use" of government.

And so the country entered the long period of political and economic tinkering that came to be known as the New Deal in capital

letters — so named because of a poker player's phrase in the acceptance speech of their Presidential nominee, in which he called for a "new deal" for the American people.

**The New Deal —
By Men of "Vision"**

Soon Washington was thronged with those who were intent on "saving the country." Many of them, like my old friend, were also concerned, as they expressed it, with making America "great" — a purpose that ignored the fact that our country was already great, very great indeed, in the eyes of the whole world, and in the fervent belief of most Americans. Experts crowded the corridors—economists, sociologists, specialists on urban problems, ditto on rural conditions, financial analysts, tax counselors, market men — you name it.

The Academy, especially, was heavily represented. Theory was at a premium; experience was discounted. Men of experience, it was alleged, had "got us into this mess." It was up to men of theory and academic standing (and of course "social vision") to get us out of it. New ideas were, indeed, welcomed, as my old friend asserted, though most of them turned out to be not new at all, but very old. Most anybody could

get a hearing, especially if he had something radical to propose.

Very shortly, beginning with the famed One Hundred Days, a spate of legislation was ground out by a Congress that had virtually abdicated its power to originate law. Some of it was regulatory legislation that was long overdue. Much of it was costly experimental tinkering. There was an Act to help Agriculture. Quite simply, it subsidized farm operations at the expense of the rest of society, with the two basic provisions that the government would guarantee the farmers a certain price for their produce, and that it would actually pay them for holding a portion of their land out of cultivation in order to create artificial shortages and keep up prices. Perhaps the climactic absurdity was reached when farmers were required to kill a certain percentage of their little pigs, or plow under a specified number of cotton rows.

(Quite recently we have witnessed a throwback to those days in the spectacle of poultry raisers destroying thousands of baby chicks because a governmentally controlled grain market and ceilings on retail prices made it impossible to bring the chicks to table size without actual loss to the grower.)

There was also an industrial recovery Act, so called. It was sup-

posed to restore health to a faltering economy. Among other measures it provided a program under which people engaged in the same line of business or industry could organize under government sanction, and by the adoption of what were called "Codes" could agree on prices, credit, production and other matters, all in defiance of long-established law, and certainly in contravention of the public interest.

To catalogue and examine all that was undertaken would fill a book. Indeed, it has filled many books already. Some of it has gone by the board because it was declared unconstitutional. Some of it has been merged into later programs. But much remains, notably parts of the farm subsidy program, and an elaborate system of old age pensions and medical benefits. These latter have survived and been expanded under the semantically "good" name of Social Security.

It is not my purpose to attempt a detailed analysis of all this vast program. Two points, however, should be made: First, that this was not the first time (nor will it, in all probability, be the last) that men have "used government as they thought it ought to be used." And second, that such well-meant efforts result in the creation of self-perpetuating bureaucracies,

and in keeping expensive and restrictive programs going long after the need for them, real or fancied, is past, or their failure has been demonstrated.

Some Ancient Recipes

As for newness or modernity, the "codification" of industry is at least as old as the European Guild system of the Middle Ages. The compulsory old-age pension system was instituted in Prussia by Bismarck about a hundred years ago, but the idea was not new, even then. And controlling or attempting to control agricultural production and prices by the destruction of growing crops goes back at least as far as the Roman Emperor Domitian during the first century after Christ.

As for bureaucratic self-perpetuation, Washington is full (and so, I suppose, are most State capitals) of agencies whose original purpose has been well-nigh forgotten. But try to get one of them discontinued! Woe betide the conscientious official who would attempt such sacrilege! At once an indignant howl ascends to heaven. A pressure group is formed, clear back to the grass roots. Congressmen are besieged with letters, telegrams, phone calls and delegations. The heat is applied to their important supporters back home. The deprivation syndrome also

comes into play. If the bureau was originally started to provide some sort of "benefit" (financial or otherwise) to segments of the population, then no matter how wasteful, inefficient, or no-longer-needed it may prove to be — hands off! It has become a sacred cow — not only to its scattered beneficiaries, but to its small army of employees. To abolish it would be to deprive worthy people of their rights, and their employment. Shame on you for trying to do such a cruel thing!

And this sort of reaction is not limited to small-fry recipients of governmental aid or employment. It is practiced equally by the scheming housewife who skips from job to job in order to collect so-called unemployment benefits during the idle periods, and the big corporation executive who uses more sophisticated methods of seeing to it that his company retains its full share of the Washington favors. Colleges, universities, states, regions, big business, little business, labor, merchants, bankers, manufacturers, teachers — powerful and influential sections of the society are equally vocal, energetic, resourceful and persuasive in protecting their slice of the Federal pie. They are convinced and dedicated disciples of using the government — as they think it ought to be used.

A Social Disease

So much for what may be called the pragmatic or practical or bread-and-butter aspects of "using" the government. But the matter goes far deeper. These attitudes are surface things — symptoms of the inner malaise that can affect a government and its people when it has ceased to be a government and become a mere collection and disbursement agency for the enhancement of privilege and the distribution of largesse. When such a state is reached, the government, if it survives at all, emerges either as a tyranny or as a collectivist regime. In either case, the general economy ultimately stagnates, initiative is stifled, and freedom, as men have known it and died for it, perishes. In either case, it is a dream gone bankrupt.

What, after all, is government? It is a device created or evolved by men to protect them in their inherent or acquired rights, and to insure their liberty. A good statement of the purpose of any government in an advanced stage of society is to be found in the Preamble to the Constitution of the United States. "To form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to our-

selves and our posterity." In a more primitive society it might have been expressed in simpler terms: "We must organize to keep our several jealous tribes in order, see that everybody gets a fair deal in his relations with others, take care that criminally-minded people can't rob us and destroy our property, have some men specially trained to repel our enemies if they attack us, see to it that everybody has a fair chance to make a living and get ahead in the world, and fix things so that our children will be free."

In post-Colonial America more than a decade of experience and experiment had demonstrated the need for a strong central government. The old Articles of Confederation simply would not suffice. Thirteen separate, jealous, and often mutually antagonistic States loosely federated was not the answer to the question of American survival. The problem was, how to attain the degree of unification that would insure stability and freedom without getting caught in the toils of a centralism that would invite tyranny. Hence the long thirteen years of delay; hence the protracted debate; hence the elaborate precautions against concentrated power; hence the three great divisions of government; hence the so-called checks and balances.

There was a notable intellectual content in the political leadership of that time. They were well grounded in a kind of empirical idealism. Those who hammered out the Constitution were men of education and vision, heavily seasoned with uncommon common sense. To think of them as untutored colonials is to misunderstand completely the kind of life and experience that had molded them. Most of them were highly sophisticated, well educated men, thoroughly grounded in Latin and Greek, careful students of classical literature, and especially familiar with the writings of such philosophers as the Baron Charles de Montesquieu and John Locke, and such legal savants as the great William Blackstone.

On the Shoulders of Giants

From Blackstone they derived an understanding of the nature and purpose of government and law. From Montesquieu they learned the principle of a separation of governmental powers, remembering that the wise Frenchman, himself a magistrate, had written: "When the legislative and executive powers are united in the same person, or in the same body of magistrates, there can be no liberty." From Locke they inherited the idea of "natural rights" (which he said consisted

of life, liberty and property) and the concept of the "social contract" — i.e., government. From all of them and others, as well as from their own abundant common sense, they had developed the conviction that the state was the servant of the people, and not the other way around. They also were committed to the idea of a duality, or diffusion, of power; and so they were careful to provide for, and reserve certain rights and powers to the governments of the several states. Through all their deliberations and decisions ran a salutary fear of too much, too powerful, and too concentrated government. They were careful, therefore, to hedge each branch of government about with definite restrictions upon the nature and extent of the power it should exercise.

The purpose was to provide the authority and strength needed to protect the nation against aggression from without, to guard against civil disorders within, and to make citizens secure in their civil and property rights. And the ideal constantly aimed at was to do this with the minimum of machinery — in short, to avoid the burden, and the danger, of too much government.

So what happened? Perhaps the best answer to that question is to be found in one simple but appalling statistic: The number of *civil-*

ians now employed by our government is TWO MILLION, EIGHT HUNDRED AND NINETEEN THOUSAND, SIX HUNDRED AND SIXTY ONE!

I have put the word "civilian" in italics to emphasize that we are not now talking about soldiers, sailors, marines and air force personnel. They are something else, and a problem in themselves. We are here considering only those employees who are hired to run the innumerable departments, bureaus, commissions, committees, boards and other agencies that have resulted from the determination of the American people to "use" the government.

The Executive Branch

This fantastic bureaucratic army, it should be noted, is almost entirely attached to the Executive branch of the government — naturally enough, because that is where the action is. The Legislative branch merely orders things done by passing a law and voting an appropriation. The Judicial branch merely says whether you can or can't do it under the Constitution. It is up to the Executive, or Administrative, branch to do the job. And so we find that the Legislative branch (both houses of Congress) employs only 33,688 people aside from Congressmen and Senators. The Judicial

branch is still more modest in its demands for help. It employs a relatively insignificant army of only 8,243. (*Only!* That slight quake you felt just then was John Marshall turning over in his grave.) So that leaves the snug little total for the Executive branch of 2,769,848 employees.

In any overview of the government one starts out, of course, with the great Departments, such as State, Defense, Commerce, Justice and the rest, numbering now eleven, with Defense being actually a kind of umbrella department covering the operations of the Army, Navy and Air Force. Each Department has its duties, defined by law originally and enlarged by the zeal and ingenuity of its devoted bureaucrats. (And this is not said critically of them. Many are devoted public servants, doing the job expected of them; but they would be less than human if they did not work to expand the area of action in which their lot is cast.) The names of these great Departments indicate generally the job each was created to do: Commerce — obvious; Labor — ditto; Treasury — our finances; and so on.

But then we come to the so-called Independent Agencies. These have been set up from time to time, occasionally to meet a recognizable need, often as a re-

sult of pressure-group activities. They are all, of course, lodged in the Executive branch. What are they? I can't possibly even list them in an article of this compass; and besides, if I did you probably wouldn't believe me! I suggest, instead, that you get a copy of the *United States Government Organization Manual* for 1972-73. It is published by the government itself and is available for \$3.00 from the Superintendent of Documents, Government Printing Office, Washington. It is a well organized documentation; and it has 710 pages; so in sheer bulk you will get your money's worth.

The section on Independent Agencies begins on page 372 and runs through page 538 — 166 pages of rather small type just to name and describe these Agencies, of which there are now 61. One of them is the General Services Administration, whose job is to provide a system for the management of government property and records, including the construction and operation of buildings, procurement and distribution of supplies, utilization and disposal of property, stockpiling of strategic materials, and so on. In addition to its Washington establishment, it has ten regional offices and operates Information Centers in 35 cities; and it requires five pages of the book just to list the

Administrators, Deputy Administrators, Directors of Projects, and other officials.

So what? Is this written to belittle or discredit the General Services? Not at all. For all I know it is manned by very fine men and women. So far as I am aware, it is a necessary agency, in view of all those Federal buildings and other property. Given the existing set-up, it probably could not be dispensed with. And if that be true, it simply serves to support the theme and purpose of this article, which is not to attack agencies or individuals, but to point out the size, complexity and enormous cost that have resulted from the determination of people to "use the government as they believe it ought to be used."

A Case in Point

On my desk as I write is a recent issue of my home town newspaper. In the "Letters" section, Mr. Brent Hall, Athletic Director of one of our high schools, writes: "I am angry and more than a little scared." Why? Well, he says he is angry "because the U. S. Senate will soon vote on S-2365, a bill which, if passed, would create a Federal Board with practically unlimited power over high school and college athletics."

He goes on to assert that high school and college athletics are

two of the most self-policed and regulated institutions in our society, and he adds: "It is a crime that our political system has become so overloaded with people who think they know what is best for society without consulting those whom they wish to regulate. The whole point of competition in a free society is that it is by choice and not by edict of government." He is scared, he adds, because he fears the Bill may pass by default.

His fear and his anger are both justified; but he should not have been surprised — and I am sure he was not. An effort to put high school and college athletics under Federal control and regulation is a logical extension of what has been going on in other areas for many years. I have not seen the Senate Bill in question, and can only guess at all its provisions; but if it passes we can be sure of two things: First, the Washington Bureaucracy will be enlarged to include another Bureau or Agency or Commission. Just how big it will be is anybody's guess; but there are over 2600 colleges in this country, and about 14,700 high schools with athletic activities; so with some 17,300 athletic programs to monitor and direct, an extensive and costly Bureau will be required. But second, and more important, volunteerism, the

principle of local self-regulation, will have been dealt another blow. And the blow will have been administered at the vulnerable high school and college level, where the minds and attitudes of young people are being formed.

Good Intentions

It is a merry whirl, but a disastrous one, this business of "using" the government. And perhaps its grimmest irony is that it is seldom evil in purpose. On the contrary, it usually springs from good social and humanitarian motives. The intent is not to weaken or destroy the government, but to help some element of society—the poor, the handicapped, the under-educated; the small industry so it can thrive and get to be large; the large industry so it can meet foreign competition, pay dividends, and furnish employment; young people so they may have a better chance in life; old people so they may face age without penury; farmers so they may be on a par with other industry; education so people may better cope with life . . . and so on and on. Nobody wants to injure the government. They just want to "use" it — for the greater glory.

And so, in addition to the 11 great Departments, we have the 61 Independent Agencies and 70 Selected Boards, Committees and

Commissions. And at latest count, and not including the Armed Services, we have, as we have seen, nearly three million people working in those departments and agencies. When you add to these the number of people working for State and local governments, include those in the armed services, and count in the more than thirty-one million who are now on Social Security, we find that there are in round numbers sixty-two million Americans who are now receiving regular monthly checks from government.


One result of all this is that for years now we have had annual budget deficits of from ten to twenty *billion* dollars; that our national debt has been swollen to over \$400 billion; that nobody in authority has made any serious effort to pay anything on that debt; and that inevitably we have experienced a constant and ruinous destruction of the value of our money. Not only has this created an intolerable living-cost burden for the average citizen; on the international plane it has weakened the prestige and influence of our country among the powers of the world.

The other result, which is even more disastrous in terms of real welfare and security, is this: that as a people we seem to have reached the point where we no

longer see any alternative. We accept the "use" of government, and demand more; so much so that in all the clamor of recent months about the cost of food and other life necessities, almost nobody ever mentions the debt and its effects, or seems to see the need for governmental economy. Instead, the well-nigh universal cry has been for more government action: more cost-of-living studies, more wage and price freezes, more controls on the market — in short, for the application of additional expen-

sive and ineffectual adhesive plasters instead of the surgery that is needed!

The simple remedy that nobody mentions can be briefly stated: stop the annual deficits; reduce the size of government; abandon inflationary monetary policies; free the market and let prices find their level.

Will this ever be tried? Or will well-meaning zealots continue to demand that the government be used as they think it ought to be used? 

Power Abused

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.

From the article "Two Ways to Slavery" by James M. Rogers in Essays on Liberty, Vol. III, Foundation for Economic Education, Irvington-on-Hudson, N. Y.

IDEAS ON



LIBERTY

LIBERTY vs. COERCION:

the Burden of Proof

WHENEVER I become aware of some new means by which some of my fellow citizens aim to encroach upon other people's liberty, I tend to oppose such measures. Some time ago a local television editorial advocated the establishment of a new Federal agency to protect the interest of consumers. Later I discussed this with some acquaintances. When they heard my protests, they immediately raised their eyebrows: "Why not?" they asked. "Why should the government stay out of the business of protecting the consumer?"

I tried to explain, starting from the principle of *caveat emptor* and going on to the impossibility of protecting consumers against their would-be protectors. I even argued for some alternative system, such as an insurance program, whereby the consumer can protect himself without involving everyone in this mission.

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None of this seemed to help my case. At each turn I was simply told, "Well, such an agency might still help; it might be able to do something to avoid difficulties with business firms that make shoddy products and cause all sorts of trouble for the consumer." And in a way this is right; such an agency *might* very well do some good for somebody. But this seems hardly sufficient to justify its establishment.

Each time I emerge from such a discussion I make several resolutions. Most frequently I resolve that it does little good to talk about such matters in brief encounters — hardly anyone is prepared to investigate the issues carefully enough to learn anything. It seems inconceivable to most people that agencies of the Federal government should not get involved with such activities as consumer protection, that is, protecting people against their own carelessness. This, despite what Herbert Spencer discovered some time ago: "The ultimate result of

shielding men from the effects of folly is to fill the world with fools." It becomes evident in these discussions that people nowadays rarely think in terms of principles. Who wants to apply an old-fashioned principle to a modern practice? Regulating business firms seems to many people to be light-years away from regulating the work of newspaper and television writers; consumer protection and censorship are thought to have nothing to do with each other. Finally, there is always a problem in protesting some new infringement on human liberty because so many exist already. What point is there in protesting at *this* juncture; after all, we live with so much coercion and force already! Thus, the matter is purely academic, or so these people seem to believe.

For a Better Way

How, then, does one combat this prevailing tendency to run to government to achieve every goal that seems desirable? "Why not?" "It might work despite the record of failures." Let me share some of my thoughts on the matter.

When a program is advocated by someone, others are entitled to know his reason if the program involves them in some unavoidable manner. If I decided tomorrow that I will try, from now on, to help America's consumers by

writing letters to business executives, accompanying buyers on their trips to the store, publishing books about the quality and variety of products available, or the like, no one else need be worried about why I am doing this. I may be someone with altruistic motives, a guilt complex, or a plan to strike it rich through a consumer-protection business. Other people are free to ignore my efforts, or to join in them if they so choose. But they have no right to demand that I furnish them with a justification for my actions. (They could conclude, even rightly, that I am wasting my time, that I will go broke, or something of that sort — just as they could judge my plans to be very valuable. But they cannot justifiably demand that I account to them as to why I am embarking on my mission.)

The case is different when my plans *must necessarily* involve others. Take, for example, the editorial which urged a Federal consumer-protection agency. Others will be involved — including taxpayers, business employees who must comply with regulations, and so on. At this juncture, it seems reasonable to demand that proponents of such a scheme fully explain and justify why other persons should be involved and obliged to join in their mission.

But this is not as simple a de-

mand as it seems. There are times that we believe, without the slightest doubt, that we are entitled to something; and when it is not delivered, we believe we may take measures to remedy the situation. There is no wide-scale agreement in such matters; people differ drastically as to what each believes to be his rights. One person believes that he is entitled to some help with his medical problems whenever he cannot handle them, whereas another may believe that he alone is responsible for such matters as his health, welfare and education. To the first person, it will seem self-evident that others ought to help with his troubles, whether or not they choose to do so; he would think it our *natural* duty, an obligation we have toward each other and whose performance must, at times, be enforced lest his needs be neglected. The second person, however, would consider the duties we have toward each other to be an outgrowth of our own choices; even if some of us have natural obligations toward others, we ought not be forced to perform them. Indeed, if force were to be justified, it would be to see that we are left free to lead our own lives and to be charitable in our own way.

Needed is a philosophical justification of the limits we ought to draw around our actions to help

identify what we are entitled to do, what range of actions we can perform without limiting the liberty of others. This in turn might help explain why we would demand justification before we would allow another to involve us in his schemes. The person who believes that his medical problems should be alleviated through help from others may so believe in all honesty and sincerity. If so, at least he may be invited to consider a philosophical system under which various claims might be justified. Perhaps then he will see that to get the help he wants, he must justify his claim that we should give it to him and also justify any force he would use toward that end.

Sincerity of Purpose

But such a philosophical theory is not a simple matter to develop. Nor can it be communicated in discussion of such an isolated issue as the proposed Federal consumer-protection agency. Such discussion will get nowhere unless the parties have the sincerity of purpose, time, and knowledge to cover the entire range of related ideas back to the theory of liberty.

Some have sought to shorten the discussion, saying that each individual's person or body sets the limit of other people's authority. But clearly this will not suffice, for it does not cover such


things as our house, books, automobile, or musical composition. The theory must relate all such properties to us in some way that will justify our keeping them for ourselves if we choose. Opponents of liberty notoriously complain that Americans have stolen their present land holdings from the Indians. And if this is so, do we have any defense against those who would steal from us in turn these lands and their fruits? Do thieves or recipients of stolen goods have any justifiable complaint if the goods are stolen again?

Even with a sound theory of property rights, the argument for liberty may be lost in the mists of democracy. How often we hear that living in a democracy involves giving up certain rights to privacy, property, and the like. And if that be so, may the individual logically claim anything at all that is not allowed by the majority — or its representatives? What, in short, justifies the view that the exercise of majority rule is limited by certain principles defining human liberty — certain inalienable, universal, and absolute human rights?

So what is one to do in the face of such widely entrenched coercion and political intervention? It seems that education in broad political principles and their phil-

osophical justification must be the general approach. If there is a reasonable case for such coercive intervention, let the burden of proof be on those who are doing the attacking. Let *them* try to justify coercion, even in one or two isolated cases. Let them prove to our satisfaction why consumer protection justifies that millions of others will be deprived of their income without their consent. Let them try to demonstrate the virtue of coercion, for they are the ones who are embarking on the course of action that will necessarily involve the lives of others.

Without a demonstration of the validity of the explicit or implicit claim that others should be forced to comply with the aggressor's plans — however noble these may be — we are entitled to treat his proposal as something entirely arbitrary, without support in truth and justice.

Nor is all this merely an academic exercise. When they are thus challenged, amazingly little attempted justification is forthcoming from most of those who insist that coercion is a valid means for solving human problems. They simply hadn't thought about it that way. And such a provocative challenge may well be their first short lesson toward an education in the nature of human liberty. 



The Future of the Dollar

BEFORE we consider the future of the American dollar it may be wise to cast a glance at the glories of its past and examine the main causes that have brought it to its present humiliating state.

The logical starting point in this examination is Bretton Woods. When the representatives of some forty nations met there in 1944, heretical monetary notions were floating in the air. Lord Keynes, who was there, was their chief spokesman. The most definite of these notions was that the gold standard was a barbarous relic, and neither could nor should be restored. It put every national economy in a strait jacket. It prevented full employment; it strangled economic growth; it tied the hands of national monetary managers. And all for no good reason except an outworn mystique. Besides, there wasn't enough gold in the world to sustain convertibility.

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But because some American Congressmen and some parliaments were thought to have a lingering prejudice in favor of gold, it seemed prudent to compromise, and to set up something that looked almost like a gold standard — a thinly gold-plated standard. So, through an International Monetary Fund (IMF), a sort of world central bank, every other currency was to be pegged at a fixed rate to the Almighty Dollar. Each nation, after fixing an official parity for its currency unit, pledged itself to maintain that parity by buying or selling dollars. The dollar alone was to be convertible into gold, at the fixed rate of \$35 an ounce. But unlike as in the past, not everybody who held dollars was to be allowed to convert them on demand into gold; that privilege was reserved to national central banks or other official institutions.

Thus, everything seemed to be neatly taken care of. When every other currency was tied to the dollar at a fixed rate, they were all necessarily tied to each other at fixed rates. Only one currency was

tied to the dreadful discipline of gold, and even that in a very limited way. Gold was "economized" as never before. It was now the servant, no longer the master.

Automatic Credit

In addition, the Bretton Woods agreements provided that if any nation or central bank got into trouble, it was entitled to automatic credit from the Fund, no questions asked.

Thus, not only released from a strict gold standard, but tempted to imprudence, individual nations felt free to expand their paper money and credit supply to meet their own so-called domestic "needs." The politicians and the monetary managers in practically every country were infected with a Keynesian or inflationary ideology. They rationalized budget deficits and continuous monetary and credit expansion as necessary to maintain "full employment" and "economic growth." As a consequence, there were soon wholesale devaluations. The IMF has published hundreds of thousands of statistics; but the single figure of how many devaluations there were between the opening of the Fund and August 15, 1971, when the dollar itself became officially inconvertible into gold, the IMF has never published.

There were certainly hundreds of devaluations. To my knowledge, practically every currency in the Fund, with the exception of the dollar, was devalued at least once. The record of the British pound was much better than that, say, of the French franc, but the pound itself, which had already been devalued from \$4.86 to \$4.03 when it entered the IMF, was devalued again from \$4.03 to \$2.80 in September 1949 (an action that touched off 25 more devaluations of other currencies within a single week), and devalued still again from \$2.80 to \$2.40 in November, 1967.

Devaluation, let us remember, is an act of national bankruptcy. It is a partial repudiation, a government welching on part of its domestic and foreign obligations. Yet, by repetition by all the best countries, devaluation acquired a sort of respectability. It became not a swindle, but a "monetary technique." Until the dollar went off gold in August 1971 and was devalued in December, we heard incessantly how "successful" the Bretton Woods system had proved.

During the early part of this period, however, the world suffered from what everybody called a "shortage of dollars." The London *Economist*, among others, even solemnly argued that there was now a *permanent* "shortage of dol-

lars." Americans thought so too. Our monetary managers seemed completely unaware of the tremendous responsibility we had assumed when we allowed the dollar to become the standard and the anchor for all the other currencies of the world. Our money managers never dreamed that it was possible to create an excess of dollars. They issued and poured out dollars and sent them abroad in foreign aid. Total disbursements to foreign nations, in the fiscal years 1946 through 1971, came to \$138 billion. The total net interest paid on what the United States borrowed to give away these funds amounted in the same period to \$74 billion, bringing the grand total through the 26-year period to \$213 billion.

This amount was sufficient in itself to account for the total of our Federal deficits in the 1946-1972 period. The \$213 billion foreign aid total exceeds by \$73 billion even the \$140 billion increase in our gross national debt during the same years. Foreign aid was also sufficient in itself to account for all our balance-of-payments deficits up to 1970.

Internal Inflation

We created a good deal of this money through internal inflation. From January 1946 to August 8, 1973, the money supply, as measured by currency in the hands

of the public plus demand bank deposits, increased from \$102 billion to \$264 billion, an increase of \$162 billion, or of 159 per cent. In the same period the money supply as measured by currency plus both demand and time deposits increased from \$132 billion to \$549 billion, an increase of \$417 billion, or 316 per cent.

Because of what our monetary authorities believed was the necessity of keeping this enormous inflation going, they adopted one expedient after another. In 1963, blaming the deficit in our balance of payments on private American investment abroad, they put a penalty tax on purchases of foreign securities. In 1965 they removed the legal requirement to keep a gold reserve of 25 per cent against Federal Reserve notes. They resorted to a "two-tier" gold system. Next they invented Special Drawing Rights, or "paper gold." But all to no avail. On August 15, 1971, they officially abandoned gold convertibility. They devalued the dollar by about 8 per cent in December, 1971. They devalued it again, by 10 per cent more, on February 15, 1973.

Exported Inflation

Before we bring this dismal history any further down to date, let us pause to examine some of the chief fallacies prevailing among

the world's journalists, politicians, and monetary managers that have brought us to our present crisis.

Because we were sending so many of our dollars abroad, the real seriousness of our own inflation was hidden both from our officials and from the American public. We contended that foreign inflations were greater than our own, because their official price indexes were going up more than ours were. What we overlooked — what most Americans still overlook — is that we were *exporting* part of our inflation and that foreign countries were *importing* it.

This happened in two ways. One was through our foreign aid. We were shipping billions of dollars abroad. Part of these were being spent in the countries that received them, raising *their* price level but not ours. The other way in which we exported inflation was through the IMF system. Under that system, foreign central banks bought our dollars to use them as part of their reserves. But in addition, under the rules of the IMF system, central banks were obliged to buy dollars, whether they wanted them or not, to keep their own currencies from going above parity in the foreign exchange market. The result is that foreign central banks and official institutions today hold some 71 billion of our dollars.

These dollars will eventually come home to buy our goods or make investments here. When they do, their return will have an inflationary effect in the United States. Our domestic money supply will be increased even if our Federal Reserve authorities do nothing to increase it.

Balance of Payments

The meaning of the "deficit" in our balance of payments has been grossly misunderstood. It has not been in itself the real disease, but a symptom of that disease. The real question Americans should have asked themselves is not what consequences the deficits in the balance of payments caused, but what caused the deficits. I have just given part of the answer — our huge foreign aid over the last 27 years, and the obligation of foreign central banks under the Bretton Woods agreements to buy dollars. But the foreign central banks had to buy dollars because dollars had become overvalued at their official rate. They became overvalued because the U.S. was inflating faster than some other countries.

After the United States formally suspended gold payments, and after the dollar was twice devalued, foreign banks no longer felt an obligation to buy dollars. The dollar fell to its market rate,

and as one consequence we again have a monthly excess of exports. The economists who had all along been demanding the restoration of free-market exchange rates were right. Now that the dollar is no longer even nominally convertible into gold there is no longer any excuse for governments to try to peg their paper currency units to each other at arbitrarily fixed rates. The IMF system ought to be abandoned. The International Monetary Fund itself ought to be liquidated. Paper currencies should be allowed to "float" — that is, people should be allowed to exchange them at their market rates.

But it is profoundly wrong to assume, as many economists and laymen unfortunately now do, that daily and hourly fluctuating market rates for currencies will be alone sufficient to solve the multitudinous problems of foreign commerce. On the contrary, these wildly fluctuating rates create a serious impediment to international trade, travel and investment. They force importers, exporters, travelers, bankers, and investors either to become unwilling speculators or to resort to bothersome and costly hedging operations. With 125 national currencies represented in the IMF, there are some 7,750 changing cross-rates to keep track of, and twice as many if you state each cross-rate both

ways. With a gold standard gone, with the dollar standard gone, there is no longer a single accepted unit in which all of these rates can be stated.

Some Gain — Some Loss

It is a great gain when currencies can be exchanged at their true market rates. Since this has happened the American trade balance has improved. In the second quarter of 1973, for example, there was again a surplus of exports. In July, 1973, American exports in dollar terms were the highest for any single month on record. But it is one thing to allow trade to improve by abandoning arbitrary pegs on foreign-exchange rates; it is quite another thing for a country to seek to increase its exports at the expense of its neighbors by deliberate devaluation. Yet this is what the United States government has very foolishly done.

In early August, 1973, Frederick B. Dent, the U. S. Secretary of Commerce, assured the American public that the devaluations of the dollar had provided the nation with a "bright opportunity." "Without question," he added, "the most important factor in the improving trade trend is the combination of the two devaluations." In fact, the U. S. Department of Commerce placed an advertisement in the issue of *Time* of July 2, and

in other magazines, declaring that to the U. S. exporter the devalued dollar means "vastly improved prospects," that it would help him to capture "a bigger share of over-sea markets," and that it was up to him to "start putting the devalued dollar to work."

The basic fallacy in this euphoric picture is that it looks only at the short-run consequences of devaluation and even at these only as they affect a small segment of the population.

It is true that the first effect of a devaluation, if it is confined to a single country, is to stimulate that country's exports. Foreigners can buy that country's products cheaper in terms of their own money. Thus, as the Department of Commerce's ad correctly pointed out: "For instance, an American product for which a West German importer paid 1000 deutsche mark only 18 months ago would now cost him as little as 770 marks. Or about 23 per cent less than before." So the American exporter stands to sell more goods abroad at the same price in dollars, or the same volume of goods in higher prices in dollars, or something in between, depending on whether his product is competitive or a quasi-monopoly.

So far, so good. But U. S. exports amount to only $4\frac{1}{2}$ per cent of the gross national product. Now

let us enlarge our view. If the dollar is devalued, say, by a weighted average of 25 per cent in terms of other currencies, something else happens even on the first day after devaluation. The prices of all American imports go up by that percentage (or more precisely, by its converse). Every American consumer has to pay more, directly or indirectly, for meat, coffee, cocoa, sugar, metals, newsprint, petroleum, foreign cars, or whatever. Even the American exporter, as a consumer, has to pay more, and also more for his imported raw materials. So the immediate effect of a devaluation is to force the consumers of the devaluing nation to work harder to obtain a smaller consumption than otherwise of imported goods and services. Is it really a national gain for the American people to sell their own goods for less and buy foreign goods for more?

The belief that devaluation is a blessing, because it temporarily enables us to sell more and forces us to buy less, stems from the old mercantilist fallacy that looked at international trade only from the standpoint of sellers. It was one of the primary achievements of the classical economists to explode this fallacy. As John Stuart Mill said:

The only direct advantage of foreign commerce consists in the imports. A

country obtains things which it either could not have produced at all, or which it must have produced at a greater expense of capital and labor than the cost of the thing which it exports to pay for them. . . The vulgar theory disregards this benefit, and deems the advantage of commerce to reside in the exports: as if not what a country obtains, but what it parts with, by its foreign trade, was supposed to constitute the gain to it.

Long-Run Effects

So far I have considered only the immediate effects of a devaluation. Now let us look at the longer effects. The devaluation or depreciation of a currency soon leads to a rise of the internal price level. The prices of imported goods, as I have just pointed out, have a corresponding rise immediately. The demand for exports rises, and therefore the prices of export goods rise. This rise of prices leads to increased borrowing by manufacturers and others to stock the same volume of raw materials and other inventories. This leads to an expansion of money and credit which soon makes other prices rise. (Often, of course, the causation is the other way round: an expansion of a country's currency and a consequent rise of its internal price level will soon be reflected in a fall of its currency quotation

in the foreign exchange market.) In brief, internal prices soon adjust to the foreign-exchange quotation of the currency, or vice versa.

We can see more clearly how this must take place if we look at a freely transportable international commodity like wheat, copper, or silver. Let us say, for example, that copper is 50 cents a pound in New York when the deutsche mark in the foreign exchange market is 25 cents. Then purchases, sales, and arbitrage transactions will have brought it about that the price of copper in Munich is four times as high in marks as in dollars plus costs of transportation.

Suppose the dollar is devalued or depreciated so that the mark now exchanges for 40 cents. Then, assuming that the price of copper in terms of marks does not change (and though I have been specifically mentioning marks, dollars, and copper I intend this as a hypothetical and not a realistic illustration), purchases, sales, and arbitrage transactions will now bring it about that the price of copper in New York will have to rise 60 per cent in terms of dollars. To bring this new adjustment about, more copper will flow from the U. S. to Germany. But after this temporary stimulus to American export, the new price adjustment will bring it about that, other

things being equal, the relative amount of copper exported may be no different than before the devaluation.

A Brief Period of Transition

I have been speaking of international commodities, traded on the speculative exchanges, and easily and quickly transportable. In these commodities the international price adjustments will take place in a few days or weeks. The price adjustments of most other goods will, of course, take place more slowly. The main point to keep in mind is that there is a constant tendency for the internal purchasing power of a currency to adjust to its foreign-exchange value — and vice versa. In other words, there is a constant tendency for the internal *prices* in a country to adjust to the changing foreign-exchange value of its currency — and vice versa. Though our modern monetary managers and secretaries of commerce seem to know nothing about this, the purchasing power theory of the exchanges was first explained a century and a half ago by Ricardo.

In other words, the alleged foreign trade “advantages” of a devaluation last for merely a brief transitional period. Depending on specific conditions, that period may stretch over more than a year or less than twenty-four hours. It

tends to become shorter and shorter for any given country as depreciation of its currency continues or devaluations are repeated. Internal currency depreciation usually lags behind external depreciation, but the lag tends to diminish.

Statistical studies have been made of the relationships of the internal and external purchasing power of a currency under extreme conditions — for instance, the German mark during the 1919-1923 inflation. (See *The Economics of Inflation*, by Constantino Bresciani-Turroni, 1937.) It would not be too hard for any competent statistician, with the help of a copy of *International Financial Statistics*, published monthly by the IMF, to put together revealing comparisons of foreign-exchange rates and internal prices for any country that publishes reasonably honest wholesale or consumers price indexes.

It is instructive to recall, incidentally, that at the height of the German hyperinflation, which eventually brought the mark to one-trillionth of its former value, monthly exports, measured in tonnages, fell to less than half of what they had previously been, while the tonnage of imports doubled or tripled.

In brief, the pursuit of a more “favorable” balance of payments,

or a trade "advantage," through depreciation or devaluation of one's own currency, is the pursuit of a will-o-the-wisp. Any gain of exports it brings to the devaluating nation is temporary and transient, and is paid for at an excessive cost — an internal price rise and all the economic distortions and social discontent and unrest this brings about.

The usual criticism of currency devaluation is that it will provoke reprisals; that other countries will try the same thing, and the world may be plunged into competitive devaluations and trade wars. This objection is, of course, both a valid and a major one. But what I have been trying to emphasize here is a point that few of our monetary managers have grasped — that even if there is no retaliation, devaluation as a deliberate policy pursued for the sake of a foreign trade gain is self-defeating and stupid. The two American devaluations, for example, were monumental blunders. If the world's monetary managers can be brought to learn this one lesson, the economic and political gain will be immense.

Remedial Measures

What steps should be taken to halt the present world inflation and return the world to sound money? The immediate steps are simple and can be briefly stated.

The United States — and for that matter every country — should forthwith allow its citizens to buy, sell, and make contracts in gold. This would be immediately followed by free gold markets, which would daily measure the real depreciation in each paper currency. Gold would immediately become a *de facto* world currency, whether "monetized" or not. The metal itself would not necessarily change hands with each transaction, but gold would become the unit of account in which prices would be stated. Exporters would be insured against the depreciation of the currencies in which they were being paid.

The second (and preferably simultaneous) step can be stated more briefly still. Every nation should refrain from further increase in its paper money and bank credit supply.

For the United States a special measure would also be needed. A hundred billion dollars or more are held by foreign central banks and foreign citizens. Most of these are no longer wanted. They dangerously overhang the market, and constantly threaten to bring sudden and sharp declines in the dollar.

The U. S. government must do two things. It must follow monetary policies that will assure foreign dollar holders that they are

not holding an asset that is likely to depreciate still further but, on the contrary, one that is likely to keep its value or even to appreciate a little. Secondly, the U. S. government should volunteer to fund the dollar overhang. It could do this by offering foreign central banks interest-bearing long-term obligations for their liquid dollar holdings — say, bonds that would be repayable and retirable, principal and interest, in equal installments over a period of twenty-five or thirty years. It should preferably negotiate with each country separately, and should guarantee its bonds by making principal and interest repayable, at the option of the central bank holding them, in either the face value of the dollars or in the currency of the country holding them, at the same ratio to the dollar as of the market rate on the day the agreement was reached. Thus, the Bank of Japan would be paid off, at its option on any payment date, either in dollars or in yen; the Bundesbank either in dollars or in marks; and so on.

Ricardo's Recommendations of a Full Gold Standard

Of course, the world should eventually return to a full gold standard. A gold standard is needed now for the same reason that David Ricardo gave for it in 1817:

Though it (paper money) has no intrinsic value, yet, 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 have 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.

A return to gold will involve some difficult but not insuperable problems, which we shall not attempt to discuss in detail here. The main immediate requirement is that individual countries stop increasing their paper money supplies.


But my topic here is the future of the dollar — not what it ought to be, but what it is likely to be. And I am obliged to say that the outlook for the dollar — or, for that matter, of national currencies anywhere — is hardly bright. The world's currencies will be what the world's politicians and bureaucrats make them. And the world's politicians and bureaucrats are still dominated everywhere by an inflationary ideology. Whatever they say publicly, whatever fair assurances they give, they still have a

mania for inflation, domestic and international. They are convinced that inflation is necessary to maintain "full employment" and to continue "economic growth." They will probably continue to "fight" inflation only with false remedies, like "income policies" and price controls.

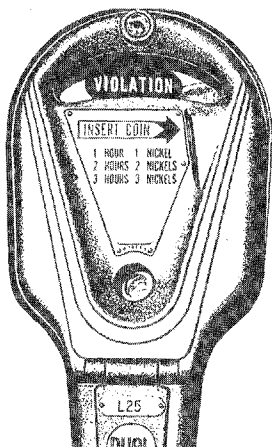
The International Monetary Fund is the central world factory of inflation. Nearly all the national bureaucrats in charge of it are determined to continue it. Having destroyed the remnants of the gold standard by printing too much paper money, they now propose to substitute Special Drawing Rights, or SDR's, for gold — in other words, they propose to print more international paper money to serve as the "reserves" behind still more issues of national paper monies. The first international step toward sound money, to repeat, would be to abolish the IMF entirely.

In August, 1973, the present American Secretary of the Treasury, George P. Schultz, named fourteen men as members of a new advisory committee on reform of the international monetary system. These included three former Treasury secretaries, all of whom pursued the very monetary policies that brought the United States and

the world to its present crisis. The whole list of men in this committee included only two professional economists. I don't want to attack individuals, but to my knowledge not a single man appointed to the new panel believes in the gold standard, has ever advocated its restoration, or has ever spoken out in clear and unequivocal terms even against the chronic increase in paper money issues. But the climate of opinion is now such in the United States that I must confess I would find myself hard put to it to name as many as fourteen qualified Americans who could be counted on to recommend a sound international monetary reform.

The truth is that everybody is afraid of a return to sound money. Nobody in power wants to give up inflation altogether because he fears its abandonment would be followed by a recession. It's true that if we stopped inflation forthwith we might have a recession, for much the same reasons as a heroin addict, deprived of his drug, might suffer agonizing withdrawal symptoms. But such a recession, even if it came, would be a very minor and transient evil compared with the catastrophe toward which the world is now plunging. 

FREE PARKING...



*Space Not
Available*

GARY NORTH

"You can't get something for nothing," is about as safe a slogan as one could invent. Sometimes we get what turns out to be nothing for something, although we hadn't originally planned it that way. But sometimes "nothing" turns out to be something, and all kinds of problems appear if we fail to put a price tag on it.

One of these "nothings" is space. People want to get a piece of nothing in order to put something into it. This is a far greater problem in productive capitalistic societies than it is in underdeveloped nations. We have so many items around that we need space to house them. So the price of "nothing" — empty space — goes up.

One place where this space prob-

lem occurs is on the Hollywood Freeway at 5 p.m. Another is the Long Island Expressway, or as it is also known, the world's longest parking lot. Lots of drivers try to insert their cars into the available freeway space. And the "freer" the freeway, the worse the jam. Men are told that it costs them nothing extra to use the available space on the freeways; they find subsequently that there is greater demand for "nothing" than supply at zero price at 5 p.m. Even on the Eastern toll roads, the same problem occurs, since it always costs the same, day or night, to use the available space. There is no incentive to allocate the space economically. It costs three cents (or whatever) per mile at 5 p.m. or 7 p.m.

Parking space is another problem. Private firms have plenty of incentive to purchase space down-

Dr. North, economist, lecturer, author, currently is an associate of Chalcedon, an educational organization dedicated to Christian research and writing. His latest book is *An Introduction to Christian Economics*, Craig Press, 1973.

town and allocate it according to the most efficient uses. It costs more to park in the heavily used business districts than in a suburban area. Men therefore have an incentive to plan wisely. If they want to pay less, they can go to work earlier, park farther away, and walk the extra distance, or ride the bus.

No Man's Lane

But some sections of a business district may be outside the private sphere's ability to allocate space rationally. I refer to the curb lanes of the city's streets. These are the property of the city government, not private citizens. There was a time in the past when the doctrine of "free" space led to the same sort of difficulties that the doctrine of "freeways" creates today. It was only when urban communities took a lesson from the free market that the problems diminished. Arnold Shapiro describes what happened:

Parking a car downtown in most cities in 1935 made grown men cry — and curse. Practically all the spaces were occupied by the cars of store owners, their employees and several other all-day parking hogs. The shoppers fought over whatever was left and chaos prevailed.

In Oklahoma City, the Chamber of Commerce turned for help to newspaper editor Carl McGee, who had

achieved fame in the 1920's for uncovering the Teapot Dome scandal. He solved his city's parking problem by inventing one of America's most helpful but irksome gadgets: the parking meter.

On a July morning in 1935, Oklahoma City drivers were confronted with 174 of McGee's Park-O-Meters. As an experiment, these four-foot-high mechanical cops were placed on one side of a few downtown streets. The contrast spelled success. On the unmetred sides, there continued to be confusion — cars jammed together and pushed in front of fire hydrants, fenders bent, and traffic stopped by motorists backing into cramped parking spaces.

On the metered sides, there was order and room for every car to be parked. The price tag for this luxury? Five cents for an hour. [Which was plenty in 1935 Oklahoma City, Shapiro fails to mention.] When merchants on the unmetred sides realized that the meters helped business by keeping the flow of customers moving, they requested meters in front of their stores.¹

Prices set by governments are only vague estimates. Other considerations besides profit must be considered, such as the political reaction to increased meter costs. The public streets are a monopoly, so it is not possible to measure economic value of the spaces di-

¹ Shapiro, "Meter Maids Show Their Mettle," *Westways* (October, 1973).

rectly, since outside agencies are not allowed to enter the market to buy up the spaces. Thus, even at best, the meters are inefficient space-allocators. But when compared to the effects of "free goods" for one and all, there is no question which approach allocates more rationally.

Didn't the merchants in Oklahoma City realize that by parking their own cars on the streets they would reduce local business? Probably they did, or at least some individuals did. But if any one man does find other spaces for his car and his employees' cars, he only leaves a "free" space for the merchant across the street. It is very hard to organize all the local merchants, impose sanctions, and then keep out all-day nonshoppers (e.g., movie viewers) from taking the available spaces. But the simple addition of an allocating device, the parking meter, reduced the disorder.

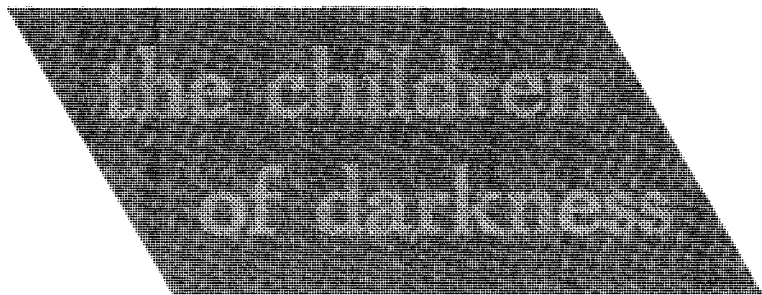
A Pricing Problem

Today we are returning to the pre-1935 parking problem. Meter fares are probably too cheap in some areas. The allocation action is provided primarily by the inconvenience of having to return to the meter to deposit a fresh

coin. Other devices must be added, such as chalk-marking of tires (in those regions that only allow one hour of parking, even with the nickel meter). Even the "no parking" signs, however, are really little more than expensive parking spaces: a \$5 or \$10 fine is imposed, which in downtown New York City may be cheaper than a local parking lot, especially if the city planners impose ceilings to the legal parking fees in private lots, or establish "quality-oriented" guild monopolies among the operators of the lots.²

If "nothing" is really something, but political authorities insist on charging nothing for it, there will be endless confusion, disruption, and waste. The fallacy of "nothing" for nothing is just another case of something for nothing. To avoid paying money for something valuable, we wind up paying plenty — in frayed nerves, bent bumpers, missed appointments, and so forth. In a culture that already drains us emotionally and physiologically, it seems far cheaper to pay enough money to get the things we need. It might even be a form of preventive medicine. ☉

² See Henry Manne's classic description, "The Parable of the Parking Lots," *The Public Interest*, No. 23 (Spring, 1971).



EVERY YEAR the Northfield, Illinois, publishers of *Who's Who Among American High School Students* issue a detailed response to a questionnaire which they circulate to a few thousand "high achievers" in the eleventh and twelfth secondary school grades. The 1972-73 annual survey is extremely encouraging; our seventeen-year-olds are now refusing to associate themselves with any of the hippie attitudes of the late Nineteen Sixties. The vast majority of the boys and girls who replied to the questionnaire indicated a good rapport with their families, said "no" to sexual promiscuity, and presented an overwhelming opposition not only to hard drugs but also to the marijuana cult. If and when they

carry their attitudes on into college, we are likely to see an end to campus trashing, the forcible seizure of deans' offices, and the endless demonstrating and violent politicking that keeps serious students from paying attention to their books.

This is the more hopeful reading of the future. Surely Richard S. Wheeler, a former chief editorial writer for the *Oakland Tribune*, would like to endorse the idea that American adolescents are returning with some real conviction to our older and saner traditions. But, as Mr. Wheeler says in an epilogue to his *The Children of Darkness: Some Heretical Reflections on the Kid Cult* (Arlington House, \$7.95), he can't quite believe there has been any

fundamental change in the ideology governing the youth movement. The new calm, he says, is tactical. He very much fears that our so-called counterculture "remains stubbornly alienated." It would, he thinks, take a real religious movement among the young to change things much, but he doubts that such a movement is in the making. "Too many of the kids," he concludes ominously, "have a compact with the devil."

Permissive Adults

The truly interesting thing about Mr. Wheeler's book is that he blames the adult world for the kid "revolution" of the Sixties. What happened was that the children who were born in the years after World War II tumbled to the fact that their permissive parents didn't give a damn about much of anything. The parents were still living on the moral capital built up by their forebears who still held to the values of an individualism tempered by traditional Christianity. Underneath the correct behavior of the adult world the young sensed a complete lack of moral convictions. The hypocrisy of the adults provoked the counterculture. What the kids did in the Sixties was to act out the secret beliefs, or lack of beliefs, of their elders. The hidden nihilism of our world suddenly

took on active and violent form.

The irony of the protest against regimentation by the "Establishment" is that it happened in the freest society the world has ever seen. What the kid culture failed to understand was that there was nothing to prevent each and every individual from achieving a personal salvation that might have transformed society without any "revolution." Here Mr. Wheeler zeroes in on the picture of the world presented to people who get their news from the TV screen. In Mr. Wheeler's opinion it was no accident that our "first television generation has turned out to be revolutionary."

A Negative Image

The image of America that comes over the tube is heavily negative. On TV, society is exploitative. Our capitalists have "raped" the continent (never mind that wood from our forests built millions of homes that have been adequately warmed by our oil and coal). Our blacks "are cannon fodder, and rich men sit upon the pile of their corpses." Nader's picture of our economic system is taken by the young TV-viewers as gospel: the consumer is represented as being cheated at every turn.

With calamity the daily TV fare, how could the first television

generation know that the workaday American world goes smoothly enough even though our society has been failing in philosophic and religious conviction? The kids, untrained in the reading arts in a school system that does not know how to teach grammar, rhetoric and logic, are unable to catch a hint from the routine dividend reports on the financial pages, or the story about a golden wedding anniversary on the society page. Muckraking journalism, taking over the big broadcasting studios, sees the world as a seamless web of "problems," each more devastating than the one before.

Mr. Wheeler observes that, "thanks to the media," there is "no longer any spatial isolation or localization of interest" in what the young receive from our "democratized" reporting. Evil is everywhere, whether in Biafra, Vietnam or the American Appalachians. The TV camera turns everything into instant crisis. And so we have an obsession with politics: if Christianity has failed to solve our crises, the State must do what individuals, working in voluntary groupings, have been unable to accomplish.

Self-Betrayal

The kids, according to Mr. Wheeler, don't really believe that State action will change things.

But if there is no God, some secular surrogate for the Deity must be found. So the kids play at a revolution which, if it should ever succeed, would hand things over to the socialistic modern liberals. Retreating to their communes or copping out by succumbing to the drug culture, the Flower Children don't make good material even for a Party of the Left. But in going along with the Leftist criticism of capitalism, the Flower Children have betrayed themselves. Liberal reform may have failed, but it is still thought of by the young as the only alternative to "repression."

The real trouble with the young, as Mr. Wheeler sees it, is that they are terrified by the "vast liberty of a permissive society." They are vaguely aware that they might become anything they choose, but it takes character to persist in learning a skill or acquiring the patience to wait for promotion in any hierarchical arrangement of society. Having been reared in an overprotective environment, the young have not had any chance of developing resilience and toughness.

Terrified Leaders

The gurus of the Sixties were all terrified creatures on their own. "Liberty," says Mr. Wheeler, "terrifies Herbert Marcuse . . . it

appalls Tom Hayden and Mark Rudd . . . for those unprepared for it, liberty is the most frightful bomb ever to explode on the human psyche." The kids, in their rebellion, have actually hoped to encounter some frontiers of resistance from their elders. But they have had no such luck; society has become a spongy mass.

There will be no basic change in our situation without a spiritual revival. Mr. Wheeler thinks our Christian churches must "garrison themselves" to fight our secular liberalism that tries to turn responsibilities over to the State. The time may be soon at hand, he says, "when Christianity must retreat into the monastic life." But what if the kids continue to "have a compact with the devil"? Mr. Wheeler remains a pessimist: "the great rockfests are over," he says, "but the music lingers on."

▶ ABRAHAM LINCOLN — THEOLOGIAN OF AMERICAN ANGLISH by Elton Trueblood (New York: Harper & Row, 1973) 149 pp., \$4.95 cloth.

Reviewed by W. Marshall Curtiss

DR. ELTON TRUEBLOOD, renowned Quaker theologian and professor at Earlham College, has written "another" book on Lincoln. He makes no apology for adding to the vast storehouse of writings about this great personage. He reminds us that Lord Tweedsmuir, in justification of another biography of Oliver Cromwell said: "Every student of the seventeenth century in England, must desire sooner or later to have his say about its greatest figure."

Of the American Experiment, Dr. Trueblood says: "We know who the greatest figure is and we cannot leave him alone. The next best thing to being great is to walk with the great."

Dr. Trueblood feels that in these troubled times, a walk with Lincoln is especially appropriate. Most particularly, he discusses Lincoln's religion. In his analysis of these complex aspects of Lincoln, the author, while aware of the voluminous writings about the man, relies largely on what Lincoln himself wrote. He did draw substantially on the writing of the late Reinhold Niebuhr.



A few writers, recently, have attempted to pin the label "racist" on Lincoln. During the Lincoln-Douglas debates, it is said that Douglas suggested Lincoln's position would lead to intermarriage and the mixing of the races. Lincoln said: "There are white men enough to marry all the white women, and enough black men to marry all the black women, and in God's name, let them be so married." Those who would call this racism should read further, especially the Emancipation Proclamation.

Politically, Lincoln was a staunch believer that politics is the science of the possible. As a careful student of the American revolutionary times, he knew that the republic was founded in compromise. His mission, as he conceived it, was to preserve the republic — the American Experiment — at all cost. He saw slavery as one aspect of a greater problem. "My paramount object in this struggle is to save the Union and it is *not* either to save or destroy slavery. If I could save the Union without freeing *any* slave I would do it; and if I could save it by freeing some and leaving others alone, I would also do that."

This position, of course, did not endear Lincoln to extremists of either side. It led, no doubt, to the belief that a deeply religious man

could not hold such views. But Lincoln believed that some degree of consensus was necessary if the Union was to be preserved. He emphasized this in his "House Divided" speech: "I believe this government cannot endure, permanently half *slave* and half *free*."

As the war wore on, Lincoln saw that if the Union was to be preserved, slavery must go. His Emancipation Proclamation was the culmination of his thinking in this area.

Trueblood's development of Lincoln's religious thinking is largely to show how it developed from early boyhood to mature adulthood. The fact that Lincoln never became a member of an organized church has led some to think of him as nonreligious. But Trueblood points out that only 23 per cent of the population were church members in 1860 compared with 60 per cent a century later.

An interesting sidelight on Lincoln's reaction to those who would have one big church instead of the divided condition of Protestantism and the fragmentation which then existed, is his reply to a visitor who lamented this situation. "The more sects we have the better. They are all getting somebody in, that others could not: and even with the numerous divisions we are all doing tolerably well." This might well be pondered by those

who today advocate "one big conservative organization."

It will be recalled that Lincoln's education was based in large part on his early reading of the Bible. He could quote from it at length and it had great influence on his later speaking and writing. His was a religion of the Bible rather than of an organized church. Perhaps the most important aspect of his religion was that he was more concerned with knowing God's will than in seeking personal salvation. Trueblood says: "He could not abide the kind of a religion which made a man interested only in the salvation of his own soul without any reference to human injustice such as that of slavery." He was free of the self-righteousness that seemed to trouble the extreme idealists. "He differed from the fanatical moralists primarily in that he was always perplexed." Or, as we would say today, he didn't have all the answers.

In seeking to know God's will, Lincoln was aware that in the war, *somebody* was mistaken. He knew that Jefferson Davis was, like himself, a man of prayer. He knew that both sides prayed to the same God.

Grounds for skepticism over Lincoln's religion may have come from his youth when he delighted in debate and took either side of any argument. This may have led

to the often quoted Herndon saying that Lincoln was an infidel. But to study his development, with deep religious experiences, makes it reasonably clear that Lincoln was a religious and compassionate man. His early years were lighthearted and his speech full of humor. Referring to his storytelling during a troublesome time in later years, he said: "If I couldn't tell these stories I would die." Trueblood tells us that the death of his four-year-old son Eddie in 1850 "sufficed to eliminate forever the lighthearted irreverence of his youth." "During his forty-nine months in the presidency, Abraham Lincoln issued nine separate calls to public penitence, fasting, prayer, and thanksgiving. Seen together they reveal with remarkable clarity both the growth and the depth of the man's inner life."

Students of freedom, limited government, and the voluntary society will be interested in Trueblood's reference to John Bright and his influence on Lincoln. It will be recalled that Bright joined Richard Cobden in 1841 in the Anti-Corn-Law League. Bright was an English Quaker, opposed to slavery and a strong opponent to England's recognition of the Confederacy. There was much Southern and Anti-Union sentiment in England at the time and John Bright was almost the only major

statesman who supported Lincoln's firm policy. Bright did have the support of Queen Victoria and Prince Albert, all of which was of great importance to Lincoln.

As expected, Trueblood would include mention of important Quaker influences on Lincoln. John Bright was one; and another, perhaps even more influential in his later life, was Eliza P. Gurney. Mrs. Gurney was the widow of the famous English banker and Quaker minister, Joseph John Gurney.

Trueblood says that the Lincoln-Gurney letters — together with Lincoln's "Meditation on the Divine Will" — "provide a genuine introduction to the theme completed in the Second Inaugural." This address often has been called the greatest state paper of the nineteenth century and a theological classic.

Evidence of Lincoln's spiritual growth was a statement by Horace Greeley, editor of the *New York Tribune*. Greeley had been most critical and impatient with Lincoln in the early years of the war, but later wrote: "Never before, did one so constantly and visibly *grow* under the discipline of incessant cares, anxieties, and trials. The Lincoln of '62 was plainly a larger, broader, better man than he had been in '61; while '63 and '64 worked his continued and unabated

growth in mental and moral stature."

Trueblood's little book is truly a refresher for those whose study of Lincoln has dimmed a bit over the years, as well as an introduction for those just starting their "walk with the great."

► **UNDERSTANDING THE DOLLAR CRISIS** by Percy L. Greaves, Jr. (Belmont, Mass. 02178: Western Islands) 302 pages, \$7.

Reviewed by Henry Hazlitt

THIS BOOK consists of a series of seven lectures given by Professor Greaves in the Argentine in 1969. Yet it forms, in effect, a rounded economic text. The titles of the lectures sufficiently indicate their contents: 1. What Is Economics?, 2. The Role of Value in Human Action, 3. How Prices Are Determined, 4. The Effect of Wage Rate Interventions, 5. The Theory of Money, 6. The Cause of the 1929 Depression, and 7. The Evolution of the Present World Monetary Crisis.

There is a Foreword by the late Professor Ludwig von Mises. Percy Greaves has been for years a devoted student of Mises and does not profess to be doing much more than apply the principles of "Misesian" economics to some of the outstanding problems of our time. Yet, through his long years

of study and thinking he has made these ideas his own.

In an autobiographical passage in his preface, he tells us how deeply he and his family suffered from the collapse and depression of 1929, how the gnawing question of what caused this depression set him off on a life-long quest for an acceptable answer, and how, at last, becoming aware of Ludwig von Mises and his teachings, he finally found answers that fully satisfied him as to the real causes of inflation, mass unemployment, and modern economic depressions.

The first four lectures are almost purely theoretical. They lay the groundwork for the last three, which deal largely with recent economic developments and future prospects. In this arrangement Mr. Greaves follows the practice of Böhm-Bawerk, the teacher of Mises, who once said: "I cannot profitably discuss the 'practical' side of the subject until there is complete clarity with respect to the theoretical side."

Readers of Mises and Böhm-Bawerk will find few surprises in the early chapters on the nature of economics, the role of value, and the determination of prices. They will, however, find the exposition simple, clear, and condensed. Mr. Greaves opens what he calls Part Two with his chapter on "The Theory of Money." In his Preface

he has told us that "The study of money is at the apex of that mountain of human knowledge known as economics." His chapter justifies that description.

The theory he expounds is essentially that of Mises, but his presentation is lucid and concise without being oversimplified. It is a quantity theory of money, in the sense that it recognizes that whenever the quantity of money is increased, other things being equal, the value of each unit tends to fall (as with any other economic good). But this is not the crude mechanical quantity theory of money (espoused today by the so-called monetarists) which holds that a given increase in the quantity of money will produce the same proportional increase in "average prices." Greaves points out that the increases in commodity prices brought about by increases in the quantity of money are neither proportional nor uniform, nor do they occur all at the same time.

He exposes the fallacies in the idea that the value of money can somehow be kept constant by political manipulation. It is impossible in the nature of the case to maintain inflation indefinitely at a uniform rate. Inflation — the injection of new paper money into a society — can never provide more than, at best, a merely transitory

stimulation. It adds no new wealth; it merely redistributes purchasing power, and can help some groups only at the expense of others. Inflation is never necessary: "The quantity of money available in any society is always sufficient to perform for everybody all the functions that money can perform." "A free market economy cannot permanently operate on a politically manipulated paper money standard. Free men need a market-selected money. Under present conditions, this means a gold standard."

The present writer is often asked by correspondents in what book or books they can learn most about economics. I have told them that the Mt. Everest of modern texts is Ludwig von Mises' *Human Action*, but I have had to warn them of the difficulties of the ascent, particularly for tyros. The problem has been to recommend a book or books that would most quickly prepare them to understand the Mises opus. I have often suggested Faustino Ballvé's little *Essentials of Economics*, which is excellent, but not long enough (126 pages). What has been lacking is a book of intermediate length to introduce readers to a full appreciation of the Misesian principles and insights. Professor Greaves' book, among its other merits, admirably meets this need.

▶ TWO CONCEPTS OF THE RULE OF LAW by Gottfried Dietze. (3520 Washington Boulevard, Indianapolis, Liberty Fund, Inc., 1973) 108 pages, Cloth, \$5.00.

Reviewed by Ridgway K. Foley, Jr.

WHAT CONSTITUTES the essence and appropriate role of the state? How does man define justice? What is law; what is order; what is liberty; and, how do these concepts interrelate? Under what system or governmental structure can we secure maximum individual freedom and yet preserve the order necessary to avoid anarchy? What forces threaten liberty and orderliness today?

These and related inquiries have intrigued political philosophers and students of jurisprudence from the time of Plato. Now Gottfried Dietze, the distinguished scholar from Johns Hopkins University best known for his *In Defense of Property* published a decade ago, turns the light of his analysis and talents upon such heady questions in *Two Concepts of the Rule of Law*.

Encouraged and published by Liberty Fund, Inc., Professor Dietze's latest book consists, in the main, of two long essays: "The Just State and State Justice", composed in 1966, and "State Justice and the Just State", written from a vantage point five years later. Despite similarity of

title, the two chapters examine similar problems from divergent points of view, points of view induced if not impelled by events transpiring in the United States in the intervening years.

The author cogently observes "In today's Germany, constitutionalism is probably endangered as much by state impotence as by state omnipotence." (pages 92-93). While he directs a warning to the Bonn regime, his analysis, writ large, should be heeded by all nationalities. Indeed, this sentence summarizes the entire book: constitutional government, the nineteenth century structural hope for securing personal liberty, faces a dual threat, an ever-expanding welfare state and an omnipotent permissive state.

The Encroaching State

In Chapter I, "The Just State and State Justice," Professor Dietze lays bare the threat of the enveloping state, ever intruding more deeply into the lives of its citizens. Although he displays no particular commitment to libertarianism (and indeed seems a captive of Germanic traditionalism), we know from his magnificent *In Defense of Property* where his instincts rest. Yet in this chapter, the writer seems to seek an orderly balance in which essential law will preserve and protect the individual

without despotism. If, by this, Professor Dietze means that government should maintain and enforce rules which inhibit and deter individuals from coercing and defrauding other members of society, and should provide for the orderly settlement of disputes, I would certainly agree. If he suggests some greater range to the appropriate state power, particularly in his disturbing use of non-contentual phrases such as "liberal bill of rights" and a "social bill of rights" (see page 44), I must respectfully disagree.

Perhaps the lack of clarity emanates from Professor Dietze's posture as a scholar and a scientist. He treats difficult questions objectively, acting as a value-free investigator for the most part. This we must cheer after myriad liberal "social scientists" assault our senses with unscientific and loaded conclusions.

In any event, the first chapter considers the seed of tyranny existent in a liberal Law State, tracing the alteration of Germany from its nineteenth century tradition through the Weimar Republic and the rise of the Third Reich. Although the lesson is not a new one, the author offers valuable insight into the *theoretical* underpinnings which made possible such a development. Ideas have consequences, and it becomes impera-

tive to learn what malevolent or benevolent ideas contributed to the rise of an Adolf Hitler so that, hopefully, such a cataclysmic event might be avoided in the future.

After the Riots

Professor Dietze wrote Chapter II, "State Justice and the Just State," in 1971, after viewing the riots, the violent demonstrations, the confrontations, the hijackings, and the general licentiousness of the later 1960's. These events obviously took their toll and colored his thinking, for in this essay the author expresses concern about the survival of constitutional government (in the original liberal tradition) in an age dominated by the permissive state. He bleakly forecasts the future when he remarks:

As long as there are human communities and states, there will be State Law. On the other hand, the future of the Just State is less clear. As a result of its formalization, that state can be inverted and annihilated by State Law. Considering the substantive evolution of that law as the concretization of political decisions, the survival of constitutional government appears to be doubtful. It is true that, by means of State Law, constitutionalist idealists, with varying success, again and again have tried to create, even under the most adverse conditions, institutions which approach their ideal. However,


welcome as these attempts may have been for combating the threat to constitutional government from the power of the state, their all too permissive conception often brought with them a laxity which overlooked the importance of the law for constitutional government and thus endangered the latter through state impotence. (page 92)

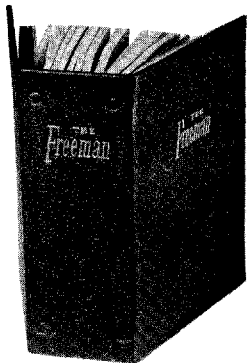
Chapter II deals with a very real threat, one which perplexes many of us who live in this unsettled age. On the one hand, all manner of regulations impede the release of creative energy by the individual: the Law State. On the other hand, government, for all of its monopoly of organized force, seems wholly unable to cope with bandits and terrorists in our midst who deprive their neighbors of life and property and who absolutely defy any rules of law or common morality: the Permissive State. The murders at Munich, the behavior of the Chicago Seven, the Soledad Brothers affair, the Black Panther police snipings, all reveal an utter indifference to an orderly society, a vital threat to creative citizens, and an almost complete inability of organized government to cope with persons who operate outside of a moral consensus.

Two Concepts of the Rule of Law makes one hunger for a more intense analysis of the interrela-

tionship of freedom and order. Can we anticipate a natural concatenation of the creative energies of the millions of individuals who make up the modern state, or are collisions between personal desires and drives which can only be determined by the state inevitable? I rather believe the former but would welcome Professor Dietze's consideration of the subject together with a specific look at some of the apparent person-to-person conflicts "solved" by the modern state. In summary, the author says a great deal in a short span but,

by virtue of the nature of his subject, he leaves much unsaid.

A word of warning to the unwary reader: do not expect a fast and easy track. This man writes for the person who *thinks* about knotty problems. The author assumes a knowledge of history, of law, and of philosophy on the part of his reader. More than that, he demands that his reader think and participate in the scholarly endeavor. One who bears with Professor Dietze and who brings his own insights along on the journey will be amply rewarded. 



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- How Not to Cure an Energy Crisis** Gary North 67
The results of destroying the market are not corrected by further government intervention.
- Our Lives and Goods** Ralph Bradford 74
Our liberty and freedom consist in having those laws by which our lives and goods may be most our own.
- A Prescription to Soothe One's Wounds** John C. Sparks 79
Practice it in the family and in one's own business.
- The Public Interest of Private Enterprise —
and the Private Interest of Public Policy** William H. Peterson 82
An attempt to define the limits of government which are consistent with competitive private enterprise and consumer choice.
- From Whence Comes the Wind** R. W. Demers 88
We need occasionally to climb a hill and take a broader view.
- Competition, Monopoly, and the Role of Government** Sylvester Petro 91
Why government should quit trying to promote competition by means of the anti-trust laws.
- The False God of Politics** Allan C. Brownfeld 101
Man cannot find in Washington, D.C., answers to questions each must answer for himself.
- Back Door Press Control** Melvin D. Barger 105
Government regulation and control of business eventually threatens freedom of the press.
- The Invisible Hand** Leonard E. Read 114
How intelligent pursuit of self-interest promotes freedom and progress in society.
- A Matter of Self-Responsibility** Paul L. Poirot 118
In the case of economic "shortages" the issue is not so much self-subsistence as it is self-responsibility.
- Book Reviews:** 123
"Fascism" by Paul Hayes
"As We Go Marching" by John T. Flynn
"Education in a Free Society" edited by Anne Husted Burleigh
"Labor Legislation from an Economic Point of View" by Gustavo R. Velasco

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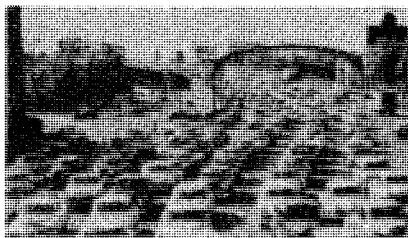
How Not to Cure an Energy Crisis

GARY NORTH

PRESIDENT NIXON went on national television on November 7, 1973, to announce to the nation that we are in the midst of an energy crisis. He said that citizens and industry should be willing to work in 68-degree semi-comfort, thus cutting fuel use by 10 per cent. We should also drive at 50 miles per hour, thus increasing our gasoline mileage.

Since the mid-1950's, when the construction of Federal highway projects was seen as the eighth wonder of the world, we have now come full circle. Highways are bad; now we need rapid transit. Southern California, which once had a quite serviceable electric trolley car network — the Pacific Electric — now must spend billions of dollars of taxpayers' money in order to achieve as good a system as we had in 1950, before the days when government-financed "freeways" were built.

We have the best possible high-



ways — safe at 70 miles per hour on some stretches, safe at 65 virtually everywhere. Now we are told that we should only drive 50. Of course, during the rush hours when most of the driving is done, no one really worries about driving 50; if you're lucky, you'll average 35. Freeways, being "free" to any motorist at all hours of the day, provide little economic incentive to drive at less crowded hours of the day. But you can always drive 65 miles per hour during the hours when you aren't actually on the highway. As I said, we have the best highways tax money can buy (less kickbacks in certain unmentioned states, of course).

So now Mr. Nixon says we should drive 50. Unfortunately, as General Motors President Edward N. Cole has pointed out in a letter to Sen. Jennings Randolph (November 8, 1973 release), most of our driving is done under 50 anyway — around town or on country roads. United States Department of Transportation data indicate that only about 42 per cent of the driving is done at speeds of over

Dr. North, economist, lecturer, author, currently is an associate of Chalcedon, an educational organization dedicated to Christian research and writing. His latest book is *An Introduction to Christian Economics*, Craig Press, 1973.

50 — and I wonder if this takes into account the driving done at under 50 during traffic jams on the superhighways. So the new speed restrictions, even if imposed in all states, even if obeyed by drivers used to 70 miles per hour driving, even if enforced by overtaxed highway patrols, would only save the nation 45 million barrels of crude oil annually, or about two and a half days' worth of consumption. Terrific!

Effect of New Speed Limits on the Trucking Industry

Then, of course, there is the effect the new speed limits will have on the trucking industry. Shipments will be delayed, since truckers will not be able to drive at the higher speeds. This is not a pleasant prospect, given the potential danger of a breakdown in train transport in the northeast section of the nation. Government regulations over rail transport, coupled with near-monopoly status of the "favored" railroads, now offer us another crisis. Some cities face both power shortages and shortages of other goods and services. Government regulations are like stones tossed into pools of water; they create ripple effects that not even the most sophisticated computer predictions can foresee. Government agencies toss in great handfuls daily.

So we return to the first half of the proposed crisis cure: restrictions, voluntarily imposed, on energy use. We turn off all neon signs, for example, as they have done in Oregon cities. A spokesman for the Outdoor Advertising Association of America informs us that this will save about 1 percent of all electricity used in the country. With all gasoline signs off in the evening, it's a good thing that our faithful motorist is holding his speed to a fuel conserving 50; he's going to need those extra miles for his search for an open gas station. Most won't be open anyway, I presume, since the gasoline shortage encourages them to shut down after 6 p.m. but without brightly lighted signs motorists will be hard-pressed to tell the open from the closed stations. This will, no doubt, encourage people to do their driving before evening, thus clogging the "freeways" even more during the peak hours.

Washington's response? Another handful of stones.

What about voluntary restraint on heating homes and businesses? Perhaps it may be healthier. It may encourage higher output. But why should a firm or a housewife keep the temperature down? Because their own demonstrated preference, people like warmer climatic conditions in the winter, cooler in

the summer. Each man will always have that nagging doubt: I'm living less comfortably, but what about everyone else? What good does one uncomfortable family (or work crew) count in a nation of millions?

Not Much Difference

Indeed, the problem is very much like the smog problem or the traffic jam problem. How much pollution or how much used-up space will one additional automobile cause? An infinitesimal quantity, obviously. Literally unmeasurable by macro-economic tools. Each family or each driver or each business concludes that his presence or his use of power won't make that much difference. Each person is absolutely correct; it won't make much difference. All those micro decisions, however, produce macro crises in today's world.

Yet, in other areas of our lives, the micro decisions do not produce macro crises. The newspaper boy fails to deliver a paper one day. This is an inconvenience, but not a disaster. You can call up the local distributor, and a man will send out the paper. If this happens too often, there is an economic incentive for you to take another newspaper. The newspaper managers know this, so they take care to organize their staffs so that the

paper does get delivered most of the time. It pays them to have built-in self-correction devices that operate against micro-economic errors.

A person can take an unannounced day off from work once in a while. This is a bad policy morally — a person is not fulfilling the terms of his contract. But if the practice continues, the company will impose counter-presures. The public's position is protected by internal company policies. Service is more constant, more predictable, which is what the public expects and pays for. There is an economic incentive for companies to see to it that micro failures do not become macro failures. And they have a reliable indicator to remind them of their task: the profit and loss statement. It works so long as there is the right to exchange property (including labor) on a market of freely changing prices.

These are outright micro failures. But what about micro decisions that should not be, in and of themselves, detrimental? Suppose pizza eaters who have for years ordered their pizzas with mushrooms should decide to order them with pepperoni. All of a sudden, pizza shops have to order more pepperonis and fewer mushrooms. As always, customers set prices. Their increased demand for

pepperonis increases the price of the available supplies of pepperonis, for the customers are bidding (as always) against each other. Meanwhile, the price of mushrooms tends to drop, since fewer customers want to consume the available supplies of mushrooms. In a long chain of economic reactions, the costs associated with pepperoni production rise (labor, machinery, the costs of breeding more and more little pepperonis, and so on). Then entrepreneurs will concentrate their attention on increasing the supply of pepperonis more efficiently — more inexpensively — in order to reap profits. Up goes the supply of pepperonis, which is precisely what the public has demanded, while the mushroom producers are forced to cut production, freeing economic resources (such as capital) for more important uses. No “crisis” emerges — no television speeches by the President, no Congressional hearings, no paperbacks from Nader’s summer vacation student lawyers — unless someone tries to impose price controls on the pepperoni industry.

Breaking the Chain

With price controls, however, the complex chain of economic events is disrupted: no one is quite sure just how much pepperoni should be produced or which pizza

shops should get priority consideration in receiving the now short supplies — short in relation to public demand at the artificially low price of pepperoni. Soon the Italo-American Society will be picketing on the Capitol steps, the Pizza and Staw Hat Amalgamated Brotherhood will be petitioning Earl Butz and the FDA will send out preliminary warnings against debased pepperoni quality to all the pepperoni producers of the nation. We will then have a full-blown crisis. The public will be asked to order at least one mushroom pizza for every three pepperonis, with rationing of pepperoni pizzas threatened if “voluntary” restraints — one’s patriotic duty in the war against spiraling pepperoni prices — should fail. Then the Cost of Living Council will add a new department: the Pepperoni Control Division. A chain of underground black market pepperoni pizza parlors will spring up. All over America, certain unpatriotic citizens will be whispering into door-slits, “Luigi sent me.” A simple shift in taste at the individual level, when coupled with price controls, can produce a national macro catastrophe. (In the midst of this crisis, no one even notices that Congress has passed, and the President has signed, an omnibus bill onto which — in section 84b — \$17,234,187.57 appropriation for

the floundering mushroom industry has been attached.)

Therefore, we can adopt a simple (though not infallible) principle: where micro decisions produce macro crises on a regular basis, someone — probably the civil government's officials — is probably interfering with the right to exchange property (including labor) on a market of freely changing prices.

Who's to Blame?

Are the Arabs cutting off our oil — variously estimated from 6 per cent of our total supplies to 12 per cent, which tells us something of the accuracy of statistical reporting — thus producing a crisis? Why didn't we have a reserve, such as the north-slope Alaskan oil? Because ecology advocates prohibited the construction of the pipe to transport it; they got government agencies to stop construction. Because ecologists stopped drilling for new oil in places like the Santa Barbara channel — again, by state interference. (This ecological activity was necessary, at least in part, because laws of property are not enforced by the courts and legislatures, thereby failing to make oil firms completely responsible financially for their own errors of judgment in not protecting the environment against oil spills.) Because interference in

capital markets by governments makes it more difficult for newer, smaller, innovative firms to gain needed capital to develop alternative power sources.¹ Because government bureaucrats interfere with licensing of alternative power sources (yes, even non-polluting systems) already developed. In other words, because of a massive list of statist "because's."

Are persons using too much energy, that is, more than this week's crisis mentality in Washington would prefer? Well, why not? The governments have subsidized cheap power for years. They have not permitted public utilities — themselves the monopolistic creations of governments — to raise prices on their various products. So the public has accepted as valid economically the one indicator they have to measure the value of the energy source, that is, the cost-per-unit consumed. The government has deliberately subsidized the public by keeping prices lower than the companies have insisted was necessary. So the companies have not been able to afford to hire the best people available. In some cases, they have found it necessary to keep older, less efficient equipment, having it repaired by less skillful

¹ James Mofsky, "Blue Sky Restrictions on New Business Promotions," *Duke Law Review* (July, 1969)

repairmen on their staffs. They have found it difficult to raise capital on the free market, for their bonds are rated low (and therefore the interest they must offer to pay must be higher) because some local public utilities commissions have had their eyes on the ballot box instead of the scarcity of capital.

Shielded from Competition

Then, of course, there is the inefficiency of managements that are shielded from free competition. For years they have faced political battles with the public utilities commissions instead of economic battles with competitors that might otherwise have been able to enter the market. Who can say what alternatives might have been developed? Who can estimate the loss of efficiency that has come about because newer, more creative, innovative firms have been kept out of monopolistic, government-created closed markets?

The public supposedly has been protected by these various power monopolies. Now the government finds that the public must co-operate in order to make the jerry-built government monopolies work more or less successfully. But the public is not given an economic incentive to co-operate. Are electricity rates boosted sufficiently to cut down the consumption of elec-

tricity? No, indeed; that might be politically dangerous! So we go to voluntary controls in the name of the national emergency. They are too much like the "voluntary price guidelines" that were scrapped on August 15, 1971. We co-operate voluntarily, or else . . . rationing. Nice, inefficient, unpleasant, jerry-built, creaking, black-market creating, bureaucratic power-enhancing rationing. All in the name of consumer protection.

There is another consequence of "voluntary" controls to consider. Citizens are asked to cut back on their consumption of power. They are asked to do this in the name of patriotism in order to deal with a national emergency. Before this crisis, individuals were free to use up as much power as they chose, so long as they were willing to pay for it. No one worried about what his neighbor might think about the "morality" of a home heated to 75 degrees. With free pricing, the expenses associated with such physical comfort would have to be borne by the user. But today men are warned that those who keep their homes warmed are unpatriotic even immoral. They are encouraged to regard their neighbors with suspicion. They are made to feel guilty. Exceedingly ugly circumstances may arise — indeed, are now arising — when someone in a neighborhood wants to put up the tradi-

tional Christmas lights or floodlights for home protection.

The macro-crisis has been nationalized officially; micro-decisions are now a part of the public morality, and hence the pressures of public opinion are brought to bear on "deviants." And as Tocqueville wrote in the 1830's, few things in social life count as highly or are as uncompromising as public opinion, especially in the United States. Displays of the public morality can be irrational and very insensitive to the subtle questions of personal choice. Mobs are not easy to reason with. Hysterical neighbors are not inclined to listen to marginal utility analysis. Yet the daily press reports an endless stream of statements from public officials that is creating a vigilante mentality among the public. The colder the temperature, the hotter the unleashed emotions.

So now, instead of producers competing in order to give the customers what they want, we see the incredible spectacle of gasoline companies telling customers to walk more or to ride the bus! They spend millions of dollars to buy television advertising to ask us not to use their products! And because of the threat of direct rationing and the creation of a "temporary emergency control board," this advertising may be well spent by the oil companies.

The competition we see now is not between the gas company and the electric company, but between the ecologists' political bloc and the energy-crisis political bloc. This, it should be noted, is precisely what Soviet Russia has developed: the only competition is that between government bureaucratic agencies. The consumer simply hopes and prays that the system will operate after the political dust has cleared, or at least has settled into another province's back yard.

The answer to the macro-economic crises lies in the re-establishment of the free mobility of risk-capital, the free bargaining of private citizens with each other, the free mobility of prices, and the eradication of "free" goods and the fallacious philosophy which undergirds them, whether in this country, Libya, Venezuela, or Japan. Let the free market do the micro-economic rationing efficiently, and we will not need to be burdened with the ghastly inefficiency of state-wide or Federal economic planning. Micro-economic decision-making is the primary device for keeping crises on a micro level. At least, under micro-economic crises, someone gives me a direct incentive for sitting in 68-degree semi-comfort: I don't wind up with a monthly bill that produces 72-degree financial discomfort. ❊

Our LIVES and GOODS

RALPH BRADFORD

CHARLES THE FIRST of England was in many respects a bad king and an uninspiring man. Certainly he can not be held up as a shining example, either of ethical understanding or princely conduct.

But every man has his moment of truth, and Charles achieved his one grim day in 1649, on a scaffold at Whitehall. There he spoke briefly as he faced his executioners, making his profession of innocence and his confession of faith. And there was another matter on his mind.

"For the people," he said, "truly I desire their liberty and freedom as much as anybody whatsoever; but I must tell you that their liberty and freedom consists in having those laws by which their lives and goods may be most their own."

Those laws by which their lives and goods may be most their own!

What better statement could be

Mr. Bradford is well known as a writer, speaker, and business organization consultant. He now lives in Ocala, Florida.

made concerning the proper end and aim of law and government? What happier expression could be found as to the nature of liberty? True, it is not couched in elevated language. There is no oratorical effect. After all, in just a few moments the weary prince was to kneel before the headsman's axe. It was not a time for the careful choice of language. But as a formulation of freedom's essence those words are hard to improve upon or equal. In the current jargon, Charles had put it all together.

"Oh Liberty! How many crimes are committed in thy name!" So spoke Madame Roland, also from the scaffold — or rather from the guillotine, for the scene was Paris. The doomed lady was no doubt correct in her bitter and much-quoted apostrophe — and the crimes committed in Liberty's name have been rhetorical and literary as well as extra-legal and inhumane.

Freedom Personified

A great deal of very high-flown rhetoric has been expended on the theme of liberty and freedom. Milton envisaged liberty as a beautiful mountain nymph. Pope sighed for "a hollow tree, a crust of bread and liberty." Thomas Campbell imagined that "Freedom shrieked as Kosciusko fell," and William Cowper insisted that Freedom "has a thousand charms to show." Freedom indeed has been personified in countless canvases and marble representations, usually as a beauteous and rather buxom female of ample charms. In New York harbor, and in a smaller rendering beside the Siene, Bartholdi's heroic sculpture presents Liberty Enlightening the World, with the Law in one hand and the torch of Freedom in the other.

And this is all to the good! The spirit of liberty, the urge to be free, has been a moving force in the life of man. He has struggled for it, dreamed about it, fought for it — and died for it. It is fitting that a thing so central and precious should be expressed oft times in ideal, artistic and symbolic terms.

But such expression, it must also be confessed, sometimes sets Liberty upon too tenuous a pedestal. It glorifies Freedom now and then beyond the recognition of

men who live, after all, on a very mundane level and who, along with a keen interest in the blessing of personal freedom, are also concerned necessarily with such prosaic matters as the level of taxes and the price of beans!

A Condition of Life

Freedom is indeed a noble abstraction; but it is also a condition of life — a condition that may be curtailed or denied altogether by the governmental concepts and practices under which men live. It is for this reason that these last thoughts of Charles on the scaffold are pertinent to the present scene. He was about to lose the greatest freedom of all — the freedom to live! And in that grim moment he saw with prophetic clarity that what the people of England really wanted was not alone the abstract blessings of political freedom. What they wanted, then as now, like all men everywhere, was the condition of law under which their lives and goods might be most their own.

It is an affectation of our times to pretend a lofty disdain for things material. Ardent advocates of achieving the good life for everybody through national bankruptcy speak much of "human values"; and they postulate that these are somehow superior to and at variance with material values.

This rather ethereal cliché can, of course, be easily reduced to an absurdity. For aside from the priceless benefits of political and personal liberty, the much-talked-of human values are simply matters of food, clothing, shelter, and the satisfactions of comfortable living. They are the physical conveniences of life — modern plumbing, central heat, air conditioning, radio, television, labor-saving appliances, motor cars. They are education and health. They are vacation trips and visits to the zoo. They are books and pictures. In short, they are largely things to be physically enjoyed.

Charles understood this, as did most people of his day. He was not doing any specially “advanced” thinking when he equated the possession of goods with freedom. In those times, and for long thereafter, men were not reticent about the value they placed upon what Charles called “goods” — meaning material possessions. Indeed, the very name he used for such possessions derived then as it does today from the esteem in which they have always been held. They were looked upon as good things to have; they were therefore “goods.” And the right to possess and enjoy them was a basic right, essential to liberty and the full life.

What Thomas Jefferson eventu-

ally expressed as man’s unalienable rights, i.e., life, liberty and the pursuit of happiness, had been rendered long before by John Locke as “life, liberty and *property*.” And during the decades when the American revolt against England was slowly brewing, the same idea found expression very often in a popular newspaper slogan: “Liberty, Property — and No Stamps.”

The stamps, of course, were simply an annoying infringement of the property rights which the Colonials held so dear. Eventually those bits of sticky paper came to have a symbolism and mystique of their own, especially those that were senselessly and punitively applied to tea. But at the beginning they were merely an impediment to the free exchange of goods, imposed without the consent or approval of the colonists; and as such they were roundly and properly damned.

The Principle of Ownership

A point to remember is that all this represented an unabashed devotion to the principle of ownership — a devotion that man has evinced all through his history. He worked; he made things; he bartered them for other things he needed or wanted more, or for a medium of exchange (a shell, a bead, a minted coin) which he

could use in future exchanges of like nature. And he wanted no interference with this simple and useful process of making, selling, bartering, buying and using the things he called "goods."

So it did no violence to reality for Charles to lump "goods" and life itself together as the two things men wanted to be "most their own" — by which he meant, of course, least interfered with, least minimized, least withheld and diluted by the State. For life, after all, is in itself a species of possession — the quintessential good thing that a man can call his own. To be sure, it has a mystical quality that transcends all materiality, even as it passes all understanding and defies all explanation. That a few pounds of elemental substance should by some strange alchemy coalesce into the miracle of a human life — this has always been and perhaps always will be the first and final mystery.

Confronted with this enigma, man gropes beyond the physically obvious and seeks answer in the supernatural. Unable to explain or even to comprehend the intricate processes that combine to make a man, he turns to the idea of special creation, not as a chemical formulation, but as an act of God.

Thus groping, thus hoping, man comforts and ennoble himself;

and in the exercise of hope he dismisses or evades the despair of ignorance. In the end he achieves a sense of origin that transcends atom and protoplasm and relates him filially to God. He becomes the Final Result of the First Cause!

But he is also a physical animal, with every hungry cell demanding sustenance. If he does not live by bread alone neither can he subsist solely on a diet of philosophy or spiritual contemplation. Moments of ultra-physical comprehension come and go, with their ecstasies and torments; but his stomach remains fairly constant in its demands.

Human Nature

So man ekes out his days and drifts finally into the limbo of things forgotten, sustained equally by his spiritual concepts and by his use and enjoyment of what he makes and earns. There is no separation or distinction of values as between the material and the "human." All his needs are human needs; and they are satisfied alike by his intellectual or spiritual perceptions, and by his ownership and consumption of the "goods" he has created or acquired.

The essential condition of freedom is not to live without fear, but to live without *unnatural* fear. That man should fear wild beasts,

or robbers, or the scourge of pestilence — this is a natural heritage of his mortality. To fear the unknown, or adverse fortune, or pain, or death — these also are fears natural to man. But it is not natural, or should not be, to fear government, which is an instrumentality man has himself created, not for his oppression, but for his protection. To the degree that government at any time renders the citizen apprehensive as to his life and possessions, it has betrayed its purpose and disserved its sole reason for being.

The government that curtails or cancels man's right to own and enjoy his material possessions — such a government has diminished or destroyed his freedom as truly as though it had denied his right to think, or speak, or vote, or pray. Common sense and the sanction of long usage, to be sure, dictate that the citizen will surrender a portion of his earnings in return for the protection and stability of an organized society. This is the essence of the implied agreement between the citizen and the State that is known to scholars as the Social Contract.

The Overpowering State

But when the State constantly takes more from the citizen than is needed for the normal act of governing; when in the name of

social progress it piles debt on debt and sets the printing presses to work grinding out paper money of ever-diminishing value; when its leaders rashly undertake to substitute their puny economic guesses for the impartial wisdom of the free market; and especially when, with callous arrogance, they presume to instruct the people how their savings shall be disposed of, or whether, indeed, they shall be allowed to have any savings at all — when such usurpations occur, under whatever pretext or camouflage, then the Social Contract has been violated, and the State is no longer a government in the historic and traditional sense. Instead, it is an expensive and dangerous experimental laboratory in which the citizens not only pay the cost but serve as the guinea pigs!

A Legacy of Truth

January is usually cold and raw in London, and in 1649 its last day but one was doubtless no exception. Whitehall itself was a chill and gloomy pile. Charles probably welcomed the brisk walk across from St. James, where he had been held prisoner. It is of record that he asked his guards pleasantly to "walk apace."

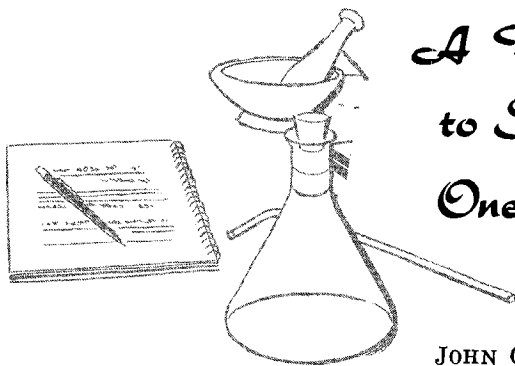
What were his thoughts in that last hour? Regret? Remorse? Did all his intrigues come forth to ac-

cuse him? Did he lament his own perfidy in letting the faithful Strafford go to the block? Was he sustained by the knowledge that his private life had been austere and blameless?

Who knows? He is dead now these three hundred years and more. About all we can say for sure is that he met his end well,

bringing to the scaffold that day whatever of dignity and decency the fading moments of a wasted life could summon. That much . . . and also that he managed to utter one brief legacy of truth, namely —

That our liberty and freedom consist in having those laws by which our lives and goods may be most our own! ❁



A Prescription to Soothe One's Wounds

JOHN C. SPARKS

AUTHORITARIAN GOVERNMENT is well known to be the instrument by which man's freedom to act peacefully is most often hindered or prevented.

The advocate of freedom in the United States, or in any land where the government officials are elected by the democratic process,

is aware of the difficulty of removing this authoritarian tendency — even in democracies. To remove totalitarianism from a democracy, the relatively few who understand why individuals should be free to make their own decisions must be able to persuade the majority of voters to the freedom point of view. To achieve such a mission may take generations, if not centuries. Small wonder that the

Mr. Sparks is an executive of an Ohio manufacturing company and a frequent contributor to *The Freeman*.

hopes and efforts of those who love freedom often end in frustration.

The purpose here is not to divert attention from the main event. To work toward a wider understanding of the exciting freedom philosophy is of prime importance. But instead of being frustrated, let the seeker of freedom know there is an area of open opportunity to practice the basic tenets of his philosophy *without hindrance*: in his personal affairs. And to the extent that he succeeds, the rewards are most gratifying.

Suppose our freedom advocate is a family man with a wife and children. How easy and natural it would be for him to assume the role of the tyrant or dictator in his family, while fully intending to be kind and beneficent. As the total ruler of this small kingdom, his word is law, applying repeatedly to the actions of his wife, sons and daughters. Picture the stifling effect on the potential creativity of those under his thumb, as well as an absence of real love of the subjected for their ruler.

Such an atmosphere is bound to affect adversely the well-being and health of the family tyrant. Imagine the heavy and continuous responsibility of making major and minor decisions, not just for one

person, but for two, three, four, or five. The burden would be heavy — and the results can be predicted: members of the family absent from home beyond normal reason, little genuine fun and relaxation, children secretive and reluctant to confide in the despot, turning for counsel or information to sources other than the home. All of these are serious reactions, but none could be termed outward revolt. Consequently, the danger exists that the life of the tyrant of the family rolls along uninterrupted while the estrangement solidifies. One by one, as they reach adulthood, the children sever all family ties, leaving the aging tyrant increasingly embittered that his children seem without any love or concern for him.

This same man who logically and clearly sees that excessive power given to men in government produces unhappiness for the oppressed citizens, seems wholly oblivious to those personal circumstances where he held a small amount of power as head of his family and used it badly to rule and dictate. Had he been able to see himself and apply the philosophy of freedom to those around him in his family, his rewards would have been full beyond all expectations.

Parental direction is an awesome responsibility and should not


be abdicated. But it can be done joyfully, gently, lovingly, persuasively, to yield a lifetime of pleasure and gratification.

The freedom advocate also may be in a supervisory position over employees. Again, his power can be dispensed with, or without, abrasiveness. Since his effectiveness would be adversely affected if he chooses to be an all-out tyrant boss, he may curb his tendencies to wield power ruthlessly. He may have just enough introspection to see that such action could injure his opportunities for advancement or promotion. Unless he owns his business, failure to understand and control his use of power could lead to his early dismissal. Even a business owner can ill afford to be a tyrant over his employees, although his harvest of resentment and lost production may not be immediately apparent.

Although this advocate of freedom may discern clearly the evils of power-mad governmental offi-

cial, he may at the same time fail to perceive the similar error in the heavy-handed way he employs power personally. It is appropriate that a supervisor instruct and provide direction for subordinates. If he can do this in an atmosphere of freedom, he may then be able to tap the latent creativity of the people who work with him, and encourage its flow, thus enjoying the good will and well-wishes of his colleagues.

From one's personal life, therefore, can come the healthful satisfaction of practicing freedom among those over whom one has the power to demand submission.

Freedom applied in his personal life can do much to soothe the wounds of the freedom advocate as he is outraged by the oppressiveness of big government. As a matter of fact, he may find that minding his own business is quite a happy and rewarding way of life. 

Self-Development Is Our Job

IDEAS ON



LIBERTY

THE WORLD is full of problems, but most of them are man-made, and essentially unimportant. They do not belong to the eternal verities; many of them are petty side issues and not even en route to the great achievement. There is only one major problem in the whole world, and that is the salvation of the individual soul.

The Public Interest of Private Enterprise – and the Private Interest of Public Policy

WILLIAM H. PETERSON

Politics is the conduct of public affairs for private advantage.

Ambrose Bierce

public (pŭb/ĭk), *adj.* 1. Of or pertaining to the people; relating to, belonging to, or affecting a nation, state, or community at large; — opposed to private. 2. Open to common or general use, enjoyment, etc.; as a public meeting. 3. Open to the knowledge or view of all; generally seen, known or heard.

private (prĭ/vĭt), *adj.* 1. Belonging to, or concerning, an individual; personal; one's own; not general or common; as private property or opinions. 2. Sequestered; secluded; as, to wish to be private. 3. Not public in nature; not in public life or under public control; as, private schools or citizens.

—Webster's New
Collegiate Dictionary

ONE of the unsettling incongruities of the 20th Century lies in the mislabelings, semantic inversions and twisted meanings thrust on a host of everyday words — a thrust which has garbled communications no end and trapped us in a lot of false notions and unpublic public policies. Orwell illustrated this Newspeak problem beautifully in 1984 and *Animal Farm*.

Take the world *liberal*, for example, whose modern meaning denotes an advocate of big government but whose root is the Latin *liber* — i.e., free. So originally a liberal was a liberator, a minimizer of government's role, or, more pre-

Dr. Peterson is a government economist presently on leave to work at a book on economic reasoning based on the theories of the late Ludwig von Mises.

cisely, an advocate of freedom. In political terms, 18th Century liberals like John Locke and David Hume sought to limit the power of government so as to maximize the freedom of the individual. John Locke, for example, held in his *Second Treatise on Civil Government* that the only function of government was the protection of property, which he broadly defined to include life and liberty.

In economic terms, early liberal economists like French physiocrats Francois Quesnay and Jean Vincent de Gournay and classical economists Adam Smith and David Ricardo called for *laissez faire* (then essentially meaning free trade but bastardized today into something bordering on economic anarchy). To enhance in particular the royal tax take and in general the wealth of nations (the phrase is of course Smith's) they wanted to cut back the over-extended and self-defeating policies of mercantilism — the very policies which touched off the Boston Tea Party and the American Revolution.

But as Webster's foregoing definitions indicate, the semantic trap is perhaps nowhere better seen in the two everyday supposed antonyms, *public* and *private*, as in public schools and private corporations. Public suggests something open, social, above-board, altruis-

tic, operated on a non-profit basis. Private, on the other hand, suggests something closed, asocial, secretive, self-interested, operated for profit (yet another word in disrepute).

Shame on You!

No wonder, then, private corporations are prodded to think of the public interest, of their Social Responsibility instead of their present self-interest. Accordingly, corporate owners and managers are reminded of their great wealth and power and are exhorted, if not admonished: Consider social indicators, engage in social accounting, be mindful of our national objectives. In other words, don't just stand there but do something constructive on poverty, education, crime, alienation, ecology, conservation, consumerism, occupational safety, job monotony, women's rights, racial discrimination, urban renewal, cultural deprivation, economic development at home and abroad. This list of sins of commission and omission and kind of when-are-you-going-to-stop-beating-your-wife indictment could be extended and certainly will be as our troubled times roll on.

Indeed, some of the exhorters and admonishers have tacked on a Social Engineering Thesis to the Social Responsibility Thesis; they hold that if we can find the tech-

nology to get to the moon with a systems approach, so with linear programming and operations research we can crack the social problems of, say poverty or urban decay or — what have you? All it takes is less private interest and more public interest; all it takes is will — in the case of Social Responsibility, corporate will.

Economist Milton Friedman is one man who has rejected this thesis of Social Responsibility, saying that businessmen should stick to their private knitting, worry about their stockholders and concentrate on making profits. The unintended upshot: Society is thereby furnished with goods, services and jobs — Smith's valid but much derided Invisible Hand. (In this vein, Friedman has also criticized public schools as educationally deficient because of their lack of competition, and has pushed for the voucher plan whereby parents can choose private or public, i.e., government, schools.)

Economist Neil Chamberlain of Columbia University does not go as far as Friedman. In his new *The Limits of Corporate Responsibility* (Basic Books), Professor Chamberlain says, yes, businessmen can take some "modest, incremental, assuaging actions" on the Social Responsibility and Social Engineering fronts — say, a corporate gift to underwrite a bal-

let at the Kennedy Center or to equip a lab at Cal Tech — that kind of thing.

Social Responsibility

Chamberlain labels his compromise position the Limited Responsibility Thesis and well reminds us of the corporate facts of life — the constraint of cost, the imperative of profitability, the injunction of competition. But assuaging actions may not be enough, muses Chamberlain as he ranges over corporate involvement in consumerism, education, ecology, Washington politics, trade unionism, local communities, foreign lands. For if responsibility for solution of mounting social problems is shunted onto other shoulders or ignored, what then?

Maybe some kind of Federal take-over would be in the offing and survival of the corporate system would no longer be in the cards. Better, then, harkening to the Committee for Economic Development's call for a public-private partnership, or as Chamberlain quotes approvingly from the 1971 CED publication *Social Responsibilities of Business Corporations*:

The converging of two trends — the business thrust into social fields, and government's increasing use of market incentives to bring even greater business involvement — is gradually

bringing these two powerful institutions into a constructive partnership for accelerating social progress. This emerging partnership is more than a contractual relationship between a buyer and seller of services. Fundamentally, it offers a new means for developing the innate capabilities of a political democracy and a private enterprise economy into a new politico-economic system capable of managing social and technological change in the interest of a better social order.

Strange Partners

Partnership — admittedly the word is sweet and what the CED and Dr. Chamberlain envision is limited in scope, but partnership between what and what? And how limited would the public-private partnership turn out to be over time? We are brought full circle to the implications of public and private, to the public interest of private enterprise and the private interest, not uncommonly, of public policy — to what I am afraid adds up to the unsocial side of Social Responsibility and Social Engineering.

Consider the private interest of much public policy. Think of Watergate, for example, and how in the name of national security or Social Responsibility some rather private interests were advanced when a number of executives of blue-chip corporations

were “requested” to contribute to the Committee for the Reelection of the President, or CREEP. (This comment is nonpartisan, for corporate executives — perhaps some of the very same contributors to CREEP — had also donated heavily to the Democratic campaign coffers in the 1964 campaign when the Democrats were the incumbent party; and, of course, quite a few corporate executives are regular Democrats and Democratic contributors.)

Or think of the ICC’s “public policy” in rejecting Southern Railway’s application for a 60 per cent cut in grain haulage rates in introducing its 90-ton “Big John” hopper cars — a cut which offended truck and barge line operators. Or think of our public-private sugar policy ever since the first Sugar Act in 1934. Here Uncle Sam plays sugar daddy to a host of relatively high-cost domestic cane and beet sugar growers and then cuts in a number of “selected” foreign sugar producers who are favored with import allotments. Washington sugar draws lobbyists like flies, especially when quota-reshuffling time rolls around. All this wheeling and dealing is, of course, at the expense of the American consumer who regularly pays pennies per pound more for sugar than what the market price would have been, and has been doing so for four

decades. The list of such public policies privately motivated and privately benefited could be extended ad nauseam.

Or think in historical and civil libertarian terms of how the Founding Fathers met the dilemma of authoritarianism, typified by George III, with the checks and balances of *limited* government. Just how limited would our Government be under the partnership concept?

Who's to Say?

Some more questions, particularly as the partnership matures: Which partner, public or private, would be the majority partner, which the minority partner? Which would be the dominant partner, which the silent partner? And what would happen to competition, economic calculation and freedom of enterprise? The questions beg the answer: Sooner or later the "partnership" would drift into some sort of planning; and overtly or covertly the government would choose and enforce its rulings, notwithstanding the preferences and efficacies of the market, i.e., the consumers.

Or think how perilously close the Chamberlain-CED's endorsement of a public-private partnership comes, or is capable of coming, to state *dirigisme*, to further erosion of our market economy, to


the real possibility of modern authoritarianism not unlike that which surfaced in Europe, Asia, Africa and Latin America in the 20th Century. In fact, isn't this what President Eisenhower was warning us of, in his reference to the "military-industrial complex" in the final hours of his Administration?

Now, on the other hand, what of the public interest of private enterprise? First, it should be noted private enterprise is private in name only. Every business must serve the public or it will be swiftly punished with losses and, unless it mends its ways, ultimately extinguished. GM and GE, Exxon and Dupont, IBM and Ford are indeed giants but they, too, like the Ma and Pa delicatessen, are under the yoke of profit and loss, of the life-and-death power of the consumer — who can be corporate as well as individual. (What happened to Ford's Edsel, RCA's and GE's computers, Lockheed's Electra, Dupont's Corfam — or to those defunct corporate giants of yesteryear like American Locomotive, American Molasses and American Woolen?)

Moreover, the ability of so-called private enterprise to serve the public far better than public enterprise in economic matters has been demonstrated over and over again. (Witness the "service" of

the U.S. Postal Service, study the doleful findings of Brookings Institution researchers on Great Society programs,¹ ask yourself why the Government continues to subsidize hospital construction and teacher education when hospital beds and school teachers are in

surplus, or check with your friends back from Eastern Europe on producer responsiveness to consumer needs there.)

So a public-private government-industry partnership anyone? I hope not. Neil Chamberlain has helpfully spelled out the limits of corporate responsibility. I only wish he had reaffirmed the Constitutional limits of government responsibility as well. 

¹ See *Setting National Priorities: The 1973 Budget* (Brookings Institution, Washington), 1972.

Morality and Choice

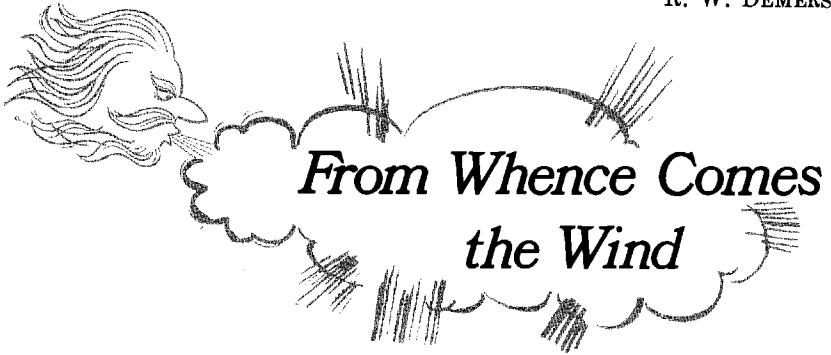
WHAT OUR GENERATION is in danger of forgetting is not only that morals are of necessity a phenomenon of individual conduct but also that they can exist only in the sphere in which the individual is free to decide for himself and is called upon voluntarily to sacrifice personal advantage to the observance of a moral rule. Outside the sphere of individual responsibility there is neither goodness nor badness, neither opportunity for moral merit nor the chance of proving one's conviction by sacrificing one's desires to what one thinks right. Only where we ourselves are responsible for our own interests and are free to sacrifice them has our decision moral value. We are neither entitled to be unselfish at someone else's expense nor is there any merit in being unselfish if we have no choice. The members of a society who in all respects are *made* to do the good thing have no title to praise.

FRIEDRICH A. HAYEK, *The Road to Serfdom*

IDEAS ON



LIBERTY



WHILE the early afternoon sunshine warmed the wooded hillside, an old man and a little boy slowly wended their way upward toward the top. The old man's hair was snow-white, and though his chiseled features were covered with wrinkled and leathery skin, his pale blue eyes sparkled and snapped, revealing an ageless spirit in a body that had learned to live well. The little boy was like most little boys of about 7—chunky, plump, full of bounce and energy, a mind like a sponge, and indulging in the greatest of all his delights, spending a Sunday afternoon climbing a hill with Grandpa.

It was a slow climb, with lots of pauses, to catch one's breath, to study the trees, the leaves, the shrubs, the bugs, to listen to the birds, and the sound of water bubbling in little brooks and streams,

and the wind through the pine needles, and all of the glories that live on a hillside.

The little boy was a fountain of questions, the old man a treasure chest of answers. Grandpa explained why leaves are green, why moss grows heaviest on the north side of trees, and all about last year's fallen leaves.

Almost before they knew it the top of the hill had been gained, and they sought a place to rest their bones and weary muscles, and to look out upon the vistas below. Grandpa next did what he always did when they were at the top of a hill. They stood up and Grandpa said: "All right, Lad, you're facing north; what compass direction lies behind you, on your left, and on your right?"

The boy answered brightly: "Behind me is to the south, on my left is to the west, and on my right is to the east."

Mr. Demers is a vocational counselor in Veneta, Oregon.

Grandpa beamed: "Good, boy, good, it pays well to know where you are in relation to the wider world. You'll note there needs to be a point to start from. Now I know where north is from experience. Without experience you need a compass. But even then it's well to get above it all every once in a while, so that you can get things in focus, get things in proper relationship to one another. And that's why, Lad, you and I climb hills on Sunday afternoons."

"Now, Lad, looking to the northeast and out into the valley do you see where those two roads cross?"

"Yes, Grandpa."

"All right, now where they cross what do you see in the north corner?"

"Why — just an empty field, Grandpa."

"Right, Lad, right; and did you know that where the field sets empty now there was once a great house, and it was in that house that your Dad was born?"

"Golly!, I didn't know that, Grandpa; what happened to the house?"

And with that invitation, the old man launched into one of his thrilling tales of the past. The little boy sat with his elbows on his knees and his chin cradled in his cupped hands as he absorbed, with eager delight, a fascinating story which was a critical part of *his* history.

When Grandpa finished his story he stood up and turned about to face the south. Pointing down the slope which they had climbed, he said to the boy: "Lad, looking down this slope and out into the meadow below, tell me what you see that you've seen before?"

The boy leaped upon an old stump and with enthusiasm scanned the slope below him. His eyes began to open wide as he recognized first one landmark after another, and the words spilled out of him in frenzied delight: "There's that big, old dead tree, with the grey, splintered top, which you said had probably been struck by lightning. And there's that big, huge rock, a boulder, and I can even see the big split in its side. And there's that clearing on the bend of the creek we crossed at the foot of the hill, where you pointed out to me the old, dead tree up ahead. Golly!, Grandpa, now I know why we'd stop now and then and turn around and look at things."

"Right, Lad, right; it's always good to stop now and then and turn around and look at where you've been. There's more than one side to things and the more you can get to see and recognize the better off you'll be. Also, Lad, we don't always get where we're headed. Despite our best try, we just might have to return the way

we came so that we can try again; and its good to know the way back, just in case."

The sun was much closer now to the western horizon as Grandpa said to the boy: "Lad, turn about slowly till you feel the breeze full upon your face, then tell me from whence comes the wind."

The boy did as he was instructed, and stopped when his face was looking into the western rays of the sun: "I can feel the soft wind from out of the west, Grandpa."

"Right, Lad; now 'tis well to know from whence the wind blows, Lad, for it not only carries with it some indication of what the weather might be but it carries the weather with it too. If you can learn to read the signs you may be able to know what's coming before it comes and be able to make necessary preparations. The clouds in the sky are borne along by the winds and both the wind and the clouds are formed, or are the result of, wonderous things which are happening beyond the horizon, beyond the reach of a man's eye, or his senses."

"Lad, you must be ever looking, ever searching, ever seeing, ever learning, and aware that you'll never know it all. It starts when you're born and it never stops until you're like that old, grey snag down there, still reaching toward

the sky above. Look now, into the west! See those dark clouds in the far distance, see the grey haze which seems ahead of those clouds and moving slowly this way? Well, that might mean some wet weather, and it looks like it's just far enough off to give us time to return down the hill and home before we get wet; so — let's be off, Lad."

The years will go by, and this lad will grow into a man, as all lads must do. And what sort of a man might he be?

Well, he'll probably be a man who knows from whence he came, and where he is going, and why. He'll no doubt agree with José Ortega y Gasset: "The past has reason on its side, its own reason, and if that reason is not admitted, it will return to demand it." And, most of all, he'll no doubt climb hills on Sunday afternoons with little boys, perhaps his own. And facing from whence the winds prevail, he might agree with Goethe:

**In the Endless, self-repeating flows
for evermore the Same.**

**Myriad arches, springing,
meeting, hold at rest the
mighty frame.**

**Streams from all things Love of
Living, Grandest Star, and
Humblest Clod.**

**All the straining, all the striving
is Eternal Peace in God.** ☉

Competition, Monopoly, and the Role of Government

SYLVESTER PETRO

*The great monopoly problem
mankind has to face today
is not an outgrowth of
the operation of the market
economy. It is a product
of purposive action
on the part of governments.*

*It is not one of the evils
inherent in capitalism
as the demagogues trumpet.*

*It is, on the contrary, the fruit
of policies hostile to capitalism
and intent upon sabotaging and
destroying its operation.*

—LUDWIG VON MISES, *Human Action*

IN THE free society government keeps the peace, protects private property, and enforces contracts. Government must do these things effectively, and it must do nothing else; otherwise, the conditions indispensable to personal freedom in society are absent. Whether or not a free society is attainable no mortal man can know; the limits of our knowledge are too narrow. But one thing we do know: that until at least the advocates of the free society are fully aware of the conditions necessary to its existence, it can never come about. For they must ever be on guard against new movements, ideas, and principles which would endanger its realization. And on the other hand, they must be sharply aware of existing impediments so that they may direct their energies intelligently to the removal of the causes of current imperfections.

I take up with considerable trepidation the task of arguing that government should quit trying to promote competition by means of the antitrust laws, especially since some proponents of the free society believe that vigorous enforcement of those laws is absolutely indispensable. Yet, antitrust

Professor Petro of Wake Forest University School of Law reveals here some results of his special attention to labor and antitrust legislation and policy. This article, first appearing in the December 1959 FREEMAN, bears reading again in the light of current affairs.

laws are inconsistent with the basic principles of the free society, private property, and freedom of contract; they deprive persons of private property in some cases and outlaw certain contracts which would otherwise be valid. Moreover, they expand the role of government far beyond that envisaged by the theory of the free society and thus amount to an unconscious admission that the fundamental theory itself is incoherent; for antitrust policy implicitly accepts the Marxian premise that a laissez faire economy will result in the decay of competition and in the emergence of abusive monopoly. Finally, and this may be the most pressing reason for the present article, in their attempt to promote competition the antitrust laws may in fact be inhibiting it.

Vague and Uncertain Laws

One of the basic evils in the antitrust laws is the vagueness and uncertainty of their application. They have produced mainly confusion. Seventy some years ago the antitrust laws prevented the Great Northern Railway and the Northern Pacific from merging, although but a minor fragment of their respective lines overlapped in competition. But a few years later United States Steel was permitted to consolidate a vast preponderance of the steel production

of the country under one management. Since then we have been off on another antimerger binge, and so Bethlehem and Youngstown have been enjoined from doing on a smaller scale what U.S. Steel did on a grand scale. Socony and other integrated oil companies were told that they might not buy up distress oil at prices set in competitive markets. But only a few years earlier the Appalachian Coals Association had been permitted to act as exclusive marketing agent for most of the coal production of an entire region. Forty years after its foresight, courage, and capital had been instrumental in developing the great General Motors productive complex, the du Pont Company was ordered to give up control of its G.M. stock because of a relatively picayune buyer-seller relationship between them. Only space limitations preclude an almost endless listing of equally contradictory and inequitable results of the unpredictable eruptions from the antitrust volcano. At present, the allegedly competitive policies of the Sherman Act are mocked by those patently anti-competitive components of the antitrust laws, the Robinson-Patman Act and the fair-trade laws.

Thus, to the careful and honest observer the antitrust laws appear to be a charter of confusion, rather than the "charter of economic lib-

erty" which oratory calls them. They have been transmogrified by the political vagaries to which their vagueness makes them susceptible into an insult to the idea that laws should apply equally to all. Some may regard these consequences as merely unfortunate incidents of a generally praiseworthy program. Yet we need continually to remind ourselves that law is for the benefit of the citizenry, rather than for the sport of government and of the legal profession. The main function of law is to provide people with clear and sound rules of the game, so that they may pursue their affairs with a minimum of doubt and uncertainty.

While aggravating the existing uncertainties of life, the antitrust laws can make no demonstrable claim to improving competition, despite the contentions of enthusiastic trustbusters. I have heard it said that the result of breaking up large firms is to create competition among its fragments, and thus to contribute to social well-being. But a moment's reflection will expose this as a bare and unsupported assertion. Even though additional firms may be created by breaking up large businesses, the result is not necessarily in the social interest, nor does it necessarily create or improve competition. The social interest and com-

petition are not automatically served by an increase in the number of firms. It is a commonplace that competition may be more vigorous and the service to society greater when an industry has few firms than when it has many. The question from the point of view of society is not how many firms there are, but how efficiently and progressively the firms — no matter how few or how numerous — utilize scarce resources in the service of the public. Maybe production will improve after a single large producer is split into fragments; but it is equally possible that it will not. No one can tell in advance, and it is also impossible to do so after the fact. The only thing that can be said with certainty about the breaking up of businesses is that government's power has been used to deny property rights rather than to protect them. If we really believe that private property is the most valuable institution of the free society, and that in it lies the strength of the free society, then it is wrong to abrogate that institution on the basis of pure guesswork.

Monopoly Unionism

The antitrust approach to improving competition loses even more of its glamor when one understands that the most abusive and socially dangerous monopoly

which exists today in this country is the direct product of special governmental privileges. Labor unions are today the most destructive monopolies in our system, and they are also the greatest beneficiaries of governmental special privileges.

First and foremost, there is the virtual privilege of violence, which trade unions alone enjoy. Neither individuals nor other organizations are so privileged. Memory is strangely short as regards union violence, and yet every big union in America has used it habitually, in both organizing and "collective bargaining."

Of the men who resist union membership, many are beaten and some are killed. They have much more to fear than do persons who reject the blandishments of sellers of other goods or services. And this is true despite the fact that the right *not* to join a union is as firmly entrenched in legal theory and the theory of the free society as is the right to buy as one wishes or to refuse to buy when one so wishes.

In 1959, the United Mine Workers engaged in one of its periodic purges of the nonunion mines which spring up continually owing to the uneconomic wage forced upon the organized mines by the UMW. An Associated Press dispatch, dated April 10, 1959, re-

ported that "one nonunion operator has been killed, five union members charged in the fatal shooting, and three ramps damaged by dynamite since the strike began March 9. It has made idle more than 7,000 men over the union's demands for a \$34.25 a day wage, a \$2.00 increase." The grimmest aspect of the dispatch lay in the news that Governor A. B. Chandler of Kentucky was *threatening* — after a full month of terror and pillage by the union — to order National Guardsmen into the coal fields.

The Pattern of Violence

This is no isolated case. On the contrary, violence and physical obstruction are standard features of most strikes, except where the struck employers "voluntarily" shut down their businesses, in accordance with the Reuther theory of enlightened management which I have described in *Power Unlimited: The Corruption of Union Leadership* (Ronald Press, 1959). A special dispatch to *The New York Times*, dated August 5, 1959, reported that "a siege was lifted today for 267 supervisory employees at the United States Steel Company's Fairless Works here . . . From now on the supervisory personnel will be allowed to enter and leave the plant at will for maintenance." The dispatch is silent concerning the probable con-

sequence of any attempt by the steel companies to maintain production. But the fact that supervisors were besieged because of maintenance operations suggests that rank-and-file workers who attempted to engage in production would be mauled. It is not out of order to infer that the siege of the supervisors, otherwise a pretty silly act, was intended to get across that message.

The careful student of industrial warfare will discern a pattern of violence which reveals an institutionalized, professional touch. Mass picketing, goon squads (or "flying squadrons" as they are known in the Auto Workers union), home demonstrations, paint bombs, and perhaps most egregious of all, the "passes" which striking unions issue to management personnel for limited purposes — these are the carefully tooled components of the ultimate monopoly power of unions.

As a matter of fact, we have become so befuddled by, and so weary of, the terror, destruction, and waste of the unions' organizing wars that we view with relief and contentment one of the most prodigious contracts in restraint of trade ever executed — the celebrated "no-raiding pact" of the AFL-CIO. No division of markets by any industrial firm has ever achieved such proportions. The

"no-raiding pact" divides the whole organizable working force in accordance with the ideas of the union leaders who swing the most weight in the AFL-CIO. It determines which unions are "entitled" to which employees. The theory of modern labor relations law is that employees have a right to unions of their own choosing. Reversing that principle, the "no-raiding pact" asserts that the choice belongs to the union leadership. If any business group were so openly to dictate the choices of consumers, it would be prosecuted by sundry federal agencies and hailed before one or another, or perhaps many Congressional committees. It would not receive congratulatory telegrams from the chief politicians of the nation.

Government Intervention

The more one examines American labor law the more one becomes convinced of the validity of Professor Mises' theory that no abusive monopoly is possible in a market economy without the help of government in one form or another. If employers were permitted to band together peacefully in order to *resist* unionization, as unions are permitted to engage in coercive concerted activities in order to *compel* unionization, it is probable that the purely economic (nonviolent) pressures of unions

would not be as effective as they have been in increasing the size and power of the big unions. But the government has taken from employers *all* power to resist unionization, by peaceful as well as by violent means. At the same time it has permitted unions to retain the most effective methods of economic coercion. And so picketing, boycotts, and other more subtle modes of compulsory unionism are in many instances as effective in compelling unwilling membership — in the absence of countervailing economic pressures from employers — as sheer physical violence.

Monopoly unionism owes much, too, to direct and positive help from government. Consider the vigorous prohibition of company-assisted independent unions which has prevailed for over twenty years. Although such small unions might at times best serve the interests of employees, the early National Labor Relations Board practically outlawed all independent unions, and more recent decisions continue to favor the big affiliated unions.

The Majority-Rule Principle

But perhaps the most significant contribution of government to monopoly unionism is the majority-rule principle which makes any union selected by a majority of

votes in an “appropriate bargaining unit” the exclusive representative of all employees in that unit, including those who have not voted at all, as well as those who have expressly rejected the union as bargaining representative. Majority rule is a monopolistic principle; it is always to be contrasted with individual freedom of action. But it is particularly prone to monopolistic abuse in labor relations. Determination of the “appropriate bargaining unit” is left to the virtually unreviewable discretion of the National Labor Relations Board. And that agency has in numerous instances felt duty-bound to carve out the bargaining unit most favorable to the election of unions. Indeed, politicians might learn something about gerrymandering from studying the unit determinations of the Labor Board.

Even if the gerrymandering could be eliminated, the majority-rule principle would remain a source of monopolistic abuse, based on monopoly power granted and enforced by government. A union may be certified exclusive representative in a 1,000-man bargaining unit on the basis of as few as 301 affirmative votes, for an election will be considered valid in such a unit when 600 employees participate. If a bare majority then votes in favor of the union, the remaining 699 are saddled

with the union as their *exclusive* bargaining representative, whether or not they want it.

Competitive Safeguards

Society has nothing to fear from unions which without privileged compulsion negotiate labor contracts and perform other lawful and useful jobs for workers who have voluntarily engaged their services. For they are then but another of the consensual service associations or agencies which a free society breeds so prolifically. Moreover, the free society has demonstrated that its fundamental mechanism, free competition in open markets, is tough and resilient enough to defend against exploitation by any genuinely voluntary association. The critical problem arises when a man or an association destroys society's chief defense mechanism by violent and coercive conduct, or when that mechanism is blacked out by special privilege from government. For then, without the checks and balances of free men vying against free men in civilized competition, society lies as prone to exploitation by the unscrupulous as a rich store would be without guards and burglar alarms.

When the sources and components of union monopoly are understood, it becomes clear that the antitrust laws cannot cure the

problem. The fundamental source is to be found in failures and errors of government which the most elaborately conceived antitrust laws could not cure. The basic job of government is to keep the peace. It has not kept the peace in labor relations. Local, state, and federal governments have all failed to prevent labor goons and massed picket lines from interfering with the freedom of action of nonunion employees and of employers in bargaining disputes. (See my book, *The Kingsport Strike*, Arlington House, 1967.) A similar failure in organizing campaigns has permitted unions which would be pygmies, if they represented only workers who wanted them, to become giants. The antitrust laws would equally clearly do nothing to remedy the monopolistic consequences of the positive aids granted by government to the big unions, such as the majority-rule principle and the virtual outlawry of small independent unions.

I am convinced that the socially dangerous aspects of big unionism have been brought about by the errors and failures of government which we have been considering. Government has on the one hand been tolerating the violence and economic coercion by means of which the big unions have attained their present power, and it has, on the other hand, positively inter-

vened in their support. Moreover, for the last forty years or more, officers of the national administration have played a critical role in the key industrial disputes which have set the pattern of the so-called inflationary wage-cost push.

The latter is a much more important fact than it may seem at first view. It suggests that the checks and balances of free enterprise are adequate to protect the public even from the artificially constructed compulsory labor monopolies which we now know. Moreover, it is not unreasonable to infer that those checks will work even more effectively if politicians not only stay out of negotiations but also enforce the laws against compulsory organization. These considerations suggest that the logical first step for those concerned about union power is to insist that government remove the present special privileges which unions enjoy and then wait patiently, to see if the problem will work itself out without further government intervention.

**Government's Limited Role,
As Outlined by Mark Twain**

I believe that the same approach should be taken in respect to *businesses* suspected of monopolistic abuses. Rather than following the hit-or-miss political vagaries of the antitrust approach, it would be

better to make sure that all special privileges, such as tariffs, exclusive franchises, and other governmental devices for blocking access to markets are withdrawn. Repeal of the tax laws which unfairly prevent high earners from amassing the capital necessary to compete with existing firms would also help much more than antitrust prosecutions do in promoting competition. In short, if government would confine itself to protecting property and contract rights, and if it would desist from impairing those rights, it would be doing all that government can do to promote competition. And we should not need to be greatly concerned about monopolies and contracts in restraint of trade. For, as Mark Twain's account of the career of the riverboat pilots' monopoly in the nineteenth century demonstrates, the free enterprise system is in itself fully capable of destroying all abusive restraints upon competition which are not supported and protected by government.

In the years before the Civil War, Twain writes in *Life on the Mississippi*, the river steamboat pilots formed an association which was to become, as Twain put it, "the tightest monopoly in the world." Having gone through many trials in building up its membership, a sudden increase in the demand for pilots gave the as-

sociation its first break. It held members to their oath against working with any nonmember, and soon nonmembers began having difficulty getting berths. This difficulty was increased by the association pilots' safety record, which grew out of an ingenious method evolved by the association for current reports on the ever-changing Mississippi channel. Since the information in these reports was confined to members of the association, and since nonmembers had no comparable navigation guide, the number of boats lost or damaged by the latter soon became obviously disproportionate. "One black day," Twain writes, "every captain was formally ordered (by the underwriters) to immediately discharge his outsiders and take association pilots in their stead."

The association was then in the driver's seat. It forbade all apprentices for five years and strictly controlled their number thereafter. It went into the insurance business, insuring not only the lives of members but steamboat losses as well. By United States law the signature of two licensed pilots was necessary before any new pilot could be made. "Now there was nobody outside of the association competent to sign," says Twain, and "consequently the making of pilots was at an end." The association proceeded to force

wages up to five hundred dollars per month on the Mississippi and to seven hundred dollars on some of its tributaries. Captains' wages naturally had to climb to at least the level of the pilots', and soon the increased costs had to be reflected in increased rates. Then society's checks and balances went to work. This is Twain's summation:

"As I have remarked, the pilots' association was now the compactest monopoly in the world, perhaps, and seemed simply indestructible. And yet the days of its glory were numbered. First, the new railroad . . . began to divert the passenger travel from the steamers; next the war came and almost entirely annihilated the steamboating industry during several years . . . then the treasurer of the St. Louis association put his hand into the till and walked off with every dollar of the ample fund; and finally, the railroads intruding everywhere, there was little for steamers to do but carry freights; so straightway some genius from the Atlantic coast introduced the plan of towing a dozen steamer cargoes down to New Orleans at the tail of a vulgar little tugboat; and behold, in the twinkling of an eye, as it were, the association and the noble science of piloting were things of the dead and pathetic past!"

The moral: government's job is done when it defends the right of competitive businessmen or workers to take over functions which are being abused by monopolistic groups. The deeper moral is that monopolistic abuses rarely survive without a basis in one form or another of special privilege granted

by government. The long steel, auto, and other big strikes we have suffered would not have lasted nearly so long if government had effectively protected the right of the companies to keep their plants operating and the right of employees to continue working during the strike. (E)

The Fault Is Ours

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

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

DUKE BURGESS, "One-Man Pressure Group"

IDEAS ON



LIBERTY



The False God of Politics

ALLAN C. BROWNFIELD

FOR too many Americans, government has become the source of all good and all evil to be found in the contemporary world. If there is too much crime, if the highways are overcrowded, if the programming on television is mediocre, if jobs are unsatisfying and marriages are unrewarding, if children seem indifferent, and a sense of community seems less and less evident, then what we need, of course, is a change in Administration, a new party in power or, to radicals, a revolutionary upheaval.

Somehow we have come to believe that we do not have responsibility for our own lives but that established political authority is responsible for the good, the evil, even the ambivalence of the mod-

ern world. Where men and women once turned to the church and to the family for the inner meaning of life and the fulfillment of emotional needs, they now seek such answers from the political process. Unfortunately, politics cannot provide such answers.

Discussing the faith which modern man has placed in politics, and the futility of such an approach to life, the Russian poet Joseph Brodsky, currently poet-in-residence at the University of Michigan, has provided an analysis which Americans would do well to consider.

Brodsky declared that, "I do not believe in political movements. I believe in personal movement, that movement of the soul when a man who looks at himself is so ashamed that he tries to make some sort of change — within himself, not on the outside. In place

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of this we are offered a cheap and extremely dangerous surrogate for the internal human disposition toward change: political movements of one sort or another. Dangerous psychologically more than physically. Because every political movement is a way to avoid personal responsibility for what is happening As a rule communality in the sphere of ideas has not led to anything particularly good."¹

On Changing the World

What, then, is to be said of political ideas?

Often, we are told by politicians, such as those who urge redistribution of wealth or a complete alteration of our social and economic systems, that "The world is bad, it has to be changed."

To this, Brodsky replies: "The world is precisely *not* bad; one could even say the world is good. What is true is that it has been spoiled by its inhabitants. And if it is necessary to change something it is not the details of the landscape but our own selves. What is bad about political movements is that they depart too much from their own origins, that on occasion their results so disfigure

the world that it really can be called bad, purely visually; that they lead human thoughts into a dead end. The intensity of political passions is directly proportional to their distance from the true source of the problem."

Underneath the rhetoric, what those who seek political solutions for all social and personal problems are saying is that such solutions do exist, and that, in effect, all of our difficulties can be corrected, if only *they* are given a chance to do it. Joseph Brodsky, who has recently emerged from a Communist society which tells us that *it* has all of the answers to such problems, states that, "There is something offensive to the human soul about preaching paradise on earth. Replacing metaphysical categories with pragmatic ethical or social categories is somehow a debasement of human consciousness."

The Limits of Government

The conception of government believed in by the Founding Fathers of our own country was that all the political process could or should do was to provide order and an atmosphere of freedom within which each man could go as far as his own ability would take him. A political process which attempted to do more than this, to provide equality of condition

¹ Joseph Brodsky, "A Writer Is a Lonely Traveler, And No One Is His Helper," *The New York Times Magazine*, October 1, 1972, p. 11.

rather than of opportunity as the advocates of racial and sexual quotas urge today, would inevitably end as a tyranny.

There was no doubt at that time that government had to be severely limited, and that the political process should not deal with a wide range of societal and personal problems but should deal only with certain carefully and clearly defined areas of concern. *The Federalist Papers* (Number 51) declare:

"What is government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. . . . In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself. A dependence upon the people is, no doubt, the primary control on the government, but experience has taught mankind the necessity of auxiliary precautions."

At this time there is a great deal of confusion about the meaning of the term "equality." What is meant by this term, in the context of our political tradition? According to John Locke, in the state of nature there exists a "state of equality, wherein all the

power and jurisdiction is reciprocal, no one having more than another . . ." Yet the English philosopher emphasizes that this equality is not one of condition, and is hardly absolute, even in the state of nature:

"Though I have said above . . . that all men by nature are equal, I cannot be supposed to understand all sorts of equality: Age or virtue may give men a just precedence. Excellency of parts and merit may place others above the common level. Birth may subject some, and alliance or benefits others, to pay an observance to those to whom Nature, gratitude or other respects may have made it due; and yet all this consists with the equality . . . I there spoke of as proper to the business at hand, being that equal right that every man hath to his natural freedom."

When Thomas Jefferson wrote in the Declaration of Independence that, "All men are Created Equal," he was speaking of "equality" in the terms set forth by John Locke in his *Second Treatise*: not equal property, or equal status, but an equal right to be free.

A Losing Battle


We are told today that individual freedom must be sacrificed so that those who are "disadvantaged" can be given a more "equitable" place in society. Peter

Viereck has noted that, "There is a line of diminishing returns for humanitarianism. Beyond it, the increase in security is less than the loss of liberty."² Freedom, those who challenge it today should understand, has never been taken away, except for a "good" reason.

To expect the political process to make men good when God has made them otherwise, is to expect what politics cannot do. Discussing the creation of the Republic, John Adams declared that, "Whoever would found a state and make proper laws for the government of it, must presume that all men are bad by nature. . . . Human nature with all its infirmities and depravities is still capable of great things. . . . Education makes a greater difference between man and man, than nature has made between man and brute. The virtues and powers to which men may be trained by early education and constant discipline, are truly sublime and astonishing."³

A free society traditionally has sought to permit men and women

to become themselves, and each man and each woman will, and should be, different and unique. Those who urge egalitarianism in the name of "justice" must remember that every movement which seeks to make men the "same" has only made them similar in their servitude.

Politics is no panacea, and only when we begin to look not to Washington but to ourselves will our lives have any purpose and meaning. Man cannot find outside of himself what is not to be found within, though in this troubled time many are trying to do this. The end of such a futile search is the disillusionment with politics and with ourselves which is so evident today. When men discover that their idols are indeed false, they smash them with a vengeance. By then, however, it is often too late. 

² Peter Viereck, *The Unadjusted Man* (Boston: Beacon Press, 1956).

³ Quoted in *Conservatism in America* by Clinton Rossiter (New York: Vintage, 1955).

Ingratitude

IDEAS ON

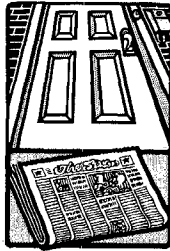


LIBERTY

IF ONCE they are habituated to it, though but for one-half year, they will never be satisfied to have it otherwise. And having looked to government for bread, on the very first scarcity, they will turn and bite the hand that fed them.

Back Door

MELVIN D. BARGER



Press Control

THERE'S A NOTE of genuine anxiety in the current wave of newspaper articles and editorials protesting the recent government attacks on the press. In the past, such warnings sounded a lot like the boy who was merely crying, "Wolf." But it's now clear that many newsmen do feel threatened and are seeking public support in defending the traditional freedoms of the First Amendment.

They may be seeking the impossible. The government, long denied the right to impose direct licensing or controls on the press, may soon be able to establish press control by indirect methods. Such indirect methods grow out of Federal and state power to regulate business, professions, and industry. It is true that some businesses are not presently controlled by Federal regulations or are only partly regulated. No matter. The pattern of Federal regulation was estab-

lished long ago, and is available for immediate use whenever the opportunity to impose additional regulation presents itself.

This new threat is an ironic development because nobody can accuse newsmen of failure to stand up and be heard when *direct* attacks were being made on press freedom. Time and again, newspapers have thoroughly roasted and ridiculed government officials who tried to intimidate reporters and censor newspapers. There was mass cheering on most editorial pages when *The New York Times* won its celebrated Pentagon Papers case. Newsmen have been quick to close ranks when a maverick columnist such as Jack Anderson has been directly threatened by the government. Every journalism textbook carefully presents the case for press freedom, and there's probably not a reporter in the country who doesn't know the classic story of

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John Peter Zenger¹ and similar milestones in the fight for press freedom.

But indirect, or "back door," attacks on press freedom are another ball game, and it may be that the popular newspaper columnists and writers don't know how this new game is played. Many of them, in fact, supported the adoption of the very control measures that now threaten the press. Over the past 50 years, a large number of newspaper writers and commentators have clamored for additional government regulation of business and industry. But few have bothered to ask what the effect would be on press freedom once intensive regulation of business became a reality. They have apparently felt that newspapers and magazines could exist as islands of freedom in a completely regulated society. But it is not working out that way in practice. Press freedom is now being threatened in several ways that

differ radically from the old direct attacks on First Amendment rights. Here are some recent trends:

- *Proposals are being made to license newsmen.* The central issue in a 1931 landmark case called *Near vs. Minnesota*² involved "prior restraint" of the press. It has been well-established that any form of government licensing of publishing also would result in prior restraint of the press and would be a denial of First Amendment rights.

Congress later created a legal limbo in this area when it passed the Federal Communications Act of 1934, establishing governmental licensing of broadcasters. There has been good reason to fear that the same principle would eventually be extended to cover print media. But with the mounting govern-

¹ John Peter Zenger, printer of the *New York Weekly Journal*, was jailed in 1734 on charges of seditious libel for labeling Governor William Cosby a tyrant and oppressor of the colony. A brilliant lawyer named Andrew Hamilton won Zenger's acquittal in a trial by jury, effectively ending "seditious libel" as an instrument for press control. Harold L. Nelson and Dwight L. Teeter, Jr., *Law of Mass Communications* (The Foundation Press, Inc., Mineola, N. Y., 1969) pp. 23-26.

² "Near vs. Minnesota involved a scandal sheet published in Minneapolis by J. M. Near and a partner who ran afoul of an extraordinary Minnesota law. The famous Gag Law provided that it was a public nuisance to engage in the regular, persistent publication of a 'malicious, scandalous and defamatory' periodical. The state could step in, stop and permanently suppress such a publication. If a publisher disobeyed an injunction against his publishing, and resumed it, he could be punished for contempt of court. Under the law, Near was enjoined from continuing to publish his *Saturday Press*. He challenged the constitutionality of the law, and the United States Supreme Court reversed his conviction." *Ibid.*, p. 409.

ment attacks on broadcasters, newspapers have finally begun to be alarmed and are calling into question the rationale for broadcast licensing.

But professional licensing is another matter. For a long time, state licensing of doctors and dentists has been widely recognized and accepted, and has been readily embraced by the members of the licensed professions as a mark of status and also as a means of excluding others from entry to the field. The public has been schooled to believe that licensing raises the standards of a profession and excludes crackpots and incompetents. (Not to be outdone, practitioners of trades such as barbering and plumbing have followed suit, although the chief advantage to the public is the privilege of paying higher prices for haircuts and plumbing than would otherwise be possible!)

The rationale for licensing newsmen is that incompetent reporters lack the education and judgment necessary for handling the news in the best interests of society. According to an Associated Press story published in *The Detroit Free Press* on February 5, 1970, Dr. W. Walter Menninger advocated licensing of reporters and news commentators with certification to be approved or disapproved by peers or members of the news

profession. Menninger, the only psychiatrist on the 13-member National Commission on the Causes and Prevention of Violence, was apparently echoing the oft-repeated view that newspapers cause violence by reporting it. He complained that reporters and news commentators may lack the basic understanding of such issues as minority frustrations and may be inaccessible to the man on the street.

This was not an isolated proposal. The following month, a Michigan state representative named James Del Rio called for a special study of the possibilities of licensing and regulating news reporters and editorial writers.³ In 1971, then United States Senator Jack Miller of Iowa told a New York County Lawyers Association that in his opinion journalists should be licensed, with each subject to "having his privilege . . . to practice his profession revoked for unethical conduct."⁴ The licensing proposal is very much alive, and is certain to get serious state legislative and Congressional interest in the future.

³ Associated Press report in *The Jackson Citizen Patriot*, Jackson, Michigan, March 11, 1970, p. 3.

⁴ *A Free and Responsive Press*, Task Force Report for a National News Council, (The Twentieth Century Fund, New York, 1973), p. 14.

Whatever the arguments for licensing newsmen, the result of such an action would be to place the control of news and opinion under the government. It would be prior restraint of the worst kind. It would give bureaucrats a lethal tool for excluding the very journalists who questioned their activities. It would effectively end any tendency to criticize the government or the party in power. After all, "unethical conduct" is really a subjective term, and among politicians any news story is unethical if it is unfavorable to them.

But this threat to First Amendment rights, be it remembered, did not come to life in a vacuum. It is a natural outgrowth of the elaborate system of licensing and certifying members of other professions. If newsmen are disturbed over this threat to freedom, perhaps they should reexamine the entire concept of professional licensing. There is a great deal in this type of licensing that is a form of restraint of trade. It is not surprising that the system could easily be extended to inhibit freedom of expression. The proposal to license newsmen is getting serious attention only because other licensing schemes have become accepted and have been promoted by the various trades and professions. It was

bound to reach the journalist profession someday.

• *Proposals have been accepted for a voluntary press council to review the performance of the various media.* Early in 1973, the Twentieth Century Fund announced that it had formed a National News Council to scrutinize the national press, including broadcasters, and investigate complaints from the public about fairness and accuracy. The core of the media council idea, according to the Fund, "is the effort to make press freedom more secure by providing an independent forum for debate about media responsibility and performance, so that such debate need not take place in government hearing rooms or on the political campaign trail."⁵

On the face of it, the News Council proposal sounds constructive and it's certainly within the right of any voluntary organization to set itself up to monitor the press. But unless it's very unusual, the Council will soon be captured and dominated by individuals who have an ax to grind. There will be the problem of monitoring the Council's own fairness and accuracy at the same time it is supposedly examining these qualities in the media.

⁵ *Ibid.*, pp. 3-5.

Government Supervision

There is also the possibility (indeed, the probability) that the work of the Council will pave the way for some form of government supervision of the press. This is always the risk in voluntary efforts that are based on the idea of "cleaning-up-our-own-house-before-the-government-does-it-for-us." The government is often unable to "clean anybody's house," not even its own, but it does have the power to force outward compliance that gives an appearance of improvement. Voluntary programs never can hope to bring about total compliance in the way that compulsory programs do. It is not hard to predict that compulsory measures will appear more attractive if the voluntary efforts of the Council fail to bring the desired results in media performance.

The News Council is also another example of a disturbing trend, the establishment of "representative groups" who are supposed to act in the public interest. There are 15 members of the Council's task force and, not surprisingly, there's a person who supposedly represents every race, group, or class. As a rule, the representatives selected are prominent but not usually controversial. The theory seems to be that of giving everybody representa-

tion by selecting a member of his group or class.

One fallacy in this practice is that highly publicized members of a representative group do not always represent the people for whom they allegedly speak. Quite often, they are merely people who have been able to gain a certain prominence in a particular field or have access to a number of political figures. But it is a mistake to believe that such prominence means they can speak for all members of their race or group. It is always possible to find cross-currents of opinion in any ethnic or religious group. One prominent spokesman who "represents" blacks or Mexican-Americans may demand that newspapers conceal any racial or ethnic identifications in news stories. But other members of the same group may, for reasons of their own, feel that such identifications serve a constructive purpose. Their views will not get an airing in a typical panel of "representative groups."

• *Demands are being made for "right of access."* One of the latest bids for control over the press is the advocacy of "access to the press as a First Amendment Right." The proponent of this demand is a law professor named Jerome A. Barron, who argued quite convincingly in a law re-

view article⁶ that new laws are required to meet the changing conditions of modern times. Barron insists that technological and economic changes have made the First Amendment ineffective and inadequate as a means of implementing the free flow and distribution of new ideas. In fact, he believes that the Amendment is actually used by monopoly newspaper owners as a protective cover for refusing to publish unpopular views. He argues that there can be no real "marketplace of ideas" if there is no corresponding right to have one's ideas published in major newspapers, particularly newspapers having monopoly status. He also deplors the profit-seeking aims of these newspapers and suggests that the owners are neglecting their true responsibilities when they publish bland and popular material while excluding articles of greater depth.

Change First Amendment

To provide access to the press, Barron wants definite changes in the present interpretation of the First Amendment. He believes that the Courts can make such

change by extending their interpretation of the First Amendment to include right of access. Failing that, he proposes legislative change, a new law, that would have the same effect.

There are a number of fallacies and pitfalls in Barron's proposal, which has been getting serious attention in intellectual circles.⁷ For one thing, he focuses on popular mass media, completely ignoring the diversity of other media that can often be useful to an aspiring writer or advocate of social change. A good example of the effectiveness of small-circulation media is the case of Ralph Nader, who was virtually unknown a dozen years ago. His earlier attacks on the auto industry were published in small-circulation journals before they were picked up by the popular press. In this case, the First Amendment was effective in giving Nader the *right* to publish his views, but it was up to Nader to prove that his ideas merited broader distribution. There is no way that the publishers of large circulation newspapers could have known in advance that Nader's ideas would catch on with the public, just as

⁶ Barron's proposal for right of access was thoroughly presented in the *Harvard Law Review*, Vol. 80:1641, 1967. (Harvard Law Review Association, Cambridge, Mass.) Similar articles by the same author have appeared in other publications.

⁷ For a variation of Barron's argument, readers should consult *The Rights of Americans*, (Pantheon Books, New York, 1970); article beginning on p. 276, entitled, "The Right of Access to Mass Media," by John De J. Pemberton, Jr.

there is no way of picking out the popular writers and advocates of tomorrow from among the hundreds who are now struggling to get their views accepted. With thousands of small newspapers and other publications available as a proving or testing ground, these writers cannot truthfully say they are excluded from print. Barron himself was able to get his arguments published in law review publications and thus became identified with a certain viewpoint that is now getting serious national consideration. To put it another way, Barron's success in getting his views known is an excellent answer to his own argument.

A Nightmare in Practice

The more disturbing problem is not the success or failure of the individual writer, but what really happens to First Amendment rights if "access to media" becomes a law. The Barron proposal is one of those arguments that sounds reasonable in theory but can become a nightmare in practice. He does not explain, for example, how equitable methods of providing access to the press can be developed without damaging the objectivity and effectiveness of newspapers. He does not really deal with the possibility that "access" laws in practice would turn

out to be disguised forms of prior restraint. He fails to explain how "access" rights can be allocated when an unusually large number of groups are demanding desirable newspaper space for their own viewpoints.

Barron also evades the greatest danger of his proposal — the likelihood that it will result in newspapers being subjected to Federal regulation of the type now imposed on broadcasters. It is true that no regulatory body would be established simply by new rulings giving increased "access" to the media. But continuing dissatisfaction with access rights would certainly lead to the demand for some Federal body or communications czar to supervise the process of granting access. The result would be *de facto* regulation.

- *Shortages, general increase in controls.* Although they often represent themselves as public interest organizations, newspapers and other media are businesses which have the central purpose of producing earnings for their owners. There has been some attention focused on the business problems of a few leading publications and the failures of several popular magazines. In fact, however, many newspapers and broadcasting outlets are highly profitable, with earnings margins that would be

envied by most manufacturers and retailers.

Being profit-seeking businesses, newspapers cannot escape the regulations and restraints that are being imposed on other privately-owned businesses. If the government continues to expand its regulation of business "in the public interest," it will expand its control over newspapers and various other media. Soon or late, the government will also involve itself in such matters as news content, fairness of news presentations, and the effect of news on personal behavior. It is becoming widely accepted that the government has the responsibility to regulate such matters, so it is also likely that the government will use all of its powers to carry out that responsibility.

This tendency to employ all of its powers to gain certain ends seems to be an accepted way of operating in American government, and probably any government. For example, people who are having trouble with the Executive Branch of the government may find themselves getting a sudden audit from the Internal Revenue Service, an audit that has nothing to do with suspected financial irregularity but may be only a form of harrassment. It is not hard to see that this form of harrassment could have infinite

variations once the government gained considerable control over such matters as the allocation of newsprint, the location of newspaper plants, the hiring and firing of news personnel, pricing of advertising and other services, and performance in meeting pollution and environmental standards.

Reconsider the Marketplace

In the changing social climate of the 1970s, it is likely that additional forms of "back door press control" will be developed to supplement the trends discussed in this article. Back door press control, like most efforts of an indirect nature, is very difficult to detect. It usually arises as a hidden component of another proposal that seems socially desirable or reasonable. It seems reasonable, for example, to license professional people in the public interest. It is only upon closer examination that the licensing proposal is seen as an indirect form of control. And it is not always the government that uses this control for its own purposes. In an organization of licensed professionals, the majority can use licensing control as a means of bringing minority dissenters into line.

During the past few years — indeed, during the past few months — it has been made clear that gov-

ernment officials are not above using underhanded and even criminal methods in getting their way. Yet the problem of American government is not that a certain group of rascals came into office and used their powers for self-serving purposes. The problem is that government already had been given excessive powers and controls over people's lives.

If newsmen are alarmed by the government's growing power to control them they should take a fresh look at the kind of controls that are already mandated for business, industry, and professional groups. They should study the nature of the marketplace for goods and services, which is linked more closely than they care to admit to the marketplace for news and ideas. There really can be no such condition as a completely regulated marketplace for goods and services without a corresponding attempt to control news and

ideas. In fact, an effort to permit considerable freedom of the press eventually would become intolerable to those who have the responsibility for establishing order and compliance in other segments of society.

Businessmen who have squirmed under attacks by obviously "anti-business" newsmen should not take pleasure in the rising threats of back door press control. American society has already lost considerable freedom through an attitude of "it-serves-them-right" or "they-brought-this-regulation-on-themselves." It is unfortunate when the fist of tighter governmental control closes on any segment of society. But it is even more unfortunate that newsmen did not understand the nature of government regulation and control. It had to reach them someday, and it came in through the back door that was opened by regulating and controlling others.

John Stuart Mill

IDEAS ON



LIBERTY

A STATE which dwarfs its men, in order that they may be more docile instruments in its hands — even for beneficial purposes — will find that with small men no great thing can really be accomplished.

On Liberty

THE INVISIBLE HAND

By directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an *invisible* hand to promote an end which was no part of his intention.

—Adam Smith

FOR YEARS I have quoted this famous line from *The Wealth of Nations*, but have often wondered precisely what Adam Smith meant by "invisible hand." The answer is not to be found in his monumental book. Smith was a moral philosopher, so it is my guess that he referred to the Divine Will, the order-producing factor in the universe. Invisible? Yes! Knowable? To some extent! If what I apprehend of the Divine Will is anywhere near correct, then I am obliged to try once more to explain the correlation between freedom and the remarkable outburst of creative energy experienced by the American people.

If freedom is not seen to be the reason for progress, it may be neglected and abandoned as of no value. When that happens, we are beset by all sorts of authoritarian controls, along with shortages and rationing. Does this not justify my attempt to explain?

The lives of all persons, be they dictocrats or practitioners of the Golden Rule, are identified with self-interest. The differences have to do with how intelligently self-interest is interpreted. The man to whom Adam Smith referred interpreted his self-interest as best served by producing goods or services of the greatest possible value that he might gain the most for himself. In a word, he was minding his own business. He intended nothing more; indeed, like most people then and now, he was utterly unaware of anything more — of consequences beyond his own gain.

However, have a look at the man who minds his own business; for certain, he is not minding anyone else's business. By reason of this fact, no other person is restrained by him. All others, insofar as his actions are concerned, are free men, even though that thought does not occur to him. Just a man

tending to his own knitting, oblivious of the beneficial over-all effects of such behavior — “led by an invisible hand to promote an end which was no part of his intention.”

The end? Clear as crystal: the freedom of everyone to express his uniqueness and seek his own gain! No restraints — none whatsoever — against the release of creative human energy. It is this end and this alone which has accounted for the American miracle.

The Power of Attraction

Adam Smith's man, releasing his own talents and permitting all others to release theirs, acts correctly, ideally. Correct action bears fruits unimaginable in quantity and quality. True, this astounding result is no part of his intention — he intends only his own gain. Further, the freedom which his kind of action assures is beyond the scope of sensory perception; it is not seen with the eyes or heard with the ears. It is in this sense invisible. As in a magnetic field, the forces of attraction are invisible; they cannot be seen or heard; nonetheless, they work. Freedom — its attractive forces likewise invisible — works!

When it is recognized that most people regard as reality only that which comes within the range of their sensory perceptions, it be-

comes clear why invisible freedom is so rarely correlated with human progress. The progress they observe is credited instead to what they can see or feel or hear: coercive gadgetry such as compulsory unionism, social security, medicare, socialized mail delivery, government education, dilution of the money supply, wage and price controls, rationing and, to top it off, national self-sufficiency, isolationism, call it what you will. Few, indeed, are those who realize that it is the attractive force of invisible freedom that accounts *exclusively* for whatever progress there is or ever will be.

It would be very well if Adam Smith's economic man would persist in his ways — “by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain.” He would, in this circumstance, “be led by an invisible hand to promote an end which was no part of his intention.” But that man, to whom freedom is invisible, is the very one who, more than likely, is drawn off course, who correlates what is visible to him with the progress he observes. Unwittingly, he joins the interventionist parade, seeking gain not by improving his own industry but by trying to seize the fruits of the industry of others. Blindly, he becomes his own worst enemy. Adam

Smith, be it noted, spoke of what-ought-to-be, rather than what-is.

Thank heaven, there are two ways of seeing. True, no one can see freedom with his eyes or hear it with his ears. Freedom, in this sense, is invisible. Were this the only way of seeing, the case for freedom would be hopeless. No one would ever correlate progress with men acting freely. All would be lost!

Seeing with Insight

The other way of seeing? *Insight*, with which a few are graced and many others could be.

Insight, rather than the outward, superficial glimpse of things and events, is an inward, behind-the-scenes observation — “the ability to understand and see clearly the inner nature of things.” It is achieved, if at all, by reflecting on what one sees when looking under the covers, so to speak, for causal sequences. Perhaps such insights can be attributed to interceptions of the Divine Will. But without resort to mysticism, we do know that seekers after light experience more insights than non-seekers. “Seek and ye shall find,” so it was said of old; and it is true today.

However, one does not need to reflect very deeply to see why all progress stems from individuals acting creatively as they freely

choose without violating the right of others to do likewise. Merely assess your own life. Is it not obvious that no other could identify your uniqueness, be he acclaimed the wisest who ever lived. Adam Smith comments on this:

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

Further, so far as you are concerned, whoever you may be, all insights, flashes of intuition, discoveries, inventions are exclusively personal outcroppings; these enlightenments never have been or can they be the coercive impositions of any other person. Insights are not implants but outgrowths of the inner self.

One's Social Duty

Freedom, while invisible to the eye that only looks outward, is clearly and easily visible to the eye that can and does see within. Freedom undeniably has the case. What is lacking is the insight.

Of course, ever so many people

in today's world will look down upon Adam Smith's man who "intends only his own gain." They will charge that he is devoid of social consciousness, and so he may be; but not of social behavior. William Graham Sumner possessed the insight to reveal this apparent contradiction.

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.¹

Freedom is indeed the invisible hand, the magnetic force that draws to the use of each the unique talents of everyone. As a part of this mysterious attractive force which governs the whole universe, it is not a surface thing for outward observation. Further, even those who see "the inner nature of things" do not know precisely *what* it is; they do, however, know *that* it is — and they know of the magic it works. May their tribe increase, for to the bounties of freedom there is no end. ☉

¹ William Graham Sumner, *What Social Classes Owe to Each Other* (Caldwell, Idaho: Caxton Printers, 1954), p. 98.

People Control

THE NEXT TIME you hear a politician or a neighbor advocating price supports or rent control or some similar subsidy, ask him why he favors people control, and forcing other peaceful persons to do what he wants them to do, and taking money from people who have earned it and giving it to others who haven't.

At that point, however, you had better duck. For the nature of the ambitious politician and the well-intentioned do-gooder is to consider only the "fine objectives" of their plans and to ignore completely the shoddy means used to enforce them. They won't appreciate your calling this to their attention.

DEAN RUSSELL, "Price Control Is People Control"

IDEAS ON



LIBERTY

A Matter of Self-Responsibility

PAUL L. POIROT



IN "THE GOOD OLD DAYS" of my boyhood on the farm, any fuel shortage we experienced was strictly our own fault. And the procedure to avoid or correct the situation was to get out the ax and crosscut saw, hitch a team, and head for the wood lot. It was no great trick for a couple of teenagers to make it home by nightfall with a cord of wood cut and split to stove size.

Fortunately, our neighbors didn't mind if we sawed a fallen log or cut a crooked tree from our own woods. As long as we were in good health, they were perfectly willing to let us freeze if we didn't want to chop wood. I should hastily add that they were always ready to lend a hand in any case of real

need. Otherwise, they generally minded their own business and left ours to us. If there had been a thermostat in our house, we could have turned it to any setting we pleased. That is what I would call self-sufficiency on the energy front, but I'm not so sure it's what the President has in mind for the United States by 1980. Nor would I advocate or vote for a reversion in 1974 to those good old days of each-to-his-own woodpile.

Let me make it perfectly clear that we had an alternative then; we could have purchased a load of coal from the "foreigner" five miles away at the nearest railroad siding. And I'm quite sure we would have availed ourselves of

that opportunity if ever we had more money than time and enthusiasm for chopping wood. We weren't being self-subsistent as a matter of principle — just lack of cash. More accurately, we didn't have anything we were willing to offer that the coal dealer was willing to accept for a load of coal; so, we cut wood, if and when we had nothing better to do.

Most of us today have something "better to do," which explains why we buy fuel in the form of oil or gas or electricity or whatever instead of chopping wood. We specialize, and we trade with "foreigners," whether they be the neighbors next door, or the merchants in town, or the mail order houses in Chicago, or the shippers in London, or the suppliers of "black gold" in Saudi Arabia. We're not exactly self-sufficient any more, not with respect to fuel or to hardly anything else we depend upon for our regular use. But that is not really the issue. The question is whether we are *self-responsible*. Is it my own problem if I want fuel, or is it the President's problem?

There are stories about a couple of American Presidents who were pretty good at chopping wood. But I haven't heard if one has done it lately. So, I'm beginning to think my fuel problem is a bit too important to turn over to the Presi-

dent. I'll grind my ax and sharpen my saw, just in case I'm driven all the way back to self-subsistence.

What One Can Do to Try to Stop the Meddling

Hopefully, however, the market may not be closed entirely. Occasionally, perhaps, a friendly "foreigner" may be found willing to part with a bucket of coal, a tankful of gas or fuel oil, an hour or two of electrical current. As a potential customer, I can do my best not to antagonize any potential supplier. If I think his price is right, I can buy from him, which should make both of us happy. Otherwise, I can leave him alone — and cut wood if I've nothing better to do.

Beyond this, I can urge the President and everyone else not to antagonize my potential supplier. If I want to pay his price, I wish others would not try to forcibly take from him what I've freely paid — not even the part that might have been pure profit for him. Without that part, he isn't going to be much of a future supplier for me.

More importantly, I can respectfully urge those meddlers not to set arbitrary price ceilings for me or my potential suppliers. For in that case, how could I possibly convince any supplier that he should be trying harder to increase the

supply? After all, if there's a shortage, lack of supply must be part of the problem. And the other part would be excessive demand, for which there is no better cure than higher price. So, price controls can only be described as one of the causes, certainly not a way to alleviate a shortage.

Good Neighbors

Getting back to the wood lot, I cannot recall ever having had our load hijacked on the way home by needy neighbors—or even by “foreigners.” No one ever forced us to deliver a fourth or a third or a half of each load to the White House for distribution among the poor. Hardly anyone was so poor that he couldn't fetch his own wood. But if he just couldn't make it, “Uncle Carl” or some other neighbor generally attended to the matter without bothering to call a committee meeting or make a Federal case of it.

In their “retirement” years, my parents rented a small farm house and a plot of “truck patch” or garden. This was part of a larger farm which boasted an oil well which, in turn, yielded a supply of natural gas that had been tapped as a source of heat and energy for the house. To the best of my knowledge, not once did the neighbors ever think of trying to tell the owner what to do with

the gas or how much oil he could pump. In fact, I doubt very much that they helped drill the well in the first place. They simply minded their own business—cut their own wood. It's not easy to find such “careless” neighbors any more.

I Cut the Tree

Recently, I confess, I chopped down our cherry tree. The poor thing had died. Somewhere in the neighborhood I suspect there lies a half-signed petition exhorting me to “cease and desist from destroying *our* natural environment.” Natural, my foot! You wouldn't believe the hours of tender loving care the previous owner and I spent over a period of 30 years planting and feeding and spraying and pruning that sweet cherry in return for a week's peek at springtime blossoms and an annual feast for the starlings at harvest time. Little do those potential petitioners know how often I've plotted—fruitlessly—to murder a starling.

I've often wondered whatever possessed George Washington to chop down a cherry tree; but, if he did such a thing, I'm willing to forgive him. I doubt that the matter merits Congressional investigation. I don't believe for a minute that he was trying to take care of a national fuel shortage. But, if he were, and if it wasn't

his own cherry tree, perhaps there would have been reasonable grounds for impeachment.

I believe it is not the President's place to tell me I have a fuel shortage, or to solve it for me, if I do. I'd rather he leave me alone, to chop wood if I choose, or to trade if I can with whomever is willing and able to supply fuel. The President's job is to stop me if I lie or cheat or steal or defraud anyone to get what I want from others, and to stop others who might try such coercive tactics against me. But let his job end there, leaving all of us free to compete in the open market for the goods and services we want.

Closing the Market

When the President announces a goal of national self-sufficiency (independence) by 1980, he in effect is declaring war against the citizens of the U.S., implying that he intends to close the market at the national boundary lines as of that date. But he's only concerned about oil, you say? And if that's true, why would it be so? Is fuel more important than various minerals, foodstuffs, and numerous other items we now import? And what is it we are not to be allowed to export once we are not allowed to import oil? The President ought to know that imports are paid for with exports — and vice versa —

just as in the case of voluntary exchange between any willing buyer and any willing seller, wherever each may live.

Oh, I see, payment would be made with money instead of goods! And what kind of money would that be? Money the seller is pleased to accept in trade? Or a piece of irredeemable paper that has been declared "legal tender"?

What the President has not explained to the American people is that our fuel shortage, like the recent grain shortage and meat shortage and other "failures of the market," is really a monetary problem. When the U.S. gold window was closed to foreigners on August 15, 1971, when they were supposed to accept the irredeemable U. S. paper dollar as though it were good as gold, the American people suddenly were faced with a shortage of foreign suppliers. They'd rather have wheat or soybeans — or any commodity — rather than "paper gold." Nor is it likely that any Secretary of Foreign Affairs is magician enough to restart the flow of "black gold" from the Middle East if he has nothing better to offer in exchange than U. S. "legal tender."

The sad truth is that foreigners cannot be bound by U. S. declarations of "legal tender." They don't have to supply goods and services to us at our ceiling prices in ex-

change for paper dollars. Unless we are willing and able to give in return as good as we get from them, then we need not wait until 1980 to be self-sufficient and independent. We are already. And isn't it great to thus be allowed to queue up and wait for a supplier who's been excluded from the market by our insistence on paying him with bad money?

Nor does such closure of the market occur only at national borders. To the extent that domestic price controls are imposed and enforced, they can make "foreigners" out of all potential suppliers of goods and services. No one is going to fill your gas tank voluntarily in exchange for unwanted "legal tender" — as devalued by him as it is by you, because he can't buy much with it.

A Chilling Prospect

So, now we all are in a position to know how foolish it was of us over the past generation and longer to ask the government to solve our money shortages for us. The paper promises are irredeemable. If we persist in demanding that government solve our fuel shortage, the likelihood that we can keep warm by burning our ration coupons is a chilling prospect. Furthermore, the energy crisis is

merely one of an endless list of shortages of goods and services that must inevitably grow out of government manipulation of money and closure of the market. Since government is noncreative and nonproductive, it can only "solve" one shortage by causing one or more others; it can only give to one person or group what it first takes from others; it can only intervene in international disputes in favor of one of the claimants by antagonizing the others; it can dispense as foreign aid only what it withdraws from the domestic market; it can only close the market to foreign suppliers by simultaneously closing it in like amount to domestic consumers.

If the government is to maintain a fair field for all competitors — producers as well as consumers — it must refrain from granting privileges to any of them or playing favorites in any way. And if there is any hint of a shortage or surplus, the best the government can do is to get out of the way, stop its meddling, and leave the matter to willing buyers and sellers in the open market. If the government will let us, and if we will be self-responsible, there is no reason at all why anyone ever again would have to chop his own wood except for fun and recreation. ☉

F A S C I S M

WHO AND WHAT IS A FASCIST? The word is used pejoratively, with as little precise meaning as is attached to the adjective "Red" by many well-meaning people who can't distinguish between a Communist and an old-fashioned libertarian or anti-Statist. The confusion about Fascism is the enemy of good foreign policy; it is also something that stands in the way of recognizing the many domestic weaknesses of democracy that prepare the way for the coming of a Caesar, or a Man on Horseback. Because of the practically universal obfuscation, any even half-way successful attempt to reach a true definition of Fascism is welcome.

In an ambitious book called *Fascism* (The Free Press \$7.95), Paul Hayes, a Fellow of Keble College, Oxford, has made a strong effort to uncover the roots of the Twentieth Century's second most malignant political phenomenon. (I say "second" because I believe Communism is an even bigger

evil.) Professor Hayes struggles nobly with his problem, but he doesn't quite overcome the many difficulties that inhere in the attempt to distinguish between various shades of authoritarianism, Nasserism, tribalism, military dictatorship, royal absolutism, or whatever. Nor is he quite as clear about the economic origins of Fascism as the late John T. Flynn, whose *As We Go Marching* has just been reissued in paperback by Free Life Editions, with a preface by Ronald Radosh (\$3.45).

Professor Hayes realizes at the start that he is trying to get a grip on a most baffling problem. Mussolini's Italy was surely a Fascist state. But it never really made an issue of race, even though, at Hitler's proddings, it did do official obeisance to anti-Semitism during the short-lived period of the Rome-Berlin Axis. German Nazism was Fascism on all of Professor Hayes's counts, accepting the myth of racial su-

periority along with the trappings of militarism, national socialism, economic corporativism, and worship of the leadership principle. But how does the Nazi form of totalitarianism differ from the Soviet Communist version? Bolshevism, in practice, has discriminated against Jews, not to mention Ukrainians, or Baltics, or Moslems when they exhibit too much awareness of their own religious heritage. The Soviets subscribe to the idea of the party elite, they "plan" industry, they are imperialist, and they suppress free trade unions. Nevertheless, Professor Hayes, even as John T. Flynn before him, distinguishes between Fascism and Communism.

The difference would seem to reside in contrasting attitudes toward the concept of ownership and in the divergent class origins of the two forms of totalitarianism. Fascism permits private property, subject to control of its uses; it also tolerates the existence of more classes than the proletariat. So there is a reason why neither Professor Hayes nor John T. Flynn chose to deal with the Marxist varieties of the totalitarian State.

Not Much Difference

For myself, I don't see very much to choose between Brown and Red Bolshevisms. Fascism

made use of the bourgeoisie and the private corporation, but the Lenin who approved the Nepmen private farmers in the days of the New Economic Policy was not a pure Communist, and Brezhnev is even now contemplating making deals with the capitalist Occidental Oil Company. On the other hand, as Professor Hayes recognizes, both German and Italian Fascism had their Marxist forebears. Mussolini had been a socialist, and Hitler depended on crossovers from the German Communist and Social Democratic parties to swell his ranks in the late Twenties and early Thirties. There are good reasons for regarding Fascism and Communism as variants of the same evil thing that denies the whole theory of inalienable individual rights.

Professor Hayes does a masterful job in isolating the various intellectual currents of the Nineteenth Century that coalesced into Fascist theory. There were the racial supremacists from Count Gobineau to Houston Stewart Chamberlain. There were the Hegelians who exalted the idea of the State. There were the militarists and the extreme nationalists. There were the theoreticians of economic autarchy, from List and Rodbertus and Dühring in Germany to Cunningham and George Bernard Shaw in Britain. There were the

pre-Civil War American protectionists who encouraged German protectionists. There were the "rationalizers" who thought in terms of big cartels subject to national planning and the coercion of international trade by currency controls.

Setting the Stage

The Nineteenth Century thinkers who opposed the Adam Smith and Richard Cobden theories of unfettered competition were not Fascists, but they all combined to disseminate the Statist philosophy that was necessary for the triumphs of Mussolini and Hitler. And there was, of course, Nietzsche and his "will to power" that exalted strength for its own sake, even the strength that violated the laws of any given community.

Before we are through with Professor Hayes's book we have had the equivalent of a good semester's immersion in anti-libertarian thought. But we haven't quite defined Fascism. Is Franco's Spain a Fascist country? Paul Hayes, noting that Franco kept his country out of World War II, decides that Spain is simply a counter-revolutionary country. Franco used the Fascists in order to preserve a traditional Spanish conservatism.

By making an exception of Spain, Professor Hayes seems to

be saying that authoritarian countries which refrain from international intrigue and expansionism are not Fascist. But then he confuses the issue by seeing Argentinian "peronismo" as a form of Fascism. Since Peron had no designs on his neighbors, how does he differ from Franco? The difference could be in Peron's mobilization of labor to supply the bulk support of his regime. But Professor Hayes introduces a second note of confusion when he says that the "European fascist model was based on massive middle- and upper-class support together with a sizeable minority from the working class." So it can't be a major reliance on labor that distinguishes the true from the false Fascism.

Not that it makes much difference anyway: oppression is oppression no matter how the local details differ.

No One Really Wants It

What makes John T. Flynn's thirty-year-old *As We Go Marching* a really superior book is Flynn's way of showing that Fascism can come to a country even though nobody really wants it. Italy's liberal politicians created Fascism by spending far more than could be recouped by taxation and then plunging their country into a frustrating war.

Mussolini was simply the opportunist receiver of a ruined nation. Germany's leftist and center parties made disastrous economic decisions, couldn't cope with the problems created by the fantastic inflation, and failed to control the militarists. Looking at the tremendous growth of government debt and the ballooning of military expenditures in the U.S., Flynn warned us in 1944 that we could become a Fascist country by merely adding a war-minded dictatorship to New Deal-type economic interventionism. It could happen without anti-Semitism and with all our banners proclaiming that "Progressivism" had won its greatest victory.

► **EDUCATION IN A FREE SOCIETY**, Edited by Anne Husted Burleigh (Indianapolis: Liberty Fund, Inc., 3520 Washington Blvd., 1973) 182 pp. \$3.50.

Reviewed by Thomas Johnson

OF ALL the activities in which men engage, education — development of the human mind — is the most important. What sort of education should exist in a free society? In an attempt to answer this question as it pertains to higher education, two directors of Liberty Fund, Benjamin A. Rogge and Pierre F. Good-

rich, wrote a position paper entitled "Education in a Free Society." Four other well-known educators and writers (Gottfried Dietze, Russell Kirk, Henry Manne, and Stephen Tonsor) also presented papers at a seminar held in Indianapolis in 1971. Present were other educators and writers who discussed the ideas put forth by these men. The papers are here reprinted, and the discussion summarized. This makes for provocative, interesting reading.

Rogge and Goodrich take a strong stand on behalf of the need for a free enterprise approach to education. They recognize that "the educational arrangements currently in use in this country are grossly inefficient, inequitable, contrary to human rights, contrary to human nature, and destructive of the society of free and responsible men." They present their idea of what an institution of higher learning should be like in a free society, which includes such matters as the selection of faculty members according to their promise as teachers, the income of faculty based on "their effectiveness in serving the purposes of the college," decisions of policy to be made by the board and carried out by the administrators, the elimination of tests or exams (except those voluntarily requested by the student), grades and de-

grees, and all financing from private funds—preferably the college would be a profit-making concern.

The other participants, however, do not envision a radical restructuring of our educational institutions. They accept the idea of a grade-giving, degree-granting university, while urging reforms designed to revitalize the institution, restore proper authority to trustees and administration, and so on. Little do they realize that the scholastic environment by its nature subordinates the quest for truth to the student's desire for grades, degrees, and certification. The system fosters obsequiousness, hypocrisy and mental lethargy.

Not even Rogge and Goodrich realize that in a free society there would and should exist only education businesses which would offer their courses of instruction to any paying customer, regardless of age, who wished to purchase this instruction. In a free society only the market demands would determine what is taught, how it is taught, and to whom it is taught, and the *individual* would possess full freedom of choice in determining the development of his or her own mind. A business setting is the only healthy, and *free*, environment in which proper mental development can occur.

▶ LABOR LEGISLATION FROM AN ECONOMIC POINT OF VIEW by Gustavo R. Velasco (3520 Washington Blvd., Indianapolis, Indiana: Liberty Fund, 1973) 65 pp., \$3.00.

Reviewed by Paul L. Poirot

THAT BENJAMIN A. ROGGE would edit and write an introduction should be evidence enough of quality in a book on *Labor Legislation from an Economic Point of View*; but its value is doubly assured when the author is Professor Gustavo R. Velasco of Mexico City, lawyer, banker, author, teacher, and internationally recognized advocate of freedom. As Rogge points out, "He has long stood for free markets and free men in a nation where the ruling party has been formally socialist and in a world where the ruling practice has been somewhere between the interventionist and the socialist."

A clue to Professor Velasco's purpose in this monograph comes in his opinion that instead of calling our age "the era of socialism" it would be more nearly correct to name it "the era of labor or of laborism." Workers, of course, are interested in better pay, more free time, better working conditions, and more economic security. And the question is whether or not these objectives are likely to be


achieved through the collective action of labor unions and government intervention.

To the arguments that "labor is not a commodity" and that workers are objects of "exploitation" by capitalists, Velasco answers by explaining the functioning of the market and concludes that "wage rates depend finally on the value that the wage earner's fellow men ascribe to his services and achievement."

So, what happens when government intervenes directly to force wages above market rates, or indirectly by delegating to labor unions the privilege of using coercion? What happens is that the least productive of the workers — or those with the least political clout — face unemployment; and consumers in general suffer the effects of relatively lower productivity. This is the inevitable consequence whenever force is used to prevent cooperation between willing buyers and willing sellers of any scarce and valuable resource. Or conversely, as Velasco says, "the only way of co-ordinating

production to the highly variable conditions that result from the perpetually fluctuating desires and opinions of consumers, from scientific and technological progress, from the phenomena of nature, and from a hundred more circumstances, consists in not hampering the movements of the market."

Once the prolabor policies of government result in market distortions, the victims of such intervention are prone to demand cures which mean further intervention. The makers of laws which cause unemployment are pressured to create spending power — money — to subsidize idled workers back into the spending stream, if not into the productive process. The political actions which grant special privileges to labor unions are actions which also promote inflation.

Professor Velasco admirably summarizes in this brief volume the unforeseen disastrous consequences of prolabor policies, and offers an extensive bibliography for those who would explore the issues at greater depth. 

the Freeman

VOL. 24, NO. 3 • MARCH 1974

- Public Goods and Fear of Foreigners** Gary North 131
Subsidized services attract more "customers" than taxpayers want to serve.
- Land Use Regulation — A Tool of Politics, Not of Planning** Bernard H. Siegan 138
Planners and politicians, in view of the record, had best leave decisions on land use to the owner.
- Capital Conservation** Edgar B. Speer 142
Unless savers and investors are allowed to keep the returns for their thrift and creativity, national disaster lies ahead.
- Socialism** Edmund A. Opitz 152
Socialism promises to distribute abundance but is at a loss as to how to produce it.
- Do You Want to Live Forever?** Charles R. LaDow 155
An obsession for security is the enemy of freedom, and a threat to our survival.
- Strive for the Simple Life** Leonard E. Read 163
Far simpler to live in an advanced exchange economy than to make one's way alone at the frontier.
- The "Social Security" Mirage — Current Production Paramount** W. A. Paton 167
Unless production can be increased through saving and investment, there's little future in it.
- What Is Seen and What Is Not Seen** Brian Summers 172
If one looks behind government spending, he finds that "you can't get something for nothing."
- Welfare Fifty Years Hence** Morris C. Shumiatcher 174
The pendulum will swing back toward individual responsibility and freedom.
- Book Reviews:** 184
- "Four Reforms: A Program for the 70's"
by William F. Buckley, Jr.
- "The Liberal Middle Class: Maker of Radicals"
by Richard L. Cutler
- "National Suicide: Military Aid to the Soviet Union"
by Antony C. Sutton
- "The Fastest Game in Town/Trading Commodity Futures"
by Anthony M. Reinach

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 PUBLIC GOODS

and


 Fear of Foreigners

BACK IN THE DEAR, dead days of the Sputnik mania, Americans were told that they were in a great economic race with the Soviet Union. We were going to have to tighten our financial belts and “get America moving again.” In the rhetoric of the 1960 campaign for the Presidency, this meant more government spending. The man who coined the slogan for John F. Kennedy was Walt Rostow, whose 1960 book, *The Stages of Economic Growth*, became a best-seller. In it, Rostow argued that the so-called take-off into sustained national prosperity could be accomplished, in part, by heavy

government expenditures in “social overhead capital” — highways, education, health care facilities, and so forth. Professional economic historians devastated his thesis’ historical examples in a little-known book published in 1963, *The Economics of Take-Off into Sustained Growth* (St. Martins, 1963), edited by Rostow, but the public never heard of it, including most of the academic public. The reaction against Rostow’s vision came only after 1965.

Since the mid-1960’s, a flood of academic and pseudo-academic studies has been published on the growth question. Zero population growth, the no-growth economy, and the no-growth urban region have all been ballyhooed. Even no-growth government — incredible

Dr. North, economist, lecturer, author, currently is an associate of Chalcedon, an educational organization dedicated to Christian research and writing. His latest book is *An Introduction to Christian Economics*, Craig Press, 1973.

prior to 1965 — has been at least discussed in academic circles. But the standard argument today is that the economics of zero growth can be achieved only with the direct interference of the political authorities (just as, in 1960, it was assumed that continuous economic growth could be sustained only by means of direct government interference). Those who have faith in the State are not likely to overcome their infatuation just because their goals have been reversed. Only with a change in operating principles should we expect to see a reversal of the juggernaut State.

Economic growth is now too often regarded as a threat to the nation or to a community. Some people fear that we will deplete our national resources. This is quite likely, if the various agencies of government insist on imposing price controls on key resources, thus stimulating demand for them without simultaneously stimulating a search for suitable substitutes. Either the State rations the goods politically — an invitation to corruption and inefficiency — or else one day we run out of the resource, and we find that the transition to alternative substitutes must be accomplished overnight, at considerable waste and expense.

Other people fear economic

growth because of their fear of social change. They wish to preserve a monopolistic position, socially or economically, and they can sometimes influence legislators to restrain newcomers in the search for profit or position. This has been the primary result of America's supposed antitrust legislation; newer, more efficient competitors are locked out of the markets by legal restraints on price competition. This has been documented by D. T. Armentano's book, *The Myths of Antitrust* (Arlington House, 1972), but the mythology is deeply ingrained in the textbooks. Monopolies continue to be created by the legislation which is supposed to halt monopolies.

But the most important fear of economic growth in terms of its political impact is the fear of bankrupt municipal treasuries. This is one argument against local growth that cuts across ethnic and class boundaries. Almost everyone resists any increases in his taxes, especially property taxes. This is the arena of the battle against economic growth today.

Subsidized Shortages

Perhaps the best way to illustrate my point is by means of an historical example. On May 15 1972, the Tarrytown, N. Y. Planning Board vetoed the construction of 348 town house apart-

ments on a local 25-acre site. Some 60 people jammed the Village Hall to protest the proposed development. "I think it will be a long time before they want apartments in Tarrytown again," commented one of the planning board members after the meeting. "They've had it." (*The [Tarrytown] Daily News*, May 16, 1972, second front page.)

Why the opposition? Because the local streets would be overburdened by a proposed increase of 700 automobiles. Anyone who has tried to drive through Tarrytown at peak traffic hours — any time other than midnight to five a.m. — knows how accurate the complaint was. The streets, needless to say, are "free" goods. Second, the village did not need any new apartments. Anyone who has ever attempted to find housing near Tarrytown knows how inaccurate that assertion was. But an absence of available housing kept "undesirables" out and returns to owners of rental property high. Finally, there was a fear of the strain on existing village services — strains that might lead to tax increases. They wanted to restrain access to other "free" goods.

"Who wants this?" asked one resident. "I've talked to people all over town" — a dozen? his next-door neighbors? — "and I've found no one who has the slightest de-

sire." The trouble with all such surveys, however sophisticated, is that they never ask those living outside the municipality whether or not they would like to move into a region. Those arbitrarily excluded from the town are then forced to seek less desirable housing or surroundings.

A Demand for More

The overwhelming difficulty with all State-subsidized "services" is that they create demand for more such subsidized services. The only exceptions to this rule are those projects so utterly without redeeming social value that nobody wants them at any price. Either the parks or streets get overburdened, or the power lines get overcrowded, or the telephone lines get jammed. The government agency then is forced to increase its revenues by placing higher prices on the services (unpopular with those already enjoying the subsidy), or by increasing taxes (somewhat less politically objectionable, since resistance is usually diffused in numbers and therefore less vocal in opposition). So residents feel compelled to place restraints on newcomers who will not pay their way.

This is not an isolated phenomenon. If anything, the problem is getting worse, since the "war on poverty" programs at all levels of

government in the 1960's have created new demands for services, some of which were inconceivable in 1950. *U.S. News & World Report* (Dec. 10, 1973) describes the opinions of residents of Hoffman Estates, a suburban community 30 miles northwest of Chicago. It keeps doubling its population, as more and more people leave the Chicago residential areas. One woman, describing how the once empty fields have filled up with homes, now complains: "We've heard people describe the apartment complexes as a tumor engulfing the whole area. The people are O.K., but these apartments crowd the schools and raise taxes." She sees the construction of apartments as a tumor; the desire of others to move into more acceptable housing is a threat.

If someone wants open spaces next door, he can purchase the land and leave it empty. Such a purchase must be paid for: property taxes, forfeited purchases of other commodities, increased worry about upkeep, and so forth. The buyer must defend his ownership economically every day. He forfeits the rent that the land would bring; he keeps out other potential users of the land. It is expensive, especially as the other available plots of open land are gobbled up by apartments. But it is possible to keep a personal life-

style if the buyer wants to pay for it.

But people do not want to pay for it. They think that because they moved into a small, semi-rural community five years ago that they have some kind of automatic right to the older conditions blessings, even when new economic conditions appear. They mistake the *right to compete for land* or open spaces for a *property right* to the land. They call in the political authorities to defend their "property rights" to semi-rural life at below-cost rates. They exclude others from the competition by force, rather than by economic means.

What if there were no publicly supported school system? What if all the schools were private, or even profit-making institutions? Then every school would want to encourage new faces, and local citizens would not see their pocket books threatened by new arrivals. What if the parks and swimming pools and street lights were supplied by profit-making firms? No one would have to pay for another person's consumption. The threat would rapidly disappear. New faces would mean new sources of profit, new sources of productive services, new people to trade with a wider, more productive local market. But with an ever-growing list of "free" municipal services:

outsiders are regarded with suspicion and hostility. These are the direct effects of "free" services and goods — not side-effects, but effects. They receive little publicity in the press; such costs are not counted in the professional surveys made by graduates of the public administration departments of the universities.

New Apartments Resented

People who live in apartments, especially newly constructed apartments, generally have children. Low-cost apartments make this doubly true. Or if not children, then older, poorer people live in them. They draw on local tax resources. They are resented. So new apartments are resented. They are money losers for the municipal governments. Prof. William Alonso, in the Fall, 1973 issue of *Daedalus*, puts his finger on the issues involved:

Suppose that growth is restricted. What happens to the people who would have moved in but could not? Obviously neither they nor their children cease to exist. They will find second-choice homes; their children will go to more run-of-the-mill schools and impose their costly presence on people who are less able to afford this added burden than the wealthy residents of the suburb in question. It would appear that they will be worse off, and so perhaps will the present residents

of wherever they end up. The rub is that what seems from the local viewpoint an issue of growth is, in a larger framework, an issue of distribution, both in the social and in the geographic sense — not whether these people and their children shall exist, but where and how.

Alonso concludes, grimly: "The point of the example is that the current Balkanization of metropolitan areas into dozens and even hundreds of local governments encourages beggar-thy-neighbor strategies." The point he does not make, however, is that the incentive behind these strategies would be drastically reduced if the primary source of the difficulty were removed: below-cost or "free" municipal services.

It is interesting, to say the least, that one agency in the state of New York has been exempted from all local zoning laws: the Urban Development Corporation. This is the agency that constructs below-cost public housing for minority groups and builds them in residential areas. There is no doubt that this does disrupt a local community. This is not the slow, steady change encouraged by free market pricing, but rather the instant-transformation, jerky-alteration social and economic change of the State-supported welfare agency. The resentment against the Urban Development

Corporation or similar New York City agencies is legendary, and New Jersey residents are not noticeably more "liberal" in their attitudes. Push comes to shove; zoning law coercion becomes anti-zoning law coercion. And as zoning shifts from local communities to state governments or even Federal agencies, the intensity of the coercion and the mob reaction will be that much worse. Yet this is where the trend is headed (*U.S. News & World Report*, March 6, 1972: "Fight Over Zoning Heats Up").

A Moral Question

Ultimately, the problem is not simply technical. It is a moral and religious question. Do men have a right to property that they have not or will not purchase for themselves? Do local residents have the right to maintain their life-styles at below-cost prices? Does one family have the right to educate its children at the expense of some other family? So long as a vocal minority and a silently assenting majority of people answer yes to such questions, the fight over zoning will indeed heat up.

But it is not just the school question, either. In Fairfax, Virginia, a relatively wealthy suburb of Washington, D. C., there has been a moratorium on the construction of new sewers, as well

as restrictions on new building permits. Why should this be necessary? Why can't the municipal authorities add new residents to the sewer lines? Because it would necessitate an increase in taxes to treat the sewage successfully. No one considers the other possibility: private sewage treatment.

Given the tremendous pressure in Fairfax for new homes, land costs have skyrocketed. An acre of land without the sewer line may be worth \$5,000; with the sewer \$15,000 or more would be likely. Thus, the mere addition of a sewer line grants a huge subsidy to local land owners. Is it not reasonable to suspect that a private firm could find a way to make a profit under such circumstances? Is it not likely that many thousands of dollars could be generated from the sale of sewer lines? Would not local owners be willing to pay a thousand or even two thousand dollars to be allowed to hook into a line that would grant them an instant increase in the value of their property? But local, "publicly owned" sewers are supposed to be priced "fairly," that is, below the value of the service. So heavy demands are placed upon the municipal authorities to build more and more lines, and expand the treatment facilities as well. Only taxes are not supposed to go up, or if they are, they must be


paid by those who have not yet been allowed to hook up to the lines. Under such circumstances, it is not difficult to understand that a moratorium on sewer construction has been imposed. Economic growth — best defined as an increase of people's voluntary options — slows down.

Some municipalities are now requiring housing developers to build public schools in order to get licensed. Others are not allowed to expand at all. With the ecology pressure groups all around, developers are assumed to be guilty before they can prove themselves innocent. They must conform to other's conception of aesthetics (not just medically harmful or land-value-depressing pollution, but aesthetics). So growth slows down.

Nothing New

The problem is very old. The poor law legislation of early modern England forced parishes to care for indigents. As a result, potential indigents were not allowed to come to a new parish. The same result took place in seventeenth-century New England when the Puritans imitated the poor laws by establishing tax-supported charities (although they were incredibly tiny efforts by modern standards). Visitors could stay only a few days or weeks; if they

stayed longer, they became potential permanent charges of the public treasury. Thus, restrictions were placed on the sale of land or rentals throughout the century in virtually every town. Town officials had to approve every such sale.

The problem is simple: public goods are in short supply in comparison to demand. The prices of the goods are politically imposed. Thus, communities want to restrict access to these goods and services. They use political coercion to keep outsiders away from the treasury. Only those who are clearly not tax liabilities are greeted with open arms. The conclusion is simple enough: reduce the level of the redistribution of wealth by coercion within any community, and you thereby increase the options of the inhabitants and potential inhabitants to make economic decisions without legal sanctions or public censure. In short, economic growth is furthered by increasing freedom. The very nature of the local redistribution of wealth restricts men's options, and by definition this restricts economic growth. By abolishing these redistribution schemes, you reduce the fear and hatred of outside "invaders," and civilized life becomes more likely. Let every man pay his own freight, and the costs of shipping will go down. 

Land Use Regulation—

A Tool of Politics, Not of Planning

Bernard H. Siegan

IN THE PRESENT nationwide controversies on land use regulation, one concept appears largely unchallenged: it is government land use planning. There seems to be much agreement that public planning for the use of land is both necessary and desirable. Surprisingly, even strong opponents of zoning at times have conceded the virtues of land use planning at some levels of government.

When two diametrically opposed parties each contend that their views are consistent with and supported by "sound planning," one cannot help but wonder what they really mean, for both cannot be correct. Thus it is not uncommon at public hearings for environmentalists to contend their proposals are supported by better or



sounder planning and for the pro-development groups to argue precisely the opposite. Moreover, in these controversies, each side usually bulwarks its position with testimony from planning experts.

There is obviously much appeal in the notion that we must have more and better planning. After all, goes the refrain, if we had only planned our cities better, there would be less pollution, less congestion, no slums, more beautiful buildings, etc., etc. It seems that at almost every dinner party I attend, some guest will describe in exhausting detail some local horror that could have been avoided by: (1) better, (2) stricter (3) sounder, (4) some, or ever (5) any, planning. (On investigation, it frequently develops that the local planning department had approved that particular horror.) The argument continues: do no individuals and corporations care fully plan their activities and outlays? Why then, should govern

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ment not be allowed or required to engage in this selfsame activity?

The simple, yet highly profound answer, is that land use planning is doomed to failure in a representative society — and is likely to create many more problems than it solves.

Detached Experts

Land use planning means or implies an orderly, rational arrangement of or for the use of land for the present or the future, directed or controlled by detached experts in planning.

Although this definition raises many questions, it represents, I believe, what most people think they are saying when they speak or write of planning. The assumption seems to be that there is something precise, measurable or quantitative about planning or its standards; in other words, that it is, or is comparable to, a science.

This assumption is exceedingly difficult to substantiate, and few of even its most ardent proponents make the effort. Is there some precise measurement available to determine the "best" use of some or all of the land, of growth and anti-growth proposals, of whether the land is better suited for trees, lagoons, or the housing of people? Should the land be developed with two, eight or twelve housing units to the acre, or perhaps it is better

sued for a mobile home park or shopping center or should be retained as open space? By now, after fifty years of zoning experience in this country, it should be clear that there are respectable, distinguished and knowledgeable planners who would disagree in many if not most instances to any or all of these alternatives. Planning is unquestionably highly subjective, lacking those standards and measurements that are requisites of a scientific discipline.

To settle any doubts on this score, simply read the records in most zoning cases. Typically, one finds testimony from two planners — one supporting the plaintiff (landowner) views, and the other favoring the defendant (city) views. At the trial level, many zoning cases have become verbal duels between planners, each promoting a substantially different position. Accordingly, what goes under the name of planning is an opinion by someone who has studied and is learned in the creation, growth and development of cities. The country's zoning experience raises serious doubts that such training and knowledge provides any special insights, either in evaluating the present or predicting the future.

Planners confront serious problems in fulfilling their responsibilities. Theory and education alone

cannot substitute for the actual experience of making practical decisions and suffering their consequences. Few planners have ever been part of the construction or development industry, nor responsible for actual decisions in the development of residential, commercial or industrial projects. Even if they once had been, their information about prices, materials, innovations and trends, consumer desires and preferences must necessarily now come from secondary or more remote sources, not directly from the "firing line."

How then can planners possibly be as familiar with the development, construction and operation of shopping centers, housing developments, nursing homes or mobile home parks as those who develop, own and operate them? Owners and their mortgage lenders risk substantial funds on their success. Yet planners are expected to regulate all of them, which is akin to asking the blind to lead those who can see. Unfortunately for the community, in lieu of hard information, they will tend to rely on their own experience and background — which does not bode well for those of differing perspectives, tastes and attitudes.

But regardless of their knowledge, training and abilities, the fact is that planners are not destined to make a significant impact

on the regulation of land use. The decisions and controls will be adopted by politicians or those appointed by politicians. And they are expected to, and do, respond primarily to those who placed them and keep them in office, and this involves politics rather than planning. In short, zoning (and other land use regulations) is, and has to be, a tool not of planning, but of politics.

Political Factors

Consider these limitations on the power of the local planner. First, he is the paid employee of the locality and cannot be expected to espouse with any degree of consistency policies contrary to those of his employers. The basic rules are established by those elected to govern. A planner who strongly advocates high density housing in the affluent single family suburbs may not last much longer than his first paycheck. Confrontations are probably rare because a planner is not likely to be hired or seek employment if his basic orientation appears to differ substantially from that of his prospective employers. Disagreements will occur and be tolerated — within limitations.

Secondly, even if a proposed plan appears to accord with the general desires of the local lawmakers and its preparation may

actually have been commissioned by them, it still must be acceptable in significant respects after hearings and debates, to at least a majority, to be adopted. Amendments required for passage can easily change the meaning and impact of the proposed legislation. In practice, the "perfect" plan stands little chance of remaining intact against the opposition of a group of voters or politicians, the pressures exerted by political supporters or contributors, the payment of graft or perhaps even the voice of the local newspaper. Accordingly, the "perfect" plan is likely to be quite imperfect by the time it emerges from the legislative process, whether it be on a local or higher governmental level, and it might be ravaged still more as administered. And it is possible the courts ultimately may lay some or much of it to rest.

In a speech I once delivered in a city in Iowa, I told the audience that if zoning had controlled my trip from Chicago, I might have had to go many miles out of the

way — perhaps through Denver. I speculated on the possible reasons that would influence the decision of the local legislators with respect to my routing, and they could be many. Anyone who considers this example farfetched might examine the "gateway regulations" of the Interstate Commerce Commission which control the routes taken by commercial trucks between cities and are ostensibly designed to improve the truckers' profit margins. In a recent lawsuit, it was alleged that under these regulations some trucks are forced to travel more than twenty per cent extra miles. A staff scientist for the Environmental Defense Fund was quoted to the effect that one hauler of propane from Boston to upstate New York was required to go by way of Manhattan's George Washington bridge.

The detours in our society should be reduced, not multiplied. It is time we recognized that politics and planning are substantial detours in the use of the land. ☉

Zoned or Owned?

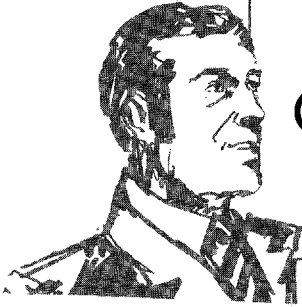
IDEAS ON



LIBERTY

ZONING AND OWNING are different systems of determining land use. Either the land will be privately owned and its use determined by the owner to his greatest satisfaction from the choices available to him in the market place, or the land will be used as directed by government.

JOHN C. SPARKS



CAPITAL CONSERVATION

EDGAR B. SPEER

A FEW WEEKS AGO, when I informed my wife that I had to go to Washington for a very important meeting, her first comment was, "Oh, Ed, what have you done now?"

But then I told her that the group would be made up of some of the leading realtors of this country. So she made me promise that I would thank the members of your profession for the many services you have rendered the Speer family, during all of the moves that we've made through the years. And I do thank you — for past services and for this opportunity to join you at your national meeting here today. You don't have to be in business very long to realize that a prime ingredient of industrial development is the knowledge and experience con-

tributed by the industrial realtor.

It is sometimes said that every new business, and every expansion of an old business, begins with an idea and a prayer for success. But if that idea is to get off the ground and have a prayer of a chance for success, somebody has to find the right ground in the first place — the right site, in the right location for the right price. And, of course, this is where you people enter the picture.

So I have deep respect for the members of the Society of Industrial Realtors and the contributions you make to the on-going success of American industry. I'm sure that without those contributions, there would be a lot less capital generated within our capital system in this country.

A great deal of attention is being centered these days on real and possible shortages of the natural resources we're going to need in the years ahead. You can

Mr. Speer is Chairman of the United States Steel Corporation. This article is from his address at the National Meeting of the Society of Industrial Realtors, Washington, D. C., November 10, 1973.

pick up almost any issue of the news and trade magazines and read about the importance of conservation in our use of oil, gas and other resources, because of the widening gap between consumption and domestic supply. Even in real estate, there is a gap between demand and supply, creating a land fever across the country the likes of which we haven't seen since the days of the Wild West. In fact, as you well know, the land boom is generating its own special brand of inflation with values and prices climbing quite a bit faster than the Consumer Price Index.

The problem, as I understand it, centers about the rapid consumption of what your profession calls "buildable land." Of course, many of the eighty thousand units of government that we have in this country are contributing to the problem, rather than its solution, by a rush to find legal ways of restricting the use of the land that remains.

All of this comes on top of the turmoil being created in the name of a clean environment by many groups, most of them sincerely concerned, although not always fully informed. There are times when I suspect that the first of our natural resources to be exhausted may turn out to be the American taxpayer. He must foot

the bill for the army of inspectors and enforcers who staff all of the agencies and bureaus that are one of the fastest growing elements in our American society.

Capital, a Vital Resource

There is one *national* resource, however, that we absolutely cannot do without. This *national* resource is essential to the development of land. It is more important than drilling rigs or mining technology in locating and extracting raw materials from the ground. It is the "magic" ingredient that converts all of the other ingredients of the business process into jobs and income, goods and services, and all the real and intangible progress that our nation gains from each successful business venture.

This vital national resource is capital. It is the money put together from a variety of sources and invested in what we always hope will be a "money-making" project — which means a project that will generate not only wages and salaries, but will also pay dividends and interest and increase the nation's supply of investment capital.

It isn't necessary, of course, to tell a group of industrial realtors about the role of capital in keeping the wheels of progress turning. I'm sure that you and the mem-

bers of your Society spend a good portion of your time explaining these economic facts of life to those who come to you for service and guidance. I mention the subject because, like other resources, the supply of capital is not inexhaustible. We get a hint of this from time to time — as we have during much of 1973 — when money gets tight and the cost of borrowing capital gives every economics professor a chance to show his students what happens when demand outruns supply.

It's also true that there's a greater need for capital today than ever before — and we're going to need more of it in the future. But unless we begin to practice some capital conservation — exercising the same degree of concern toward this vital *national* resource that many Americans have toward our natural resources — all of the rhetoric about how far and how fast our economy grows in the future will have become little more than an academic discussion.

How much capital are we using, and how much will we need in the future? Well, capital expenditures by American industry have been averaging around one hundred billion dollars a year. And I've seen estimates on future needs that place capital demand at well over a trillion dollars during the next twelve years — that is, between

now and 1985. Now, I'll confess that I'm not used to thinking in trillion-dollar terms, even in this era of the trillion-dollar economy. But it isn't difficult to see how such a figure on capital needs could be correct, if you break out some of the individual requirements.

Specific Needs

For example, the domestic oil industry believes that their capital needs alone could be a minimum of two hundred *billion* dollars over the next twelve years. The power generating utilities are talking of a need for seventy *billion* dollars just in the next five years. In communications, one company — American Telephone and Telegraph — has projected its capital requirements at forty to fifty *billion* dollars during the next decade. In transportation, the railroads believe that capital spending in the neighborhood of thirty-six *billion* dollars will be necessary over the next decade to keep pace with expected demands on their transport facilities. And in the steel industry, estimates of capital spending range upwards of thirty *billion* dollars between now and 1980 if we are to keep steel supply in balance with steel demand, and install the nonproductive equipment required by ever-changing pollution control standards.

That's a lot of billions to be invested over a relatively short period of time — yet it is only a partial listing. Additional capital in equally large amounts will be needed for private housing and other land development activities . . . to increase the stock of goods and services that American families have come to expect and want . . . to build recreation centers and the facilities to house a growing national interest in the arts. So there's an unprecedented need for capital to maintain as well as to improve our standards of living and to move forward in our efforts to upgrade American standards of life.

You know, when naturalists talk about conservation of the land, they mean preserving the capacity of the land to renew itself. It is in this same sense that I speak of capital conservation, for the whole theory of our system is one of using, renewing and increasing the supply of capital. We invest dollars in productive efforts . . . that create profits . . . which are reinvested or paid out in dividends so that more dollars will flow into the mainstream of capital investment. And under ordinary circumstances, this system could be counted on to supply all of our capital needs.

But today's circumstances are not as "ordinary" as they once

may have been. For one thing, we haven't been investing as much of our Gross National Product in new assets as we once did. Back in 1950, almost eleven and a half per cent of our GNP was being returned to the economy to increase our stock of fixed assets in this country. As recently as 1970, however, this percentage had dwindled to 6.2 per cent — about half what it was twenty years earlier. During those same twenty years, we dropped to last place in the rate of net domestic investment among the ten leading industrial nations of the Free World.

And what about profits from the investments we have made? Well, I don't know how you people are making out in the real estate business, but I can tell you that in steel and many other areas of industry, they're nothing to write home about.

Paper Profits

Oh, I've been reading those articles in the papers about the big increases that are occurring in business profits. I saw one not long ago that said the after-tax earnings of U.S. corporations in the second quarter of 1973 climbed to an annual rate over seventy-two billion dollars — a 36 per cent jump over the same period of 1972. And from numbers like that, I'm sure many of the American

people believe that business is rolling in profit dollars these days. But the truth is that an inflated dollar is still an inflated dollar, whether it goes into a pay envelope or is added to the profit column of a business ledger.

Morgan Guaranty Trust Company pointed out several months ago that more than half of the increased profits reported by non-financial corporations during the past year have been so-called "inventory profits." These are the gains made on the goods that a company sells out of inventory — or put another way, the difference in the value of those goods between the time they were bought or produced and the time they were used or sold. And this value reflects the rate of inflation that occurs during that period.

So a business gains no lasting benefit from these inventory profits. In fact, considering the Federal tax bite on the profits resulting from the increased value of inventories, and the higher cost of rebuilding those inventories, there actually could be a loss. On this basis, then, the on-going level of corporate profits didn't increase during the first two quarters of 1973. *It went down* — to a point where, as a share of Gross National Product, they were some forty per cent *below* the average level of the 1960's.

Would You Believe?

In fact, during the past three years, the average return on sales for all manufacturing companies was only 4.8 per cent — not the 28 per cent that the general public believes companies make in profits — and below the average of six per cent earned in the 1950's and the 5.7 per cent earned in the decade of the sixties.

We are particularly concerned about our own profit situation in the steel industry. As we look down the road, we can see the demand for steel growing right along with the rest of the economy. After all, steel is not only a very versatile material — but it is also an inexpensive material. Your average pound of steel costs in the neighborhood of ten cents, and there isn't much you can buy these days for ten cents a pound. It's even less expensive than those proverbial peanuts.

We've worked hard to keep the cost of steel down. Over the past dozen years, the steel industry has invested more than nineteen billion dollars to acquire the modern efficient facilities we need to produce better steels — and to maintain and improve both the jobs and the earning potential of steel employees. Millions of additional dollars were spent to research and develop not only new steels that give the buyer more for his dollar, but new

ways of using steel that reduce the costs of such things as housing and commercial buildings. I'm happy to say that even in this era of intense competition among materials, these efforts have paid off with a continuing high demand for steel in this country. Just about every order book in the industry has been full during 1973, and some of them are beginning to fill up for the early months of 1974.

This kind of business won't last forever, of course, but we do expect the demand for steel to grow at a pace that will require perhaps twenty to thirty million tons of additional raw steel production by 1980. And this is where that thirty billion dollars comes in that I mentioned a few moments ago. It's going to require that amount of capital to add this new capacity — to replace our existing facilities as they wear out — and to meet the demands being placed upon the industry to help clean up the environment.

Generating Additional Capital

Now, the thirty-billion-dollar question is this: Where is all that capital to come from? I can assure you that we don't have it squirreled away in an old ingot mold. During the five years prior to 1973, the industry's average return on sales was a lowly 3.7 per cent. Even during the first half of 1973,

when sales were at an all-time high, the average profit on sales in the industry was a mere 4.5 per cent. Four and a half cents on the sales dollar isn't the kind of return that generates the large sums of capital required by an industry like steel — where a single facility in a single plant can cost many millions of dollars, and where several hundred million dollars are spent every year in pollution control equipment alone.

It isn't the kind of return, either, that can cause the lending institutions to welcome steel companies with open arms — although I'm not sure many steel companies would be interested in acquiring much more indebtedness. The industry as a whole is already carrying more than five billion dollars of long-term debt — most of it acquired while we were upgrading our facilities . . . to become more efficient . . . to meet the foreign steel imports that during most of the 1960's the government told us weren't really a problem.

More recently, of course, the government has told our industry that our profit problem is not as important as the one it has with the over-all fight against inflation. And while inflation has to be of major concern to every business and every American, I wonder how long we can continue to rob profits to pay the price of containing

inflation. I don't claim to be an expert in economics, but I do know that among the causes of inflation is the inability of production facilities to supply growing demand. This was reflected just last summer in the spiraling prices of food and other commodities. The same theory is at work in real estate as the demand outruns the supply of buildable land.

So I fail to see any great economic wisdom in containing the forces of inflation by restricting the profits that are the basis for expanding production. It may be politically expedient over a short period of time — but in the long run, it is economic folly. In fact, with the need for capital already great and growing in almost every sector of the national economy, the "long run" may be shorter than we think.

Look to the Market

Now, what's the answer? Well, at the risk of bringing down the wrath of the economic gods here in Washington, I think it's time they restored their faith in the American free market system. After all, we didn't become the most productive nation in the world as a result of bureaucratic tinkering with the economy. Economic controls aren't some new device, created by modern economists. In ancient China, Egypt, Greece, Rome — in fact, for

more than four thousand years — the idea has persisted that governments can hold down prices simply by making it illegal to raise them. Yet in all this time, under all manner of circumstances, the results have usually been shortages and economic chaos, generating greater problems for the same people that the controls were supposed to protect.

The results are much the same here in the Twentieth Century. Almost daily, shortages and dislocations caused by the current economic controls are becoming more evident. And while the government says it is trying to find a way out of controls, there are hints that it may recommend some type of permanent agency which could, as *Business Week* phrased it, "keep the federal government in the controls business forever."

Frankly, I believe it's time to put more freedom back into our free economy. It's not that I distrust the planners here in Washington. It's just that I have a lot more faith in the private judgments of the American public, whether they're acting as consumers or producers — whether they consider themselves part of labor or management — whether they are packaging, selling, or buying real estate. In other words, I'd rather see the cost of living controlled by the millions of private decisions

that are made every day in the supermarkets of this nation than by some super-authority located in our nation's Capital. The only true test of whether a product is worth its price, or a company worth its profit, is that ultimate decision that's made at the point of sale.

So it seems to me that a very necessary first step toward practicing capital conservation in this country should be to "phase out" the economic controls hampering the price structure and the rates of profit that are essential to increasing the flow of capital in our type of economy. It would be a big help also if, somehow, we could get as many Americans interested in the conservation of this vital national resource as seem to be concerned about the proper conservation of our other resources.

Conservation Conscious

We are rapidly developing and in some respects already have a conservation culture here in America. Individually and in groups, large numbers of our people are actively engaged in a wide variety of conservation efforts. Conservation of energy . . . conservation of our natural resources . . . conservation of land . . . conservation of historical landmarks . . . the list of things to be conserved and preserved is almost endless.

I say "almost endless," because

the one that has been missing is the conservation of capital. Certainly, it is *this* national resource that we need to conserve, if we are to accomplish the other objectives. Yet the current trend seems to be one of putting most of the others first, often at the cost of increasing the amounts of capital that will be needed to maintain the American way of life.

As I've already mentioned, some of the largest amounts of capital investment to be made in the years ahead will be those by the energy-producing industries. Supplying the growing energy needs of this country is going to be a costly job, and the longer we wait to get on with the job, the higher those costs will rise. But delay, rather than progress, seems to be the order of the day in our approach to our energy problems. Whether it is bringing oil from Alaska or generating electricity, months and even years go by while environmental matters are given precedence — and the costs of each project climb.

Don't misunderstand me. Protecting the environment is a highly desirable goal. American industry in general is working hard to do its part, spending billions of scarce capital dollars every year to meet various environmental needs.

Yet there is still no scientific basis for many of the pollution

control standards that industry is being asked to meet. For example, at U. S. Steel's Fairless Works, north of Philadelphia, we are already controlling better than 99 per cent of the dust emitted from the open hearth furnaces of that plant. The equipment was expensive — but it is effective. Now, we are being asked to remove *all* visible dust from this steelmaking facility. And if we are forced to go this final mile, the additional investment cost — in terms of the capital spent per pound of dust collected — will be *two hundred times greater* than the original investment we made to reach 99 per cent effectiveness.

At the moment, however, no one knows whether this and similar expenditures at other plants are justified, for there is no scientific data to show that any harm is done by this relatively insignificant amount of dust. And I think you'll agree that an industry already facing a "capital crunch" can't afford, and shouldn't be asked, to spend excessive amounts of capital for nonproductive equipment that may, in the end, be proved unnecessary.

In many areas, you can find other efforts that — however well intentioned — threaten to push the costs of growth beyond the range of capital available to bring about such growth. This is certainly evi-

dent in the rush to find legislative ways to cool off the land fever that's sweeping the country. As you know, a bill to establish a national land-use policy has been passed by the Senate. I understand that hundreds of other measures are before the Congress and state and local governments, dealing with everything from urban growth to "no-growth."

In fact, much of this legislation seems designed to discourage the use of land, despite the fact that land itself is a very vital resource. Aside from its surface value, the land of this country has beneath its surface other resources — oil and gas, coal and other minerals — that we're going to need in ever larger quantities.

The development of land, including its use for the production of energy and minerals, is already a very costly business. And if common sense isn't applied in large quantities today, we may find at some point in the future that both the land and its mineral wealth have been legislated into a position where no one will be able to justify the capital outlays required to make it useful to the American people.

Seward's Folly


You know, ladies and gentlemen, out of the more than two billion acres that comprise these United

States of America, there is one plot of better than three hundred seventy-five million acres that now makes up our forty-ninth state, Alaska. At the time we acquired this land from Russia over a century ago, the purchase price was seven million dollars. That was a lot of money in those days, and the whole deal was known as "Seward's Folly," because no one could see the value of those acres so far to the North.

Today, of course, Alaska's mineral wealth alone has a value many, many times the original price, even if you were to measure it in one-hundred-year-old dollars. And the term, Seward's Folly, has been relegated to a brief mention in the history books.

Let us hope that our efforts to generate growth in this second

half of the Twentieth Century will turn out as well as did the purchase of Alaska in the second half of the last century. But let us also do more than hope.

Let's be sure that our economic policies and goals in this country are set *by* us, and not *for* us. Let's be sure that in your industry and mine, we make every effort to convince those in government that our goals are also very much in the national interest. And let's be sure we use every opportunity to tell the American public that the conserving of capital is the one conservation effort that cannot be ignored — because capital and the profits that create and attract capital are essential to whatever objectives we set for ourselves and for our nation. 

Uneconomic Conservation

WE CONSERVE natural resources by using them in the most efficient and economic manner. "Uneconomic conservation" is a contradiction in terms — it is waste. But if politics dominates a conservation program, what we get is "uneconomic conservation." There are those who talk in grandiose terms about this or that river valley project and who urge us not to count the costs. Actually, of course, there is no way of determining whether a given program is conservation or waste except by counting the costs. If a given project cannot pass the test of economics, that is a sure sign that it is not conservation but waste.

IDEAS ON



LIBERTY

SOCIALISM

EDMUND A. OPITZ

THE TREND away from ecclesiastical authoritarianism in the post-Reformation period gave rise in the eighteenth century to popular sovereignty in the political realm, with such characteristic documents as *The Federalist Papers* and *The Wealth of Nations*. A different kind of dream gathered momentum during the nineteenth century, contemplating the perfected temporal life of man in a planned society, to be achieved by governmental direction of economics and technology. Socialism is the appropriate generic term for this movement.

The quintessence of modern Socialism is government ownership of productive property and the centralized management and direction of economic life. Socialists are divided into parties, sects and hostile factions, but beneath the

clash of labels they all advocate the planning of economic affairs by political authority — control over production and exchange being the key to leverage over other sectors of life and the means of achieving national goals.

Such practices as voluntarily pooling goods, sharing the common tasks of a community, working with the hands, reviving interest in folk arts, do not constitute Socialism. And it goes without saying that concern for justice is not limited to socialists; the noblest work in behalf of slaves, prisoners, the sick, the handicapped, children, and animals has been done by non-Socialists. When it comes to improving man's lot on earth, the influence of Adam Smith probably did more to upgrade the poor than any other single factor, and the major thrust of Classical Liberalism maximized civil, intellectual, and religious liberty for all men by limiting government to the tasks of policing.

The Reverend Mr. Edmund A. Opitz is a senior staff member of the Foundation for Economic Education. This article, reprinted here by permission, is one he contributed to *Baker's Dictionary of Christian Ethics*, Carl F. H. Henry, editor, (1019 Wealthy Street, Grand Rapids, Michigan 49506: Baker Book House, 1973) 726 pp., \$16.95.

**To Appreciate Freedom,
Consider the Alternative**

Socialism is in contention against the Free Society, and we know a thing better if we understand its adversary. To insist that centralized political planning of the economy is the essence of Socialism may plant the misleading suggestion that the Free Society — call it the free economy, the market economy, or capitalism — is characterized by lack of planning. Such is not the case. There is individual planning of all sorts in the Free Society, but no centralized economic planning. The Rule of Law is not a random development; it is intentional, the result of generations of planned effort by men seeking to establish institutions which maximize human freedom. The market economy operates within the framework of the Rule of Law, and is regulated by millions of consumers making billions of decisions as they carry out their private plans for the achievement of their personal goals — as well as by other millions who plan ahead for their businesses, their churches, their schools, their hospitals and other corporate ventures.

There are two radically opposed ways of life here, Socialism versus the Free Society, and they lock horns over the questions:

Who shall plan? and For whom? Socialism has an overall plan which the handful of men who wield political power must impose on the mass of citizenry in order that the intended national goals and purposes may be realized. But, millions of people have billions of plans of their own, and because many of these private plans do not fit into the government's plan they must be annulled; and if persuasion does not suffice punishment must be invoked. The ideal blueprint for ordering the life of a beehive may be identical with the private plans of the last little bee; but it is not so in human society, where each person is a unique self. Socialism means a nation with two kinds of men; the few who have the power to run things and the many whose lives are run by other men.

The Worst Get to the Top

What kind of men are best adapted to the task of fitting the lives of other men into the Plan? Men possessed by an ideology which convinces them they are carrying out History's mandates when they conform the lives of citizens to the social blueprint. As History's vice-regent, the Planner is forced to view men as mass; which is to deny their full stature as persons with rights endowed by

the Creator, gifted with free will, possessing the capacity to order their own lives in terms of their convictions. The man who has the authority and the power to put the masses through their paces, and to punish nonconformists, must be ruthless enough to sacrifice a person to a principle. The operational imperatives of a socialist order demand this kind of action; a commissar who believes that each person is a child of God will eventually yield to a commissar whose ideology is consonant with the demands of his job.

The ideology which facilitates the Planned State was not invented by Marx; it was at hand in the form of nineteenth century materialism. Man, in terms of this ideology, is a mere end product of natural and social forces, inhabiting a universe which does not reflect the handiwork of the Creator, but is reducible instead to the mechanical arrangement of material particles. There is no transcendent

end for men to serve, and no soul needing salvation; mankind will be regenerated by altering its environment so as to put men fully into the service of the State. In Socialist eschatology the State will finally wither away and men will enjoy an earthly paradise.

The skewing of the Christian vision here is obvious; Socialism needs a secular religion to sanction its authoritarian politics, and it replaces the traditional moral order by a code which subordinates the individual to the collective. This inversion of values is intended to enhance economic well-being, but in vain. Socialism promises to distribute abundance but is at a loss as to how to produce it. A classic study by the eminent economist, Ludwig von Mises, *Socialism* (1922), demonstrates the impossibility of economic calculation in a planned economy, and experience attests to the chronic shortages of goods which afflict Socialist nations. ☉

IDEAS ON

The Market Method

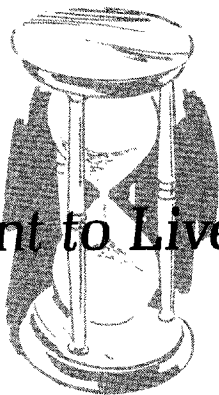


LIBERTY

WHEN any commodity is carried to market, it is not the necessity of the vendor, but the necessity of the purchaser that determines the price.

EDMUND BURKE, *Thoughts and Details on Scarcity*, 1795

CHARLES R. LADOW



Do You Want to Live Forever?

A MARINE OFFICER, leading his men into battle, exhorted them with this line: "Come on, you ! Do you want to live forever?" This is a good question in this era of over-preoccupation with the notion of security. It is doubly apposite when one considers that the world's nations boil with unrest, while the hydrogen bomb hangs over our heads. Musing over such matters makes one realize just how far American politicians and intellectuals have gotten out of touch with reality. Assuming that we do, or should, seek physical immortality, they have undertaken to protect us against all daily hazards of mortality. Even as living vegetables, they pump life into us through Medicare, to the bitterest end. While we are spry, they spare no pains (nor our scarce resources)

to snug us in with seat belts and protect us from all dangers, either from the environment or consumables. Their latest concerns have reached down to the safety of tricycles and infant's cribs.

What are the realities of these matters? People may surrender to seat belts or air bags in their cars; but, when they reach Sun Valley or spot an unclimbable mountain, they will ski the most deadly slope or try to scale up the sheerest cliff. Infants will choke themselves in the safest crib, with a pillow or a tantrum, and a fail-safe trike will easily carry a nonswimmer into the family pool. There is no way to keep the individual from surrendering his relief check to the nearest poker game. Realizing that each heartbeat is a gamble with nature, man is a gambling animal. "Nothing risked; nothing gained," is his primordial motto.

Going beyond such trivial risk-

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.

ings of life and health, men will positively seek danger, either for a cause or for thrill alone. Twitted by Oliver Goldsmith for his casual view of martyrdom, Samuel Johnson said: "Sir, as to voluntary suicide, as you call it, there are twenty thousand men in an army who will go without scruple to be shot at, and mount a breach for five-pence a day." Although the price has been driven up since Johnson's day, even in this nation there is no lack of willing mercenaries — nor of youthful militants willing to risk their lives in protests against war, of all things. Our athletics and daredevil events often rival the Aztecs in human sacrifice. Although crowds are no longer entertained with public hangings, larger crowds, including the huge television audience, watch mangled drivers burn to death in flaming race cars.

Put in this perspective, the pre-occupation of our political and intellectual leaders with environmental, personal, and social security does seem a little odd. If a neighbor should only dare advise you to do what governments order, you would shun him at the least — or, more probably, sock him in the jaw as a busybody; but, somehow, the art of propaganda has twisted our thinking around so that we tolerate, and even abet, this nonsense of government.

Good Intentions—Bad Results

Actually, it is our philanthropic virtue which makes this folly possible. Most of us do not think of ourselves as requiring all this control. It is to help the other people who are careless, impecunious, or helpless. My father, a staunch conservative, voted for the 18th Amendment (Prohibition) because, as a grocer, he saw workers drinking up their paychecks and leaving wives without grocery money.

At the time, we do not think of the long term effect, on ourselves and others, of these piecemeal "reforms." Such wisdom is the business of statesmen and, of these, we are always in short supply. Nevertheless, we cannot excuse ourselves. Common sense and any knowledge of history should tell us that government is the least effective agent of philanthropy we could choose. Funding the Salvation Army with 5 per cent of our income would outdo 20 per cent turned over to politicians. But, of course, we have bought the impractical philanthropy of Rousseau. Ameliorating misery is not enough. "If the people won't be good, we will make them be good." Such preventive discipline has never worked and never will. People insist on learning, so far as they do learn, from their own mistakes. One cannot keep one's own

children safe. Much less can government save anyone from his own folly.

The welfare-environmental, world-saving state did not arrive in a day, or in four decades. It is the fruit of over a century of logical positivism and Marxist dialectic. Such modes of thought, if such they may be called, have gradually permeated a ruling number of our university staffs, our public schools, and the general intellectual milieu. Hence, they have spread through our media in an era of their burgeoning ubiquity. Through such propagation, we have developed the current breed of political "liberal," concerning whom the late Albert Jay Nock said he "would not trust one alone in a room with a red hot stove — unless it was valueless." (And, by all historical standards, Nock, himself, was a liberal.)

Look to the Individual

To put the current liberal mentality in its proper place, one must compare it to the successful intellectual tradition of the Western world. The progress of Western science and philosophy stems from the recognition that, in reality, "nothing exists apart from particulars." We learn the mystery of things by studying individual specimens, not by speculating in generalities. As Aristotle put it

"The physician does not cure mankind. He cures Socrates, or Callias, or some other individual who happens to be a man." Even cursory observation shows us that the current breed of liberal is engaged in "curing mankind." Certainly, he is not in any way, but accidentally, concerned with individuals. Groups he understands, and statistics from random samples; but individuals are the often troublesome accidents which interfere with his glittering generalities. If biologists, botanists, physicists, or any kind of real scientists operated with his logic, we wouldn't have any workable science, or the kind of productive society which can afford to support liberals in unproductive idle speculation. (Incidentally, the Cal-Tech men who charted the spaceship trajectories to the moon give fundamental credit to Galileo—fifteenth century man of the honest tradition.)

William James suggested that: "It is the primitive tendency of the human mind to affirm the reality of anything conceived." Once one's ideas become more "real" than the objects around him, he is out of touch with reality. With some notable exceptions, this is the condition among the liberals and academic "social scientists." It puts them in direct line with the medieval metaphysicians who speculated on how many angels

could dance on the point of a pin. However, medievalists honored something more exalted than human stupidity.

Wishful Thinking

Liberals, of course, have an advantage over those among us with primitive minds. Wishful thinking has always been preferred to harsh realism among a large proportion of any populace. Universal suffrage places a heavy handicap on sanity in government, as demonstrated by every successful mass movement in history. Liberal control of compulsory public training (euphemistically called education) has come close to ensuring a frame of mind, among the populace, suitable to their forms of argumentation. Such forms dress tenuous, or even false, generalizations with the dignity of facts. We have come a long way from the thinking of Oliver Wendell Holmes' *Autocrat of the Breakfast Table*: "Facts are the brute beasts of the intellectual world. I tolerate no facts at this table." In the liberal mentality, the most miserable "fact," such as poverty or pollution, outweighs the most glorious truth, such as the survivability and progress of free men — even under the most arduous of circumstances.

In their book, *The Disaster Lobby*, Melvin J. Grayson and Thomas R. Shepard, Jr., have thoroughly

documented how far we have strayed from common sense and logic in handling our political economy. Only Lewis Carroll or Jonathan Swift could do justice to the present American scene. All of our priorities seem to be arranged as if the cart should be before the horse. Ecology holds pre-eminence over food, lodging, or energy. Birds, bison, or fish take precedence over people. Race and sex are more important than individual excellence, or personal liberty. Watergate obscures inflation and the fumbling of all departments of government—Federal, state, and local.

Consumerism

Worst of all, the consumer, once deemed to be king in our economy, is now considered such an idiot that he must be protected, night and day, by the likes of Ralph Nader and a host of legislators and bureaucrats against the dire outcomes of his stupidity. At the same time, the public "education" which, presumably, nourished this stupidity, is endowed with increasing billions of public funds, while private education languishes.

In the midst of this shambles it created, the smugness of the liberal establishment is amazing. At a time when most of us are beset by doubts and misgivings, and are likely to be apologetic even when

proven right, many newspaper editors and columnists, along with most network commentators and the liberal intelligentsia seem to rest assured in their rectitude. "The best of all possible worlds" in which they appear to live is immune to outside criticism. Without blushing, they can filch public documents or deal in innuendo destroying public figures and appear to feel no qualms, even when caught up. Their formulae, which separate the good guys from the bad, appear to be unassailable. Liberals are good; all others are bad. It's as simple as that.

Although there are strong signs of public disenchantment with this fanatic smugness, surprisingly the liberals manage to hold onto their controls, outside of modest losses here and there. Their security lies in the persistence of fanaticism and the long-term conversion of the American people to their brand, coupled to the power of a bureaucracy dedicated thereto and backed by police force. Only an angry and aroused electorate can succeed in bringing this reign to an end, just as an angry and aroused public made the bureaucracy possible. Unlike the steady fire of fanaticism, the boiling points of individuals are immensely variable, and indifference is all too common. However, smugness is an ugly human characteristic. No-

body really likes a know-it-all. So, the liberal establishment has an Achilles' heel.

A Word for the Defense

The current "energy crisis" offers a great opportunity for libertarians and market economists to be heard. Only when people are hurt are most of them willing to listen. The harder the crunch, the more likely is a response. Today, even our liberal legislators seem wordless at the possibility of an easing of environmental control. It is unanswerable that their obstruction of off-shore drilling, atomic power plants, strip mining, private forestry, the Alaska pipeline, and refinery building has placed us in an unenviable economic position. Their emasculation of National Defense has maimed our bargaining power in a totalitarian world. Likewise, their headlong, progressive mandates of questionable gadgets to clean up automotive exhausts have multiplied fuel use and resultant shortage. If it comes to unemployed people huddling in cold houses, bereft of free use of their automobiles, the environmentalists are apt to lose their audience. People would prefer clean air and water, and a pristine landscape; but they would trade off quite a bit of pollution for the right to use those facilities.

Once the audience is ready, "selling" the free market should not be difficult. It is not as if there were an alien idea to explain. (Indeed, the welfare state is the real alien idea!) An open market has always existed in human experience, even in times and places where it has operated as a "black market." *Laissez faire*, indeed, is the plainly observable law of nature, predating human law. And man is a competitive creature, with a strong sense of territory (property), similar to all others in the animal kingdom. Only his strong moral proclivities can explain his willingness to submit to the will of legislators, short of being forced, and there can never be enough police in the world for complete subjugation. Lawmakers in a society which considers itself a democracy thus play a game of brinkmanship when they legislate morals and push eminent domain toward the extinction of individual liberty. One step too far (which may have been taken) and the free marketeers will have won the audience.

One of the many pleasant outcomes of such a change will be a new genuine openness. Unlike radical liberals, libertarians nurse no urge to shut up the opposition. It is not in our credo to suppress ideas. We would suppress only violence, force, or fraud. That is,

we would limit government's acts of suppression to these fields and would, within these limits, allow people to live their own lives; which, allowing for a good deal of official harassment and impediment, is what they already must do. It will be surprising how peaceful things will become on the home front under such conditions. Our relations with other nations are likewise sure to improve. The man who is free and happy at home is unlikely to stir up trouble elsewhere.

Voluntarism Is Best

The free market offers genuine majority rule. Every majority is made up of individuals. If each individual, within the limits of legitimate law, is free to make his own choices in life, this will be the optimum condition of majority rule. It is a fraudulent majority rule where a minority made up of legislators and bureaucrats, or even a majority of voters (themselves a minority of the whole), can regulate the personal lives and choices of every individual in the society. The "true believers" in the welfare state have managed to bring us to this pass. We do not suggest that they give up their predilections; only that they give up coercion and put their ideas back in the open market.

Ecologists, conservationists, and

humanitarians should have enough faith in the generosity of the American individual to place their cases before the court of individual choice. There is nothing in the record of private philanthropy in this nation to indicate that deaf ears await any legitimate claim. As a matter of fact we have a strong record of voluntary response, even to ridiculous appeals, as indicated by the flourishing of private associations favoring almost anything under the sun. But it is an insult to the individual citizen and the spirit of our laws that any such association should be afforded the coercive powers of government in achieving its ends. The Sierra Club, labor unions, Nader's Raiders, the National Education Association, or any other form of pressure group whatever should face the same form of individual veto that every producer in the nation faces. Any other course puts the cart before the horse. The reformer should convince the consumer — not rule the producer.

Of course the true believers are too obsessed with their particular manias to recognize alternative claims. Focused on the ideals of primordially pure air, crystalline rivers, lakes and oceans, untouched natural parks, flourishing endangered species, and boundless health, they have lost sight of the

daily necessities of daily living and the basic truth of all economists: Human wants are unlimited; resources are always in short supply; hence all economic decisions must be compromises with necessity. In the pure majority of the market, such compromises are an amalgam of individual choices. Whatever the political system or laws, the individual must decide what he shall have and what he must do without. This is as true on Park Avenue as it is in the darkest depths of Africa, or in a Soviet state. To the extent that any government circumscribes the individual citizen's field of free choice and association, it has limited his power of survival, let alone his chances of success. Why an ecologist, who can benignly watch a lion pull down an eland or hartebeest, does not appear to understand the foregoing is a trifle hard to explain. It's a tough world, rather unforgiving, and the true believers, in order to return it to Eden, seem determined to bring it down upon us. They have so twisted up our priorities that not even General Motors has any clear idea how to plan. In such an arena, what are the prospects for the individual?

The Ingenious Individual

Contrary to the doomsayers, left to his own devices, the individual

has always shown remarkable powers of survival, even in the most unlikely environments. One by one, he has created all the engines of economic ease which we possess, while reform governments have done nothing but milk the cows of his creation. Determined to mandate an abstract "social justice," true believers have ignored the relativism that even the American sharecropper was rich by comparison with the vast majority of the world's inhabitants. Encouraging self-pity (to which we are all prone) in the less fortunate, they have dampened the spirit of such barefoot farm boys whose determination once made them captains of industry. (They now major in "social service" and end up in pro football!) If their ideas are not unseated from places of power, it is difficult to see how the reformers can avoid "killing the goose that laid the golden egg": American Capitalism. Everything we have is owed to the exercise of free individual initiative. Its sole necessary and proper discipline, short of violence, force, or fraud, comes from the free choices of individuals as consumers. Government has more than enough to do with the exercise of legitimate police powers, justice and defense. As it is, it is clearly doing nothing well, as Peter Drucker has said, with the pos-

sible exceptions of ventures in space, foreign wars and diplomacy. These are, basically, Executive activities, of a department which the liberals in Congress are set on weakening.

Posing the question, "Do you want to live forever," implies no denial of immortality of the soul. As in the case of the Marine leader first quoted here, this is a question concerning this worldly existence. Patrick Henry's cry, "Give me liberty, or give me death!" was more than political oratory. It strikes a chord in nearly all of us, if not all, from panhandler to merchant prince. There is the point beyond which we will not be pushed. Life is sweet only when it is creative; and we will always risk its loss on the altar of achievement, whether it be mounting a barricade, climbing a mountain, rocketing to the moon, or in some more mundane occupation. Life is what we ultimately spend: each person's total gift to the universe of reality and the essential coin of philanthropy. A man's closest desire is that his passing through is not meaningless, for he knows that he is mortal. Compared to this small glory in each of us, how paltry seem the concerns of the welfare state. Let us live by our choices and die as free men!



STRIVE FOR THE SIMPLE LIFE

LEONARD E. READ

I love a life whose plot is simple.
—Thoreau

I, TOO, LOVE A LIFE whose plot is simple. However, my idea as to what's simple differs from that of the great naturalist and essayist, Henry David Thoreau. Doubtless, he had in mind the quietude of Walden Pond and its seclusion from society. And this is what nearly everyone regards as the simple life.

My great-grandfather, born during the founding of America, was the first settler in Shiawassee County, Michigan. There was no "society" to interfere with his comings and goings — the nearest village being miles away — and except for the prying eyes of foraging Indians he and his family hacked it out alone. According to the popular definition, his life was indeed simple, far more so than Thoreau's.

What, really, *is* the simple life? Unless we settle that question, we will be plagued by a troublesome, socialistic cliché: "The more com-

plex the society, the more government control we need." The result, eventually, will be out-and-out dictatorship as intricacies in society are used as an excuse for total government. Is it not true that most people in today's world think of my great-grandfather's life as simple and of mine as complex? Actually, it is the other way around. You and I really live the simple life, and this is the point I wish to clarify.

If, as I believe, man's purpose is to grow, evolve, emerge along the lines of his uniqueness, it follows that he must emerge from that poverty which attends those who are forced to become a Jack-of-all-trades. My great-grandfather's unique talent might have been musical composition, or he might have become a distinguished naturalist and essayist, as did Thoreau — for all I know, or for all *he* knew! He, so preoccupied in doing nearly everything for himself, never had a chance to discover his

uniqueness; he was imprisoned by the lack of opportunities to discover himself.

Then and Now

I reflected on the differences between my great-grandfather's and my way of life on a recent flight from New York to Los Angeles. Think how complex it would have been for him to get from Shiawassee County to such a destination! Enormous preparations, hardships, and several months of dangerous travel! Me? Perfectly simple! All I did was to board a plane, debarking five hours later.

His wife had to weave and sew the clothes they wore — so complex a series of operations that only a very few in America today have any idea of how this is done. My case? My suit was tailored in Hong Kong — 12,000 miles away — the shirt in Madrid, the shoes in Rome. Complex? Indeed not; so simple that all I did was to sign three checks.

Came the luncheon at an altitude of 39,000 feet. Among the delectable dishes was fresh salmon from the Pacific Northwest and broiled in the plane's kitchen. My part in this wonderful fare? As simple as waving a friendly greeting to a passing stranger! As to my ancestor, the complexities would have been too profound and numerous for him even to imagine.

Salmon still fresh after 3,000 miles in transit! A jet plane never entered his head, or that broiler, or the coffee brewed from beans from another part of the world. My life is far more simple, much less complex, than his.

Gaining a More Simple Life Through Social Cooperation

How to explain this evolution toward civilization — from the complex to the simple life? How does one accomplish it? Instead of continuing as a recluse, leading a solitary, secluded existence, running away from others, man becomes civilized by getting into society, that is, by letting others with their unique talents come to one's aid. Let them do their countless things, which permits me to do my "thing." We need only remember that man is at once an individualistic and a social being, the latter no more warranting oversight than the former. Actually, the individualistic side of any person can never be fully realized except as the social side is understood, embraced, and skillfully exercised. Think of the things — literally millions of them — which are beyond your or my competence but by which you and I prosper.

Next, how shall this way of life in its ideal form be defined? I hesitate to use one apt expression, "social cooperation," for the rea-

son that most statist, be they Russians or Americans, apply it to their coercive devices. Their command to "cooperate by doing as I say" is a contradiction in terms. Cooperate means "to act or work together with another or others for a *common* purpose." The decrees and edicts of authoritarians reflect strictly their own, not common, purposes. In any common cause, the working together has to be private, personal, voluntary. In a word, let each do whatever he pleases so long as it is peaceful. What, then, do we have in common? Each pursuing his uniqueness!

That would be my ideal of freedom: No man-concocted restraints against the release of creative human energy. More precisely, I refer to the free market, private ownership, limited government philosophy with its moral and spiritual antecedents. To me, this is but an ancient, moral axiom — the Golden Rule — expressed in politico-economic terms. You and I can best help each other by tending to our own knitting, pursuing our own uniqueness, respecting the rights of each to the fruits of his own labor, and freely exchanging when and if mutually advantageous — not an iota of coercion! Does this not clarify what we mean when referring to the freedom philosophy?

The Miracle of the Market

We have had in the past few decades a remarkable demonstration of the simple life. Yet, few have taken any note of this miracle of simplification — which brings the wealth of the world to our doorstep; they are blind to the wonders they have been experiencing. This makes all the more extraordinary Lord Tennyson's prophetic vision of more than a century ago:

For I dipt into the future, far as
human eye could see,
Saw the Vision of the world and
all the wonders that would be;
Saw the heavens fill with
commerce, argosies of magic
sails,
Pilots of the purple twilight,
dropping down with costly
bales.

So let us understand and enjoy the simple life — its exclusively voluntary nature, and the unimagined wisdom which attends the unfettered release of creative energy. Otherwise, if we remain unaware of its blessings, our blindness threatens its termination and promises instead a descent into the complex life of the primitive. For it is an observed fact that the complexities are alarmingly on the increase.


In every instance, the complex-

ities are composed of coercive intrusions by dictocrats in and out of public office. The excuse, of course, is that the intricacies are now too enormous to operate without dictocratic management; these people actually believe that they possess the capabilities needed to make things function. Really, the intricacies are no more numerous than before; all that has happened is a fantastic and wonderful expansion in specialization — division of labor — that is, each to his own uniqueness. This, in turn, has made all of us interdependent. We have here a flowering of the simple life, the continuation of which requires a moral conduct, namely, an observation and practice of the Golden Rule — the way it should be!

Recall that no one knows how to make an ordinary wooden pencil, let alone an automobile or a jet plane. But, then, no one understands a cell, a molecule, an atom. You name it! Yet, the dictocrats

do not know that they know not. In their behavior they attempt to go beyond their finite minds, which is to say that they are out of their minds, regardless of how brilliant they may appear. It is this coercive intrusion, this unreasonable force, that threatens man's survival.

The way to strive for the simple life is to gain an awareness that the wisdom implicit in its observation is trillions of times greater than exists in you or me or any other discrete individual. Every discovery, invention, insight, intuitive thought, think-of-that since the dawn of human consciousness — the overall luminosity — flows to your and my benefit if we can avoid its nemesis: the complexities of coercive intrusions.

Why should we lose that highest form of moral and economic life — each to his own uniqueness — which we have had the privilege of sampling! Truly, it is a life whose plot is simple. 

Planned Chaos

IDEAS ON



LIBERTY

Men must choose between the market economy and socialism. The state can preserve the market economy in protecting life, health and private property against violent or fraudulent aggression; or it can itself control the conduct of all production activities. Some agency must determine what should be produced. If it is not the consumers by means of demand and supply on the market, it must be the government by compulsion.

The "Social Security"

MIRAGE-

Current Production Paramount

UN SOUND economic policy, long continued, tends to become accepted and entrenched. When Federal "social security" first appeared on the horizon there were many skeptics and critics. But with the passage of time this resort to the power of the central government to provide for our retirement years has gained wide approval, has grown like Topsy, and has spawned a flock of other welfare programs, including state and local measures. And protesting voices are now few and faint.

Acceptance of the present array of handouts under the welfare banner, moreover, has now reached the stage where many seem to forget the fundamental fact that no governmental agency or combination of agencies can assure

everyone of a specified level of consumer goods to enjoy. Laws might be enacted by legislative bodies making dollar commitments to all hands, but such actions would simmer down, broadly speaking, to nothing more than authorizing a certain legal position for each of us in the line of individuals awaiting their turns at the economic spigot. No power on earth can guarantee the size of the flow from the pipeline of production, even for a year or two. This is a world full of more or less uncontrollable factors that have an impact on economic activity and output. Familiar examples are fluctuating weather conditions, varying population, changing attitudes, and modification of methods. Perhaps the outstanding unpredictable influence today is war or fear of war, and the accompanying ups and downs in military manpower and expenditure.

In short, there is no way in which the economic future of an

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entire people can be assured by state action. Redistribution of such output as appears may be forced by government, but the size of the pie is not enlarged by increasing Paul's slice at the expense of Peter's. Production remains the key to prosperity, not government promises. This is particularly true in the case of the United States, as we can be sure that no foreign nation or nations will play Santa Claus for us.

That volume of economic output is the basis of the American standard of living is of course undeniable. It is almost equally plain that it is the *current flow of consumer goods* on which we largely depend to meet our current needs. But these simple truths are so widely ignored, especially in connection with plans and schemes — private as well as governmental — designed to insure our economic future, that they deserve continuing explanation and emphasis. I have a few suggestions to offer that may be helpful in clearing the air for anyone who is willing to take a hard look at economic reality.

Stockpiling Consumer Goods — Phony "Reserves"

One way to bring to light, very plainly, our over-all dependence on current output is to take a look at the problem of stockpiling con-

sumer goods under existing conditions. Back in Egypt, long ago, so we are told in Genesis, Joseph stored "corn" in the "seven plentiful years" in an amount so large that "it was without number," and then doled it out in the "seven years of dearth." Apparently he had remarkable storage facilities, and a very docile people to deal with. And since the famine was "all over the face of the earth" he also did a big business with the other countries that "came into Egypt to Joseph for to buy corn." We have no data as to the pricing policies and other procedures followed during the famine years, in dealing with either Egyptians or foreigners, as the granaries were emptied. The Biblical account also provides no details as to how the stored grain was commandeered, guarded, and kept from spoiling and insect infestation.

A tyrannical government in the United States could attempt to follow Joseph's example, and seize a part of the current crop of wheat or other grains for stockpiling purposes. Indeed we have had considerable experience with coerced storing of farm products, although the objective was mainly to induce an artificial scarcity, to force up prices to producers, rather than to increase the future supply of consumer goods. And this venture, as is well known, soon led to cur-

tailment of supply by restricting plantings and other devices — a fantastic piece of folly from which we are still suffering.

Grain Is a Raw Material

But my main purpose here is not to criticize government interference with agricultural operations. The point I want to emphasize, first, is that in our situation grain is a raw material, not a consumer good. Our output of grain is fed to livestock or sold to manufacturers of packaged cereal products (or exported). Conceivably the government could start a program of making us tighten our belts by storing part of the current flow of canned tomatoes and other packaged foods that could be preserved for some time (and still be fit for consumption under our fussy "Food and Drug" laws and regulations). As far as I know, however, no such program is under consideration or has been suggested.

The fact that we are not accumulating a usable food bank, however, is not the end of the story. The American standard of living today is in substantial measure composed of products that are *impossible to store*. We can increase the capacity to produce but we can't stockpile electric energy, either to provide power in productive processes or to consume as

lighting and power in our homes and outside. Transportation service — by motor vehicle, train, plane, or any other means — can't be piled up for future use. The only way to enjoy a vacation trip or a jaunt abroad is to go. We can't accumulate a stock of personal services such as haircuts and shampoos. Medical service likewise can't be stockpiled. We can store books, but educational services in general must be consumed as produced. The same may be said of much of our entertainment, including horse racing and football games as well as a seat at the opera. Obviously we can become informed of what's going on only by the morning paper, the radio and TV presentations, the telephone, the mail service, and so on. There are other illustrations that might be given, but these shouldn't be necessary to make the point that taking care of our future — as a people — by either voluntary or coerced stockpiling of consumer commodities and services, as found in today's markets, is largely impossible or impracticable. It is primarily the current output of the ultimate products on which we live.

Perhaps I should add here a reference to the notion that many people seem to have to the effect that "social security," at the Federal level, is backed by "reserves,"

on a sound actuarial basis, which assure the beneficiaries that the promises made will be faithfully kept. This view of the program is truly a mirage. There are no "reserves" involved in any meaningful sense. The funds diverted to social-security recipients, acquired by taxation or borrowing, or generated via the printing press and related means, add nothing to the output of consumer goods or the array of productive resources. Stashing government IOUs, either in the form of fancy engraved paper or just bookkeeping entries, provides no real support for meeting the expectations of eligible payees in terms of standard of living. Such "reserves" are a financial hoax, and the expense of maintaining such a system is money thrown away. It would be an improvement if the system were amended so as to make it plain that we are on a pay-as-you-go basis, over-all.

Stimulating Productivity

I've already stressed the fact that no particular level of economic output can be assured by government action, in the face of the uncertainties besetting us. And, of course, neither can private associations, insurance companies, or other nongovernmental groups, do the impossible. There are, however, some conditions, arrange-


ments, and courses of action that promote productivity, and tend to increase the flow of consumer commodities and services—the ultimate objective of the economic process. Thus if the goal of any nation is that of maintaining—and perhaps improving—the standard of living of the population—children, grownups in the work force, those not employed for any reason, and "senior citizens"—the road to follow is the stimulation of production. A higher level of consuming, currently or later, demands a higher level of producing.

I've no intention here to go beyond a very few comments on the factors that tend to promote an increasing volume of economic output. A major requirement, certainly, is continuing improvement of tools and methods. Almost before our eyes in this country is an amazing picture of what the technological march has done and can do for us. Avoidance of waste, and efficient utilization of natural resources, are important. Another major ingredient is a climate that encourages the hustler, the getter, the innovator, the enterpriser. Also should be noted the importance of saving and capital accumulation, including the venture funds necessary to finance risk-taking and experiment in business activity. Hard work and diligence, in all levels and branches of

the force engaged in production, including supervisors and administrators, are of course essential to efficient operation. Above all is needed an array of sensitive markets, capable of reflecting promptly the results of the interaction of buyer and seller views and desires. And financial facilities that serve to implement specialization and free exchange must be available.

Conversely, we must avoid like the plague all policies and practices that impede the efforts to expand output, increase the size of the economic flow. Union tactics that discourage utilization of improved machines and methods, or lead to absenteeism, inefficiency, unreasonably short hours per week, and so on, are surely not conducive to economic progress, for all of us, or for any group in the long run. Noncompetitive tendencies in business managements and organizations are similarly objectionable. Dishonesty and fraud

in any sector has an adverse impact on the productive process. Interference by government agencies in business operation is seldom helpful, and is currently so extensive that it is putting a damper on individual initiative and enterprise. Onerous, progressive tax levies restrict saving and capital formation, and welfare expenditures on a vast scale, at the expense of the earners, are discouraging to the rank and file as well as to those especially talented and energetic.

In conclusion I want to acknowledge that there are still a few of us around who firmly believe that an economy dominantly private and free, with a strictly limited government role, is superior on all counts to any form of socialism or welfare state. And we believe that historically and currently the available evidence supports this stance, overwhelmingly. 

Insecurity

IDEAS ON



LIBERTY

THERE IS NO SECURITY to be had from any government so long as its program, intentionally or otherwise, destroys private property, promotes collectivism, and progressively discourages production. Under such a government all liberty is soon lost. Serious cause for alarm exists in the United States today.

What Is Seen

and What Is Not Seen

MORE THAN one hundred years ago the great French economist, Frederic Bastiat, wrote his classic essay, "What Is Seen and What Is Not Seen in Political Economy!"¹ Can such an essay, written in a different time and a different land, have something to say to today's Americans? It certainly can!

Bastiat pointed out, in brilliant fashion, the universal truth that *you can't get something for nothing*. To most people this seems perfectly obvious. Yet many of these same people forget all about this "obvious fact" when the conversation turns to economics!

They say: "Look at all the good that government spending does. Look at these fine public works. Consider, if you will, the many jobs these public works create. Surely you wouldn't suggest that government spending be reduced when so many jobs depend on it."

¹ Frederick Bastiat, *Selected Essays on Political Economy* (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, Inc.), pp. 1-50.

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The concrete results of government spending are what is seen. What is *not* seen is what *would have happened* to the taxpayers' money if it hadn't gone for taxes.

"What would have happened?"

The money would have been spent or saved. If it had been spent then it would have created jobs in the private sector just as jobs were created in the public sector, except that people would have been spending *their* money on what *they* wanted.

If it had been saved then, directly or indirectly, it would have been invested and turned into factories, machines, and tools. That is, the money would have been converted into capital goods that create jobs for millions of workers.

"Then government spending really doesn't increase employment?"

That's right. Jobs created by government spending are what is seen. However, they are only one side of the coin. The other side is the jobs that *would have been* created by private spending and investment if taxes weren't so high. These jobs that government spend-

ing destroyed are what is *not* seen.

"But what about the public works that government spending creates?"

We are all aware of public works. They are what is seen. What is *not* seen are the vacations never taken, homes never built, appliances never bought, and who knows what else that never came into being because the taxpayers couldn't afford them. They couldn't afford these things because the money that *would have* paid for them was taxed away and spent on public works.

In evaluating public works, we must always remember that they came into being at the expense of whatever the taxpayers' money *would have* created if the money hadn't gone for taxes. Whatever the money *would have* created is, of course, *not* seen. It is, however, the price we pay for the public works that *are* seen.

The entire question of government spending is perhaps best perceived when one realizes that the government is not a source of wealth. The people themselves are the only true source of wealth. Hence the government can only *give* to the people what it has already *taken* from the people. *You can't get something for nothing!*

Once one realizes that there are not, in fact, any economic benefits inherent in government spending,

how does one decide upon its ideal level? It seems to me that the only way to decide is to consult that woefully neglected entity we call *conscience*.

How is this? What is the connection that takes one all the way from the affairs of state to one's own innermost feelings?

The connection is simply this: We live in a republic. Thus, our elected representatives act in our names. *The government is our agent!*

Hence I should ask the government to do only that which I want to feel *personally* responsible for. To me this means that governmental expenditures should be restricted to those needed to protect people from humanly initiated force and fraud. Any government spending that goes beyond this must benefit someone at someone else's expense. No matter how I look at it, my conscience tells me this is wrong.

I will not presume to tell you how you should feel about these matters. I am only beginning to know *my own* conscience! However, I do suggest that, stripped of economic nonsense by the works of such great men as Frederic Bastiat, questions of political economy are best resolved by consulting one's own inner sense of right and wrong.

What better way could there be?





WELFARE FIFTY YEARS HENCE

MORRIS C. SHUMIATCHER

SINCE LORD BEVERIDGE drew his blueprint of the welfare state for Britain, it has become almost axiomatic in all western countries, including Canada, that governments will each year come to perform new functions that traditionally had been regarded as the responsibility of the individual.

As the state and other dominant institutions exercise their growing authority over the citizen, his own capacity to make future choices diminishes. Whilst the objects of institutional direction and control are undoubtedly initiated out of the most benign motives of creating a secure and egalitarian society, they ultimately succeed only to the extent that the citizen becomes "cabined, cribbed, confined." The paradox is that the

benevolent quest for security and egalitarianism leads to a custodial society of unrelieved monotony that must corral the creative, hobble the energetic and devour the dissident if it is to achieve its ends.

A projection of present trends, therefore, will lead us not to a new society. Rather it will return us to a society in which the elements of status are of greater importance than the constituents of freely negotiated relationships, particularly those of contract. The senior citizen, the pensioner, the deserted wife, the dependent mother, the injured workman, the university student, the day-care-centre-charge, the treaty Indian, the "in-scope-employee", the bilingual public service employee, the uni-lingual civil servant, the prisoner, the parolee — each must be accorded his special status in a structured society that has already grown as rigid as the hier-

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archies of the feudal system of the thirteenth century. Lords and nobles, knights and serfs each in his place, performed his duties to, and claimed his rights from the authority that stood immediately above him in the feudal pecking order. What each man did was not so important as the status he occupied in the hierarchy. And while no social security numbers were then issued by the Sovereign, the place of every citizen and what he was entitled to claim of the society of which he was a part, were matters as precisely defined in the feudal age as they are now under the Social Security Act, the Unemployment Insurance Act, the Canada Pension Plan and the federal and provincial welfare statutes. Under the feudal system, so long as he faithfully conformed, the individual was assured that his master would provide him with all of the necessities for life. He required no means by which to make choices on his own. He was paid no money-wages; he did not, and indeed, could not choose where he would work or where he would spend his earnings. Why should he? Did he not have complete security? So it may be expected that, present trends continuing, within fifty years the individual will return to a neo-feudal status of total security.

But it is my view that man's

growth and development do not proceed in straight or even curved one-dimensional lines. Neither do quantitative data of past events necessarily reveal the course of human conduct of the future. Graphs that may demonstrate the growth of population in the past fifty years do not necessarily chart the trend for the next fifty years. In the 1920's, some population experts predicted that by 1970, Canada's French-speaking population would constitute a majority since the birthrate of French-Canadian Roman Catholic families far exceeded that of all other groups in Canada. The emergence of French-speaking Roman Catholics as the predominant racial linguistic and religious group in Canada was bound to shape the culture and mores of Canada in the last quarter of the twentieth century. So ran the popular theory that came to be referred to as "the revenge of the cradle" for the Plains of Abraham. It was a prophecy buttressed with solid statistical graphs projected fifty years into the future. These lines went a long way to nurture the nationalistic aspirations of many who foresaw as inevitable, a French-speaking Canada. Obviously, the statistical experts of fifty years ago lacked both the facts and the imagination necessary to build into their projections the decline in influence

of the church or the effects of the pill. These played a vital role in reversing the population trends that the statisticians thought to be inevitable. Smaller families among French-speaking Canadians, the post-war baby boom and immigration all had the effect of reducing the proportionate growth of French-speaking Canadians, and when these facts became apparent, many no longer were willing to rely on the cradle to intensify their influence and turned to other means.

The Pendulum Principle

Thus, in human affairs, the theory that if a trend be recognized, it is likely to continue, does not provide an accurate basis on which to forecast the future. It is the unexpected and the unforeseen that are likely to become the most significant factors for change. Surprise makes fools of statistics.

If some theory is to be applied in considering the state of the law pertaining to health, welfare and education fifty years hence, experience would seem to favor the pendulum principle that views human tastes and choices, institutions and standards of conduct as constantly changing and as periodically oscillating between extremes over periods of years or even centuries.

Nowhere is this more apparent

than in the changing fashions of physical adornment and personal morality. The contemporary cultivation of long hair and hirsute facial embellishment is a re-run of the preferences demonstrated by royalist cavaliers of the court of the Stuarts. Our moral permissiveness is in the tradition of a licentious England in the years of the Restoration when the pendulum swiftly swung against the bleak years dominated by Cromwell's round-headed republicans. The libertarian society dominated by Edward VII was a moral and sartorial reaction against the strictures attempted by a widowed Victoria upon the ebullience of her vigorous people. The ethical self-reproach following World War I produced a pendulum-like swing from a free-wheeling morality on the one hand, to so prolific a proclamation of blue laws on the other, as to spawn a whole generation accused of being moral malefactors. Literature, liquor and libido all had their lynchers. It was some forty years before the pendulum of public opinion swung. New standards of morality were so swiftly incorporated into the law in the 1960's that some complained that society abandoned all but the barest elements of decency. Whatever one's tastes, it is common ground that trends in sartorial and moral standards have always

moved pendulum fashion. It is my view that man's health, welfare and education, being as uniquely personal to him as his clothing and his morals, are likely to be subject to the same kind of swings. History is replete with evidence of the reversal of apparent trends. The concept of contract was the pivot upon which the feudal system's most stable concept — that of status — was reversed. As a result of that reversal, there developed a relatively free and mobile society.

State Intervention

The trends of the past fifty years have repudiated the concept of the free market place. The production and marketing of all major agricultural commodities are regulated by the state; the flow of commerce across international boundaries is controlled by law; private land purchases in some jurisdictions must be approved by a cabinet; the direct sale of commodities, from encyclopaedias to kitchen utensils, are subject to repudiation during a "cooling off period"; employment agreements are spelled out in statutes that accord special status to those who work; the practice of the learned professions is made subject to state controls; the press itself is regulated by government councils. The pendulum of such a society

has indeed moved to an extreme position in its oscillations between freedom and servility, contract and status, independence and paternalism. And over the whole scene there floats, like some giant satellite, the theory that the state has eminent domain over all life and property. Upon that theory it claims and collects taxes at rates that would cause the most callous feudal lord to blush.

A reaction against this relationship between the state and the individual is inevitable.

The present position of Canada's economic and social pendulum has reached the point of a status-structured society from which the common sense of citizens will retreat when the implications of their status are recognized and the tribute they pay is assessed.

The trends that have produced the total state will be arrested and reversed when it is recognized that governments, grown greedy for money and power, debilitate and destroy the industry that is the source of a nation's wealth. Legislatures grown hyperactive produce citizens who are inactive and unproductive.

The major controls of the future, therefore, will not be imposed by public laws: they will become the restraints that individuals will exercise over their own desires and appetites, accept-

ing the concept of Ortega y Gasset that:

Order is not a pressure imposed upon society from without, but an equilibrium which is set up from within.¹

The society of the future will be one in which men themselves will fashion the relationships that are expected to satisfy their needs. The sanctions of the state will be resorted to only in the most exceptional cases.

Fifty years hence, men will agree that fewer laws be passed and that fewer sanctions be imposed by the state. Governments will be moved to disengage and leave the individual free to develop a higher degree of self-discipline. Parliamentarians will take pride not in the number of new statutes they will have passed in any year, but in the number of laws they have succeeded in repealing. They will come to embrace the view of the ancient philosopher Chuang-Tzu who said:²

There has been such a thing as letting mankind alone; there has never been such a thing as governing mankind. Letting alone springs

from fear lest men's natural disposition be perverted and their virtue laid aside. But if their natural dispositions be not perverted nor their virtue laid aside, what room is there left for government?

This insight will be widely accepted when the sanguine promises of politicians concerning the magic of the laws they propose will prove illusory. Individuals will then come to exercise their own capacities and energies to support themselves and discover their own destinies, and they will exercise their own judgment to restrain themselves and consider their neighbors.

Egalitarianism Rejected

The concept of egalitarianism will also be rejected. The ethnic and cultural differences that became recognizable during the latter part of the twentieth century arose as a counterpoise against the rising Canadian nationalism that was reflected not only in the country's economic and cultural activities but in the declarations of almost all political personalities. So in the twenty-first century, individual differences which are the hallmark of the human personality, will be accentuated as a pendulum-like reaction against the collectivist social policies of the age. Equality of opportunity will remain a cornerstone of national

¹ Mirabeau o el politico in *Obras completas* (1947), Vol. III, p. 603.

² James Legge (trans.), *The Writings of Kwang-ze, The Great Learning*, in *The Chinese Classics*, vol. I (2nd ed., 1893), pp. 355-381.

policy. But the concept that all individuals are equal will be rejected as unrealistic and retrograde. Unrealistic, because in whatever he does each man is unique and his personality differs from that of every other man. Retrogressive, because equality repudiates the concept of excellence upon which a meaningful life and a good society both depend.

The welfare state will not succeed in changing the basic nature and motivation of mankind. Men will remain self-interested though not necessarily self-centered. They will continue to be competitive whenever they are free to exercise their will to succeed and to excel. The pious policies of planners, who will design a state in which there are no losers and only winners, will fail. To believe that fifty years hence, some national *pater familias* will produce a condition of security and egalitarianism in which there will be defused man's instinct to strive to distinguish himself above his fellows, whether in the laboratory or in the boxing ring, in the concert hall or on the ice, in the market place or in the court room — is as unrealistic as a painted picture on a stage backdrop.

It May Get Worse

Of course, it may be that the pendulum has not yet swung to

the extreme, and there will be more laws controlling the lives of Canadians before there are less.

By the end of the twentieth century, the costs of the welfare system will have grown so overwhelmingly that Canada will be faced with the alternative of abandoning it or of entering an era of national impoverishment. There will be no question of distinguishing then between the rich and the poor. Poverty will be the lot of all. The reasons will be apparent to our progeny. *First*, the national guaranteed annual income will, in effect, become the national universal income, and it will be the sum and total received by almost all Canadians. By definition it will continue to be regarded as a poverty income. Most Canadians will receive no less than this fixed sum though they be wholly nonproductive and content to do nothing to earn it. By that same token, most Canadians will receive no more than this fixed income even though they toil from dawn to dusk and accept onerous responsibilities. The desire to work, the capacity to work and the productivity of work actually done will be irrelevant to the income received by the individual. His needs, as determined by the Economic and Social Councils of Canada alone will govern.

Secondly, the increasing propor-

tion of a man's wealth that the state will take, will render it impossible for him to become wealthy either by his earnings or by investment. For most, there will be a hand-to-mouth existence, and for those who are able to save, there will be no worthwhile return on investment. Saving will be regarded as an antisocial act.

Thirdly, egalitarianism will elevate the welfare recipient to the status of model citizen. The right to be supported will become the national ethic, and the duty to work and to produce will be viewed as an aberration from the norm. Under these circumstances, the nation's plant and equipment will grow obsolete; capital will disappear; production will decline and there will be achieved a society in which each citizen will share equally in the poverty of all.

Then Change Must Come

It will be then that the pendulum will swing. The concept of rights and obligations will be examined afresh, and it will be recognized that no citizen can properly claim of his fellow citizens, through the state or otherwise, an annual guaranteed income for life, as a matter of right. It will be found that while it is a simple matter for an individual to contend that he has certain inalienable rights, no right can be en-

joyed by him unless some other individual is able and willing to deliver it; that rights and obligations are simply opposite sides of the same coin, and that there is no right to be had, unless there be an equal and corresponding obligation assumed by someone.

When this equation is accepted as a fact of life, the curtain will be lifted between the majestically impersonal tax-collecting machinery of governments on the one side, and the anonymous bureaucratic welfare-dispensing agencies on the other. The citizen receiving his guaranteed stipend from the state will finally become conscious of the fact that although he may not have worked for what he has received, some other citizen has; and that his right to claim sustenance is meaningful only because some other citizen has been willing to assume the burden of giving effect to his claim. He will become aware of the simple fact that his claim to the right to be supported is as empty as a cry in the wilderness except when the conscience of another human being recognizes a duty to respond to his plaint; that there really exist no rights but only obligations, and that the first obligation of every man is to care for and maintain himself and those directly dependent upon him, on the simple premise: "If I am not for myself, who

will be?" It is then that the concept of welfare will undergo the kind of change that will assign it an appropriate place in the Canadian society: it will reassume its original purpose as an aid for the weak, the disabled and the infirm so long only as they cannot care for themselves.

No Guaranteed Life

The concept that the world owes everyone a living, so popular in the latter years of the twentieth century, will gradually fall into disrepute in the twenty-first. Observant and thoughtful people will come to regard mankind as only one of a vast variety of an infinite number of living things that inhabit the earth; that like the trees and the stars, human beings are children of the universe and to that extent they have a right to be here.³ But since no inhabitant of the earth, save man, has ever claimed the right to be supported by all others, the welfare ethic will be rejected. In its place, there will return to prominence, and eventually, to popularity, the work ethic which, in the middle of the twentieth century, had been so denigrated.

Only by accepting and applying

³ From *Desiderata*, by Max Ehrmann (1872-1945) whose statement acquired great popularity in the latter part of the century.

the desirability of work will it be possible to rebuild the Canadian economy, so seriously will it have declined in the age of the guaranteed life income. It will be many decades before Canada will find her place again among the nations whose people, in the middle of the twentieth century, led the world in industrial productivity and inventiveness.

Philosophers, historians and political scientists will wonder why it was that, after a period of fifty years of welfarism and rejection of the work ethic, the Canadian pendulum should have swung so decisively away from the lethargic, nonobjective way of life pursued by Canadians for half a century. A leading historian will say that the reason lay simply in the oscillations of the value-system. An outstanding economist will point to the paradox of the sheer poverty in the midst of vast potential wealth that finally moved Canadians to change their stance on the welfare issue and resume the serious development of their land. A distinguished philosopher will say that man, as a rational creature, could not long maintain the irrationalities of a welfare state and revolted against its strictures. A lawyer will venture the view that the change from welfare to work was simply a matter of finding a way out of bore-

dom when the fun and games of the entertainment and travel industries were no longer amusing, and people decided to use their lives seriously and to play for keeps.

Duties vs. Rights

When the measure of man is taken by the duties he assumes rather than by the rights he demands, assistance to the needy will become personalized. One of the justifiable criticisms of the welfare system throughout the latter half of the twentieth century was based upon its impersonality and hence its inhumanity. It treated all claimants according to fixed formulae that failed to take account of individual differences and idiosyncrasies. The computer determined eligibility, and the machine proceeded with its calculations as to quantum. So gargantuan had the system grown, even those who had benefited from it most came to believe that it was time to revise its procedures and, ultimately, to rethink its philosophy.

To humanize the process of assisting those in need, the welfare system will cease to be a function of government. The problems of determining who genuinely are entitled to aid will become a function of those groups and associations who have most consistently

concerned themselves with humane and charitable works. The churches, synagogues and temples of the world have occupied this role for centuries, recognizing that:

... the poor shall never cease out of the land; therefore I command thee, saying, thou shalt open thine hand wide unto thy brother. . . .⁴

During the twentieth century, most of these religious organizations were more concerned with charitable works in distant lands than with the needs of their parishioners and neighbors close at hand. The reasons for this curious phenomenon were twofold: *first*, since governments appeared to be assuming the burden of welfare at home, the charitable role of religious organizations became superfluous. And *secondly*, it was then, as always, simpler to love and help neighbors who lived ten thousand miles away in foreign lands than those who shared a common language and a common bathroom.

Reform Begins at Home

In the twenty-first century, men will begin to recognize that if the world's affairs are to be set right, it is necessary to first set matters right at home. When religious organizations at last renounce their

⁴ Deuteronomy, 15:11.

political ambitions and put away their international pretensions, they will regain the confidence of their parishioners who will once more make the temple and the church their house. That house in turn will be able to bestow material and spiritual comfort upon those in need. When this miraculous change appears, the same religious organizations will also win the confidence of governments, who will be grateful at last to discover a simpler, less expensive and more satisfactory way of providing funds for those who genuinely require assistance. It will be found that the parish priest knows

more about the needs of the people who come to him for help, acts more wisely, wastes less and achieves a happier result than all of the clerks of all of the government welfare offices that did business in the twentieth century. He will view a man in need as a whole person and not as a mere social security number. And to the new relationship that will thus come into being, there will be brought a fresh dimension of love and understanding and faith that no Parliament had ever succeeded in legislating, and no government had ever found a way of administering. ❁

Human Rights

THOSE who favor instituting "economic rights" have invented a supposed distinction between "human rights" and "property rights." These human rights are said to be prior to and superior to property rights. Thinkers who make this distinction are accustomed to refer to all concern with money, finances, and property as selfish and motivated by the desire for "pecuniary" gain, the latter being ignoble and inhuman in its consequences. But property (or monetary) rights are reducible to the rights of human beings to the fruits of their labor and the enjoyment of their life. The expropriation of property or money is an expropriation of that part of the life of a man which he has spent in acquiring or improving his property and earning his money. More, it is an *ex post facto* incursion upon the liberties of the individual, for it is the taking from a man the product of his use of his liberty. If the right to the disposal of his property is not a human right, there are no human rights.

IDEAS ON



LIBERTY

=====A Program for the 70's=====

THE TITLE of William F. Buckley Jr.'s *Four Reforms: A Program for the 70's* (G. P. Putnam's Sons, \$4.95) is a slight misnomer — actually, with characteristic largesse, Mr. Buckley offers his readers six reforms.

Save for the proposal that the American Presidency should be limited to a single six-year term, the Buckley prescriptions will hardly satisfy libertarians who distrust government to mitigate its own present and past depredations. Those who called the late Senator Robert Taft a socialist because he sponsored "lesser evil" public housing and education bills will see in Mr. Buckley's approach only a Taftian echo. But there is one difference: where Bob Taft really believed that government had a minimum duty to provide houses and schools for the lag-guards in society, Mr. Buckley professes no such concern beyond a wish to avoid a charge of "mis-anthropy." Mr. Buckley describes

his reforms as "entirely procedural in character." They are not designed as "solutions," but as devices that "seek to free up constricting molds and to flush out accretions of government, so as to induce a greater freedom of movement."

In brief, the idea behind the reforms is that it might benefit the antistatist cause if the battlefields were to be changed. Mr. Buckley is not proposing that social welfare subsidies should be abolished forthwith. His proposed Welfare Reform reads this way: "Congress shall appropriate funds for social welfare only for the benefit of those states whose per capita income is below the national average." The "procedural" effect of such a reform would be to continue twenty-two states, beginning with Iowa and ending with Mississippi, as Federal welfare wards. In the twenty-eight above-average states the fight for welfare payments would be trans-

ferred from Washington to the state capitals. Presumably the local welfarists would have to make compromises in order to keep taxpayers from moving to those states that threatened them the least. Thus "procedure" would favor the retention of the old Brandeis-Frankfurter idea that states should be prepared to pay for their own social laboratory experiments. Incidentally, the administrative savings under the Buckley plan on the back-and-forth passage of tax money between the twenty-eight above-average states and Washington might be considerable.

Education Vouchers

On education, Mr. Buckley refrains from making the effort to eradicate the memory of Horace Mann. He proposes an Amendment to the Constitution that reads: "No child shall be denied admission to a public school . . . on account of race, creed, color, or national origin, notwithstanding any provision in the Constitution of the United States or of any State. Nor shall any relief authorized by any legislature for children attending nonpublic schools be denied by virtue of any provision in the Constitution of the United States or of any State." This would allow for voucher systems, and might save a lot of private

schools, both sectarian and parochial. Libertarians would still object that vouchers issued to parents for presentation as tuition money at private schools would lead to state control of curricula. ("He who pays the piper calls the tune.") But at least the voucher-aided schools would have a little immediate money to live on during a period in which they could organize to send their own defenders to state legislatures.

Shifting the Battlefield

Once again the Buckley "procedure" would shift a battlefield. As it affects parochial schools the Buckley Amendment would, of course, be mere supererogation, for freedom of religion, as guaranteed in the First Amendment, must, under any proper interpretation of the law, cover the right of churches to establish their own standards of education and the concomitant right of their parishioners to keep their share of the education tax money to pay for it. Our judges, in taking a Catholic's or a Jew's school money, have been effectively infringing the religious guarantee of the First Amendment all along. So maybe there is need for a Buckley clarifying amendment to supplement the present language of the Bill of Rights.

When it comes to tax reform,

the Buckley "procedural" change actually does amount to a significant change in philosophy. With a bow to Friedrich Hayek's *Constitution of Liberty*, a great and greatly overlooked book, Buckley proposes that Congress should eliminate the progressive feature of the income tax along with "all deductions except those that relate directly to the cost of acquiring income." With exemptions gone, Congress should also eliminate the corporation tax. In order to counter the discriminatory features of special taxes, Congress should reimburse taxpayers below the poverty line by giving them a rebate on Federal taxes that are regressive in impact. Mr. Buckley figures that a uniform income tax of fifteen per cent would raise enough to run the Federal government even with the repeal of the corporation tax.

Criminal Justice

As for reforming the system of criminal justice, Buckley suggests that no great harm would be done by repealing the Fifth Amendment, which is periodically invoked as protection against self-incrimination. The Fifth was originally adopted to prevent brutal beatings by police, Star Chamber excesses, and other Nazi-like practices designed to force confessions. Modern technology, however, could

be invoked to prevent torture; all that would be necessary would be to compel the legal authorities to keep tape recordings, oral and visual, of the interrogation of suspects.

As a matter of fact, the Fifth Amendment is already ignored in government practice. It is not accepted by Internal Revenue as an excuse for refusing to admit income derived from smuggling, theft, cheating or extortion even though the declaration of such "earnings" would obviously be self-incrimination.

Only one of the six Buckley reforms does not involve any change in the law. Feeling that something must be done about the problems posed by the longer life-expectancy of old people, Buckley would have the trustees of the ten top-rated private colleges and universities announce that beginning in 1976 nobody would be accepted into the freshman class until he had passed one year in public service, preferably in charitable and religious homes for the elderly. This would not only save on the relief bills, it would also help with the "re-establishment of a lost circuit: of spirit, and affection, and understanding."

A nice idea, since it involves nothing more than voluntary non-Statist action. But can you see it happening by 1976?

- **THE LIBERAL MIDDLE CLASS: MAKER OF RADICALS** by Richard L. Cutler (New Rochelle, N.Y.: Arlington House, 1973) 255 pp., \$8.95.

Reviewed by Emerson P. Schmidt

THIS WORK is the result of face-to-face experiences and encounters by Dr. Cutler as professor at Berkeley and Ann Arbor, vice president of student affairs and for some years as practicing child psychologist. The author's experience as vice president at Michigan separated him from his earlier "impractical liberalism." (p. 52). Now he is a self-made dedicated conservative in politics and economics and in his understanding of the human condition and student psychology. He defines neither liberal nor radical, but adequately characterizes and describes them. His account of personal experience with Tim Leary, Tom Hayden, and other rebels tends to confirm confidence in the author's diagnosis and prescriptions which pervade the book.

Middle class liberal parents, heavily occupied with their extensive away-from-home activities, entertainment, fun, and indulgences, provide few solid anchors and values for their growing children. Their affluence showers their offspring with vast quantities of toys and other playthings, babysitters, exciting amusements at

theaters and via TV, and unlimited streams of edibles and beverages. Permissiveness at home, school, and in the community generates a wildness or spirit of rebellion. Drug addiction easily follows.

This satiation of every desire and want develops in the youngster a strong feeling that he is entitled to such quick response from all others. The young child need only ask, and it shall be provided by the loving parents. When he encounters the real world outside, such ready response no longer occurs. As he grows up his desires and wants multiply. They become more expensive to fulfill. At some stage deep frustration may occur.

Most of the book is concerned with a small minority of students and parents; yet these students are deeply distressed and become extreme activists. Why the majority remain calm and studious is not clear. Yet a small minority "is able to terrorize a high school, radicalize a portion of junior high school students, intimidate teachers and principals, and effectively disrupt the process of education at almost any level." (p. 46). On a campus with 30,000 students, a mere one per cent, 300, can paralyze the institution, take over the president's office or that of a dean, and disrupt an invited speaker.

The radical student is not easily

defined. He may be New Left, Maoist, Stalinist, collectivist, state welfarist. Yet, generally he is not devoted to government centralization, or massive government ownership of industry. He is anti-establishment with a strong flavor of anarchism, nihilism, and authoritarianism. He is often more critical of government than of our capitalist system. He rarely exudes a coherent philosophy on production and distribution, on law and order, or on government. But almost anything is worth a try — at least on paper.

The author discovered that deep anxiety, fear, and individual helplessness runs through the radical's consciousness — often without the victim's awareness. These traits abound: arrogance, self-importance, intolerance for any frustration, impatience, fascination with off-the-top-of-the-head solutions, need for immediate relief from tension, intolerance of authority (police and judiciary), strident demands for total freedom with no sense of responsibility. Non-negotiable demands are advanced. (p. 50). Antagonism extends to the family, schools, the church and religion (not merely indifference). All is boring and irrelevant including parents, teachers, law and order, government, the judiciary. Anyone over 30 is *passee*.

Political attitudes are usually

extremely juvenile and superficial, consisting largely of slogans. Much of the ranting and sloganeering calls for revolution, but without a program. Force rather than persuasion, and emotion rather than reason characterize the radical activists. Position-papers are drawn up which are replete with sophomoric rhetoric about war, defense, taxes, money, work, the ghettos, the poor, and minorities. The author does not analyse separately the black activist radical.

The radical places himself above the law; hence he is justified in using violence, arson, and murder; he blocks traffic and the orderly process of government and economic life. Freedom of speech becomes the foundation for all manner of assemblies, speeches, and publications, using language without taste or civility. No outsider merits consideration.

A special chapter "Why the Universities?" shows how they have served as the major staging and recruiting area for the revolution-minded minority. (p. 183). Apparently institutions which adhered to the traditional functions of teaching, maintained standards of rigor and intellectual discipline, and dealt forthrightly with unreasonableness as it began to occur and recognized the reality that they cannot be the allies of every

infantile or noxious demand, have had the least difficulty. The hard science divisions of the schools have produced relatively fewer violent radicals than the arts and social sciences.

Liberal, left of center teachers, clergymen, and news media spokesmen have often nurtured and fostered this counterculture. The author provides many constructive insights and countermeasures for the concerned parent, teacher, editor, and clergyman. Marked changes are required. If the diagnosis and corrective steps provided by the author are ignored, the violent minority may increase, and continue in its troubled and troublesome course.

▶ **NATIONAL SUICIDE:** *Military Aid to the Soviet Union* by Antony C. Sutton (New Rochelle, N.Y.: Arlington House) 283 pp., \$8.95.

Reviewed by: David A. Pietrusza

DR. SUTTON proves conclusively that the technology imported from the West by the Soviet Union has been vital to its military capabilities, both in quantitative and qualitative terms. His newest book is required reading for anyone studying or debating the topic of East-West trade.

Take, for example, the instance of Soviet mechanized military ve-

hicles: There are over 300,000 trucks in the Soviet military arsenal — all built in American constructed plants. Until 1968, the largest of these was the Gorki plant built in 1929-1933 by the Ford Motor Company and the Austin Company. Aside from simple cars and trucks, the Gorki plant has produced armored cars, Red army staff cars, half-tracks, armored personnel carriers, amphibious carriers, truck-mounted weapons, rocket launchers, and the first Soviet wire-guided anti-tank system.

Then there is the Soviet ZIL auto factory, built by the Arthur J. Brandt Company of Detroit in the 1930's, the "Togliatti" plant built in Volgograd in 1968-71 largely with American equipment, and the Kama truck plant built in the late '60's with help from a large number of American companies and lending institutions.

"The tractor plants at Stalingrad, Kharkov, and Chelyabinsk, erected with almost complete American assistance and equipment," writes Sutton, "and the Kirov plant in Leningrad, reconstructed by Ford, were used from the start to produce Soviet tanks, armored cars, and self-propelled guns. . . . Since 1931, up to half of the productive capacity of these 'tractor' plants has been used for tank and armored-car production."

Direct military aid, of course, was given to the Soviet Union during World War II. Since the Soviets were then our ostensible allies, there was *some* rationale for this aid — but not for the massive scale of it. Soviet requests for aid were given priority over all other Allied fronts — even those where U.S. soldiers were engaged.

Let the scope of this aid speak for itself. The Soviets received 14,018 aircraft, 466,968 vehicle units — including 1,239 light tanks, 4,957 medium tanks, 47,728 tanks, 47,728 jeeps, 182,928 two-and-a-half-ton trucks, and 491 ships including 77 mine sweepers, 28 frigates, 175 torpedo boats, and 46 submarine chasers.

The Soviet Navy, thanks to Lend-Lease, doubled in tonnage during World War II. Only a few of these naval vessels have been returned to the United States despite agreements which required their return at war's end. During the Vietnamese War, a number of these Lend-Lease merchant vessels were observed on the Haiphong run — supplying the killers of American soldiers.

In recent years, large sales of American computer technology and ball-bearing grinding equipment have aided the Soviet missile program. But the most senseless action of our government in regard to Soviet missiles involves the de-

cision to allow Soviet specialists to *study the manufacture* of American accelerometers in 1966 — only 18 months after a Soviet agent had been arrested by the FBI for attempting to *purchase* one.

Dr. Sutton, a highly respected Stanford research fellow and the author of a three-volume study, *Western Technology and Soviet Economic Development*, has received no cooperation from the U.S. Government in his current project. In fact, he has found Soviet official sources to be more open on the subject of East-West trade than U.S. sources.

No one, after reading this work, can be comfortable with the thesis that trade with a totalitarian government is a mutually beneficial procedure.

► THE FASTEST GAME IN TOWN/*Trading Commodity Futures* by Anthony M. Reinach (New York: Random House, 1973) 175 pp. \$10.00

Reviewed by Hans F. Sennholz

ONE of the great evils of inflation is the disruption of orderly economic production. Inflation generates malinvestments and maladjustments because economic decisions are no longer guided by considerations of consumer demand, but by the desire to preserve capital assets. Inflation tends to

make both objectives mutually exclusive. If you maximize consumer services you may suffer capital losses; if you aim at preservation of your capital, consumer services may have to be curtailed. Calculation of cost and yield becomes nearly impossible when money is depreciating at incalculable rates. Thus, scarce resources become "hedged" against inflation rather than complementary goods in the production process.

When orderly production becomes increasingly difficult more and more businessmen turn to trading in commodities and corporate securities, commonly called speculation. After all, the maladjustments openly invite speculation while material production is hampered by inflation and other government intervention. Rampant inflation discourages production and causes many people, even those least qualified, to seek their fortunes in speculation.

It is not surprising, therefore, that the last ten years of Great Society-New Republican inflation have made speculators out of countless Americans. Every year the number of transactions on the major commodity exchanges is reported to double. Indeed, commodity speculation is inflation's most spectacular growth industry.

Now, with his great knowledge and insight gained from many

years of personal experience in stock and commodity markets Anthony M. Reinach has written a book that is both informative and entertaining. But above all, it is a forceful invitation to his readers to play "the fastest game in town," the commodities market. For profit, tax benefits, or as an inflation hedge he would like us to consider buying and selling commodity futures contracts. It is true, he wisely warns us against tackling commodities "unless or until you have successfully traded common stocks." And even then you may "emerge from the commodity fray with bloody noses." (p. 29) But such occasional warnings and reservations stated in a few sentences do not in the least weaken his invitation made in glowing colors throughout the book. Reinach is a persuasive writer whose reservations are easily overlooked.


His discussion of the technical aspects of commodity trading is laudable indeed. Even a seasoned trader can learn from his analysis of trend and volume action, the characteristics of congestion areas and, above all, his technique of charting that is so essential for all trading. Nevertheless, I reluctantly take exception to the very message of his book: to join in the fastest game in town.

Thomas A. Hieronymus in his

authoritative treatise on the *Economics of Futures Trading* (Commodity Research Bureau, Inc., 1971) reports that of a sample of 8,782 traders in grains 2,184 earned net profits of \$2,064,800 while 6,598 traders lost a total of \$11,958,200. If we bear in mind that some of the successful traders are professional hedgers who manage large corporate accounts for manufacturers, granaries, exporters and other large users of commodities, what then are the odds of the amateur speculator to be for long among the successful traders, the doctors, dentists, attorneys, professors in Spring Mills, Pa. or any other reader of Reinach's book?

And yet, we are not denying the important function of speculation in making a commodity market. And no one denies that large profits can be earned by exceptionally able professionals in the field. The layman would be well advised indeed to entrust a small

risk capital to a successful account manager. There must be some around although this writer has not yet found one after five years of costly commodity speculation. I know there are some because I happen to know the richest speculator in town. When I recently inquired into which commodity she is trading so successfully she answered, "I don't really know. My nephew in New York is handling my account. He is the commodity manager of a well-known brokerage firm."

The present rush into commodity speculation reminds me of the 1849 California gold rush. Among tens of thousands of fortune hunters a few were spectacularly successful. The vast majority only found hunger and deprivation. By far the most successful entrepreneurs were the manufacturers and merchants who supplied the miners with food and equipment and, above all, road maps to the gold fields. 

the Freeman

VOL. 24, NO. 4 • APRIL 1974

- Markets and Morals** **Roger Donway** 195
The consumer is king in a free market, but no one is compelled to serve him.
- Choice or Chains** **Ridgway K. Foley, Jr.** 199
Men free to choose among alternatives may dwell in harmony, not in chains.
- On Misery and Rule** **Stanley C. McDonald** 205
To relieve the individual of suffering is to deny him an important guide to choice and action.
- The Puritan Experiment in Common Ownership** **Gary North** 209
The important discovery that social peace is best achieved through private ownership of the means of production.
- Best Housing Hope** **Bernard H. Siegan** 221
An unrestricted private market affords the best chance for better housing for the less affluent.
- The Sanctifying of Plunder** **Leonard E. Read** 224
Let the law defend the rightful owner of property rather than the thief.
- The Motive Force of Society** **Frederic Bastiat** 228
The role of man in a harmonious universe.
- Is Inflation Here to Stay?** **Morris J. Markovitz** 238
An inquiry into the monetary policies which cause inflation, and prospects for a cure.
- The Necessity of Government** **David Kelley** 243
Coercion has a place in social life, but it must be kept in place.
- Book Reviews:** 249
- "Toward a New World Monetary System"
 edited by G. Carl Wiegand
- "The People Factor: Managing the Human Climate"
 by Phillip Lesly
- "Psycho Chemical Warfare: The Chinese Communist
 Drug Offensive Against the West" by A. H. Stanton Candlin

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Markets and Morals

ROGER DONWAY

MR. IRVING KRISTOL, speaking to the Mont Pelerin Society, raised the question whether a market society can survive, if it not only permits anti-market views, but actually fosters them insofar as they provide business opportunities. And on the assumption that it cannot, he asks whether there is in the market philosophy any reason for an entrepreneur not to invest in, say, the publication of anti-market literature. We know, as a matter of fact, that the Right has generally protested actions such as Simon and Schuster's publication of Jerry Rubin, but could the Right do so consistently, if such a publication were profitable?

Mr. Garry Wills has carried the argument even further in *Nixon*

Mr. Donway, a recent graduate of Brown University, continues to deal as a free lance student and writer with the social implications of certain philosophical issues.

Agonistes. The philosophy of the market, he says, assumes that if it is profitable to supply some good, then that good will be supplied; which means, will be supplied by someone. But that assumption is possible only if we also assume that the marketeer's sole standard for production is: whatever is profitable. And this means that the marketeer cannot regulate his actions by any *other* standard, for instance, by any moral code. Thus, where Kristol says that the market society cannot maintain the ethics on which it is based, as a generally prevailing social norm, Wills says that the marketeer himself cannot maintain any ethical views.

Now it cannot be denied that such critics have been given grounds for their arguments. Professor Jeffrey Hart, in his book *The American Dissent*, wrote the

following, approving description of Wilhelm Roepke's thought: "To the extent that an economy is free, he points out, production goes forward at the *command* of the consumers, whose desires, reflected in the market, are then reflected in the decisions of the producers." Hart contrasts this with a collectivist economy in which production goes forward at the command of bureaucrats. It would seem, then, that under any system producers can have no standards of their own, and the only question is: by whom shall they be commanded?

Similarly, in *Human Action*, Ludwig von Mises wrote:

In his capacity as a businessman a man is a servant of the consumers, bound to comply with their wishes . . . His customers' whims and fancies are for him ultimate law, provided these customers are ready to pay for them. He is under the necessity of adjusting his conduct to the demand of the consumers. If the consumers, without a taste for the beautiful, prefer things ugly and vulgar, he must, contrary to his own conviction, supply them with such things.

I suppose one can understand why, as a matter of history, the defenders of capitalism adopted this line of argument. When the New Deal was culminating the long attack on businessmen as rapacious and exploitative, the image of a servant, or even a slave,

may have looked like a good way to stylize the truth that businessmen make profits only by satisfying demand. It was an intelligible if unfortunate move. (And it should be pointed out that the most powerful, pro-capitalist rejection of this image, Ayn Rand's novel, *The Fountainhead*, was written in the very teeth of the New Deal.)

Consent vs. Coercion

The inherent problem with the attempted accommodation was summed up in another chapter of *Human Action*. In a section entitled "The Metaphorical Employment of the Terminology of Political Rule," Mises pointed out the vogue of describing entrepreneurs as "autocrats," or "kings"; and he also pointed out the fallacy of doing so, by making the necessary contrast between economic action, which is based on consent, and government action, which is based on coercion. The irony is that this section occurs as part of a larger one entitled "The Sovereignty of the Consumer." The new critics of capitalism have shown us why it is as necessary to forego political metaphors about the consumer as it is to deny them about the entrepreneur.

The questions raised by these attacks can be conveniently divided into those concerning the

trader, and those concerning the entrepreneur. And in each case, I believe, the correct answer can be seen to lie in a return to the basic principles of capitalism.

In the case of the trader, this is fairly easy to see. In order for an exchange to take place, we need a buyer seeking a type of good, and offering certain prices for certain quantities of it. And we need a seller offering the type of good sought by the buyer, and offering it in at least one quantity for the price which the buyer is willing to pay. We are often reminded in economics that it may happen no mutually acceptable terms can be reached, and that then no trade will take place. We are less often reminded, though it is equally true, that a person may have no supply schedule at all for the good sought, even if he is capable of supplying it. Indeed, if he believes it is immoral to produce the good, he may well have no supply schedule for it, and there is no reason in capitalist theory to expect that he will.

Nor is there any reason to say that a person is "not acting as a businessman," if he refuses to supply a good when he believes it is immoral to do so. We know that trade results in mutual advantage; that is, each party values the situation following the trade more highly than he valued the situa-

tion preceding the trade. This gain, which Mises calls "psychic profit," is what the trader acts to achieve. But obviously there are preconditions for experiencing such a gain, and obviously too it is part of the businessman's job to ensure that those preconditions exist for him after the trade. There is thus no point in a trade whose very terms destroy those preconditions. And for that reason, a trader cannot set any price on his own death; and for that same reason, he cannot set any price on the suicide of his soul.

Anticipating Demand

In the case of the entrepreneur, of course, one can and should make the same point. But an entrepreneur is also set at the opposite pole from amoral pandering by another characteristic, which relates to the essence of his economic role. The arguments against the entrepreneur assume that his activity is called forth by demand. But it is not. As Mises says, "The only source from which an entrepreneur's profits stem is his ability to anticipate better than other people the future demand of consumers."

We must remember that the entrepreneur acts in the present to meet future demand, and we must remember that the time distinction is crucial. For then we can

see how absurd is the critic's image of the entrepreneur as one who makes his profit by cynically catering to the consumers' irrational desires. Under this image, we would have to imagine him telling his bankers: first, that he intended to produce a good which it was widely thought people would not buy (since profits arise from unanticipated demand); second, that it was a good which people did not really need; and third, that it was a good which people could not reasonably desire. In effect, he would be asking them to bet against general opinion, against people's needs, and against people's intelligence. And that is, when one thinks of it, a most unlikely scenario.

A more plausible picture would be to note that because the entrepreneur must always stand against general opinion, he therefore needs, all the more urgently, to enlist the other two factors on the side of his product, and not against it. But how can he predict what people will truly need, or could reasonably desire, except by know-

ing for himself what is truly valuable? And why, knowing that, would he risk offering anything else?

Thus, when Garry Wills portrays the marketeer as "the late mover, the tester of responses," we may reply that, on the contrary, it is only through a personal estimate of his product, and a confidence in the correctness of his values, that the entrepreneur can have confidence in the correctness of his necessarily maverick judgment about the appeal his goods will have for others.

And when Irving Kristol says that the market offers no reasons against immoral trades, we may say that, first, the market insists a trade shall take place only when the terms are amenable to both parties, and in accordance with any standards they care to set; and second, that an immoral trade would by its nature be a bad trade, because it would destroy the preconditions of gain. The same point has also been phrased: what shall it profit a man if he shall gain the whole world and lose his own soul?

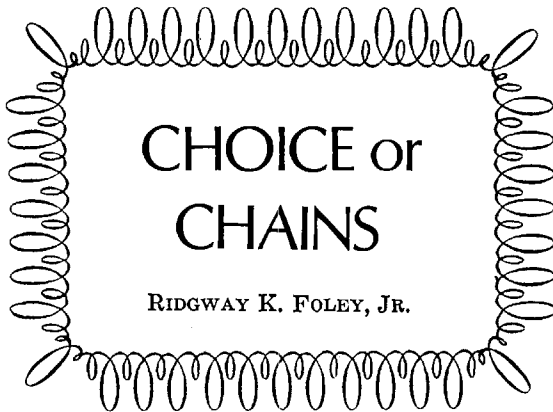
IDEAS ON



LIBERTY

Appeal to Man's Best

ERROR always addresses the passions and prejudices: truth scorns such mean intrigue, and only addresses the understanding and the conscience.



CHOICE or CHAINS

RIDGWAY K. FOLEY, JR.

HUMAN LIFE is a continuing series of choices between alternatives. This characteristic distinguishes human beings from other creatures. Animals may opt for one alternative in lieu of another but no base mammal possesses the faculty of rational choice, nor do the beasts and birds *know* that they choose — they act by habit or instinct.

Man alone possesses, acquires and hones the innate and improvable capacity to perceive, study, measure, evaluate, and finally select between courses of action. True, some of our choices appear intuitive, instinctive or habitual upon superfluous examination: for example, a rational adult seldom lays his hand upon the activated burner of an electric range unless he intends to maim himself; we learn, often after being informed

by our elders, sometimes after sobering and painful experience, that hot stoves usually burn flesh and cause severe pain. Animals may also perform with superficial similarity: a dog once caught in a trap will exhibit wariness about similar devices. But the distinction between the two situations rests with a *rational* selection of alternatives: a canine will seldom if ever encounter a trap in order to release an unrelated beast; a man may touch a hot stove in order to rescue a human being or an animal somehow endangered by the machine. Thus, man may choose to countermand an instinctive course of conduct because he perceives the risk but believes he must (or ought to) assume the hazard in order to secure some ultimate personal goal. Thus, man makes *value judgments*, a feat which describes his choices and distinguishes him from other living creatures.

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**No One Can or Should Destroy
Another's Right to Choose**

If choice relates to the values held by individual, thinking, perceptive human beings, no one individual or group of individuals ought to deprive any other person or association of the right to choose, for no one can comprehend the values which make up the being of another person. Each individual is the product of the numerous concepts, mores, customs, experiences, deductions, intuitions and the like which constantly bombard and alter his being. Even if an all-knowing sage could look inside his neighbor's soul and mind and discern, at a given moment of time, the content stowed within, his wisdom would be outdated the next instant when the subject encountered some new knowledge from within or without, or the effect of a new experience. Thus, no man *can* possibly garner the wisdom necessary to make a meaningful choice for another being. More saliently, however, no man *ought to* denigrate the humanness of one or more of his fellows by depriving him of his right to choose in even the smallest particular. Since making choices separates human beings from mere biological inhabitants of the universe, one who dares destroy the right of free choice in another being, by coercion,

threats, or fraud, in even the most minute particular, to that extent destroys the essential *humanity* of his victim for our humanity depends upon our choice-making capacity and our worth as persons depends upon the value of our choices.

Deprivation of choice or displacement of alternatives abound in modern society. A group of individuals seize power and tell others within a given territory that they may not manufacture, distribute and sell hydroelectric power, or that they cannot construct a fourplex on their real estate, or that they must work for a given wage and no other, or that they must contribute a share of the cost of putting a man on another solar body, or that they may hire only certain individuals of a given race, creed or color, or any one of thousands of other matters, insignificant or substantial. In some instances, the actor loses his choice completely, or is presented with a Hobson's Choice: do (or don't do) this, or you will lose your life, or all your property, or your liberty. Either the choice becomes nonexistent (no one will work for more or less than the stated wage because of fear, and two actors are required to act) or the consequences devastate the alternative which those in power wish to avoid (no conscripted sol-

dier will refuse to obey a battlefield command, even if immoral, because of fear of immediate death at the hands of his superior officer).

Power groups may also displace free choice by offering inducements to some actors at a cost to others. Ordinarily, consumers would prefer clean and inexpensive electric heat for their homes and apartments, and the majority of them would cast their dollar vote in the market place for such a service. However, the claue in power may determine that oil producers should receive a subsidy unavailable to electricity distributors; the granting of this subsidy enables the oil and gas manufacturer to offer his product more cheaply, thus encouraging a change in consumption habits by the consuming public.

Harmonious Differences

Despite the seemingly haphazard and random existence of billions of choosing individuals, all seeking their private goals, an amazing phenomenon occurs in a free and unfettered world: a concatenation of effort and effect where each actor can fully and freely release his or her creative energy. No coercive, man-planned system can create harmony among myriad individuals — history is filled with examples of millions

crushed under the heel of the despot's boot, or mutilated to fit Procustes' Bed. Twentieth century liquidation of kulaks in Russia, peasants in China, and the Jews in Germany bears sad witness to the tyrant's method of planning and its effect on human freedom.

What causes this meshing together of individual choice into a cohesive and rational whole? No man can fully comprehend and explain, any more than one can know and explain the phenomenon of electricity. But freedom, like electricity, offers substantial benefits to be enjoyed and appreciated. I need not understand how electricity develops, or how it is transmitted into my abode, in order to relax and bask in the generated warmth on a cold winter night. So, too, with liberty. I may not be able to explain why freedom works in bringing together myriad choice-making individuals into an ever-higher order, but I can recognize the fact and cherish the result.

A partial explanation appears to reside in the nature of mankind. Each questing, choosing human seeks to act in harmony with his vision of ultimate truth. Each approaches that essential reality from a different view with a different capacity for perception and action. The result is a blending of choices; and each step closer to

truth more perfectly harmonizes the several choices. Man calls the ultimate truth of the Universe by different names. For some of us, the real essence resides in a personal, all-powerful Being we call God, Allah, or Yahweh. For others, the universe appears as a never-ending expanse governed by the ultimate force of natural laws. For the statist, man is a wholly perfectible creature in a relativistic sphere; man represents no more than silly putty to be molded into perfection by the all-wise planner (who, oddly enough, rises up from the mass which is to be planned and programmed). The free man believes that man, finite and imperfectible but capable of improvement, represents an ultimate value in himself and he resides in a rational universe governed by immutable laws and an unchanging truth which he can partially espy. The statist firmly believes that a man-created state can turn iron into gold (or, more saliently, special drawing rights into gold). The free man recognizes that, despite legislative and legalistic legerdemain, iron will remain iron, gold will remain gold, and never the twain shall meet.

The fact that the unprogrammed choices of diverse individuals can coordinate into an increasingly-improving world does not preclude disharmony from arising in hu-

man affairs from refusal to accept the burdens of liberty.

The libertarian avoids application of force and withstands the pangs attendant upon rejection, recognizing that freedom to live includes freedom to fail. He observes that values may conflict: A may wish a quiet life in a residential neighborhood; B may wish to play hard rock at 3 in the morning; C may opt to burn old rubber tires. In such instances, a free man seeks voluntary solutions to human problems, while the statist can only suggest force. Application of force necessarily deprives some man of his choice-making power and thereby denigrates his essential humanness.

Choice Represents an Absolute

Some things remain constant and eternal in a dynamic world. Choice is one of those matters. Creation occurs by choice, not chance. Only man or his Creator can create value, for only man and his Creator possess the power and ability to assess meaningful alternatives and to choose.

Choice, like truth, love and freedom, exhibits an absolute value as well as an absolute fact. Rightness or justice demands that each human being be permitted to exercise his essential humanness by an unfettered decision between alternatives.

Choice cannot be avoided. I choose when I fail to choose or when I refuse to choose. Failure or refusal to choose constitutes a deliberate and voluntary decision as much as a preference for rosebuds over carnations or an election between euthanasia and life. Man cannot escape choice, nor can he avoid its consequences. Choice pervades life and one cannot elude his responsibility by the affirmation that the decision represents the product of some group, committee or state. If I commit theft by taking value created by my neighbor by force or duress, I must bear the consequences of that conduct; I cannot hide behind the alibi that the majority of voters somehow sanctioned this looting. No association or committee need answer for its conduct; only individuals incur that burden. Which is to say that every act of choosing incurs moral consequences for which the individual is responsible.

Again, how can one ascribe moral consequences to every decision between alternatives? In some cases, all will recognize the obvious: the decision to kill, molest or defraud or not to kill, molest or defraud another human being. In other instances the relationship, while very real, seems less readily apparent. In this regard, we must remain cognizant of the

fact that reality exists, with or without our personal perception of the matter.

The Seen and the Unseen

In discerning the moral consequences of mundane choices, we must recall Bastiat's constant cry: Note the seen and the unseen! I lay my hand on a hot burner of a stove with the resultant searing of flesh. As a libertarian, I must concede that I am free to do with my life as I desire, without individual or group interference; I may maim myself or destroy myself. Thus, from the seen point of view what I have done by crippling my hand contains little moral effect. But consider the unseen: I must live with the consequences of that act. If unable to work because of my injury, I become dependent upon others for food, clothing and shelter and to the extent that I deprive the producer of value of the fruits of his labor I am responsible. If a promising pianist or mechanic, I deprive others of the value I could have produced and traded. The list is endless.

Again, I may choose to walk to work on Lancaster Street or on Lexington Street. How can we say that represents a moral choice? Suppose by taking Lancaster, I may witness an accident victim unattended, a scene I would not

have encountered had I journeyed down Lexington. By venturing on Lancaster I came upon further circumstances which present further choices to me: shall I aid the victim like the good Samaritan or leave him because I wish to remain uninvolved. Remember, I cannot eschew choice so I must act. My choice of Lancaster over Lexington thus has more obvious moral overtones because of its relationship to subsequently developing situations and the decisions required thereby.

Simply put, every choice represents a moral choice not because of the particular act involved (taking Lancaster instead of Lexington) but by virtue of the intertwining of myriad choices into life itself. Because we reside in a causal world, decision interrelates with decision in a natural and immutable way and each of us must abide the ultimate responsibility for the way he lives his life. The morality of choice means that man must assume responsibility for all of the effects rationally generated by his choices.

Rousseau declared, "Man is born

free, but everywhere he is in chains." Oddly enough, Rousseau and his followers helped chain succeeding generations of men more brutally than before.

Free choice represents the sole means of avoiding fetters. Either you choose, or some other man or group of men will choose for you. To the extent that others dominate your choice, you are chained.

Yet this singular fact remains: even though one voluntarily chooses chains or involuntarily loses his choice, he cannot escape the awful responsibility imposed upon human beings. It is this burden which so dismays the existentialists.

Man was created free, and he functions better in a state of liberty. He bears personal responsibility for his moral choices whether or not he is politically free. Therefore, he had best reside in a free dominion, fully responsible for his actions and choosing between the widest range of alternatives. To the extent that he lacks this choice, he loses his essential humanity and remains in the chains of slavery. ☉

IDEAS ON

Ralph Barton Perry



LIBERTY

IGNORANCE deprives men of freedom because they do not know what alternatives there are.

ON MISERY AND RULE

STANLEY C. McDONALD

A SOCIAL doctrine currently fashionable within the "intellectual community" is that poverty, hunger, and suffering in general are intolerable in a humane society. The implication is that society is not humane if it does not as a matter of course provide for the relief of all types of suffering. Since there is no consensus as to the means or extent of the relief of suffering (otherwise the point taken would be manifestly redundant) it must be left to the government, as society's instrument of force, to ensure this relief.

Let us look at this principle in the context of the philosophy expressed in the Declaration of Independence, that the function of government is to secure the various "inalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness." To be consistent, we must either acknowledge as one of the Rights that of freedom from suffering,

or else append the philosophy of the Founding Fathers with the notion that government has a further function.

On the one hand, it appears that it is *not* an inherent Right that we be free from suffering. The "inalienable Rights" claimed by the Founding Fathers are those states of being with which men are "endowed by their Creator," states which are not only possible, but manifest. The thesis that a condition is a Right is thus untenable if, under foreseeable circumstances, that condition cannot possibly be realized. Hence, one cannot claim the right to *be* President, although he may claim the right to one day *qualify* for nomination, simply because not every man can possibly attain that position.

Although the Creator is selective when providing men with physical and mental attributes, He is exceedingly impartial with Rights, to the extent that they are equally bestowed upon men. The notion that freedom from suffering is a Right cannot be justi-

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fied on the basis of any empirical evidence, since it has never been demonstrated that men can be free from suffering.

We are thus left with the alternative — the relief of suffering is a *function* of government *in addition* to that of securing the “inalienable Rights.” What remains to be shown is that it is not in violation of Rights that government exercises functions beyond the maintenance of Rights. In other words, is there a legitimate social use of force other than that necessary to secure men’s natural rights? We would like to show that in the particular case of relief from suffering the answer must be “no.” We will base our conclusions on the premise that suffering is an inherent aspect of man’s cognizance of reality, and we will consequently try to demonstrate that the *suffering experience* is a necessary part of the pursuit of Happiness.

Through experience and reason we have come to realize that it is always those conditions which give rise to suffering which we aim to eliminate. Although suffering is a disagreeable experience, which may possibly bring about more suffering, it is not a substantial condition. We may describe “suffering” as the natural response of the body or mind to conditions which are not *in har-*

mony with the natural state of the body or mind.

Whereas the state of Happiness may be characterized by the cognizance of the condition of physical and psychological harmony, the pursuit of Happiness must entail the endeavor to eliminate the inharmonious conditions. Apparently the experience of suffering is the indication of sensitivity to such conditions; and, without that sensitivity, it is not clear how those conditions may be remedied. The systematic suppression of the suffering experience must prove a forbidding obstacle to the pursuit of Happiness. Only for those conditions of suffering which are evidently irremedial can we justify systematic relief.

Helpless or Foolish?

Let us look at two types of conditions which give rise to suffering.

One type of suffering is Poverty — a condition symptomatic of the lack of means, will, or freedom to attain a given level of *productivity*. Poverty itself is a state of inability to attain some level of *consumption*, and is frequently a source of other types of suffering. Inasmuch as the degree of consumption is determined by appetite as well as by need, we distinguish Poverty solely as a matter of necessity.

Hazlitt¹ has suggested that the poverty line be the "level of subsistence sufficient to maintain reasonable health and strength." One interpretation of "reasonable health and strength" is that condition in which one can be productive to the extent that, relative to the prevailing societal mechanisms which correlate productivity and consumption, he may sustain his physical condition. In this interpretation, a man's situation is viewed in relation to self-perpetuation, independently of appetite and other arbitrary considerations. The poverty-stricken must somehow attain the necessities for consumption, presumably through increased productivity, or perish. It is for the relief of those who cannot help themselves that Charity is devoted.

In addition to Poverty, various kinds of suffering arise from error and folly. Whether the resultant suffering is of a physical or psychological nature, we are made sufficiently aware of actions which otherwise might pass as effecting harmonious conditions. Whether it is the remorse springing from harsh words to a friend, or a painful sunburn after a day at the beach, we have received a definite signal, a kind of natural chastisement.

¹ Henry Hazlitt, *The Conquest of Poverty*, (Arlington House, New Rochelle, New York) 1973, p. 39.

Mistakes Become Habits If We Will Not Learn

We then have a choice. We can disregard the causal relationship between certain actions and suffering, and instead regard the pain as a matter of chance. We expect that as time passes we will suffer more and more: not only will we suffer repeatedly from the same type of mistake, but we will no doubt have to suffer from new mistakes. Alternatively, if we conclude that certain types of activities always result in suffering, we can resolve to avoid the suffering by not indulging in those actions. This is just what we mean by "learning from our mistakes." Only through this process do we have reason to expect that our efforts might become more fruitful and our sufferings decrease.

We could consider other types of suffering as well, but those which we have discussed cover a wide range of possible conditions and should be sufficient illustrations for our argument. In the one, suffering indicates a lack of balance between consumption and productivity, and spurs men to strive for such balance. In the other, suffering indicates that the causative activities are faulty or misdirected.

We conclude that although suffering is disagreeable, it is a natural response to certain conditions


of life, which we disregard at our own peril. Life consists of a series of situations which are either forced upon us or are resultant from our actions. If we choose to be insensitive to the conditions which cause suffering, we are opting for ignorance and an endless struggle with a malevolent universe. On the other hand, if we pay heed to our sensitivity to the conditions we experience, we can expect the chance to learn from our mistakes.

It thus seems that any systematic attempts to shield men from the natural responses, including suffering, to those conditions to which their actions have led necessarily deny those men the facility to pursue Happiness. This is just another way of saying that if men are not held accountable for their actions, then they will soon have little way of knowing which actions they should undertake.

It may well be argued that, since government is an institution of force rather than production, it does not command the means to alleviate the conditions underlying suffering. Moreover, it is argued, government is sensitive only to *political* activity; its response to conditions of suffering must at most be unreliable. What, then, is the point of our argument?

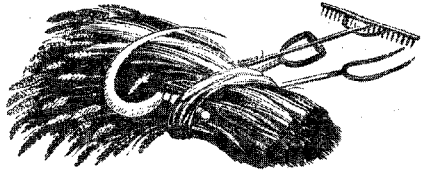
We have shown that the attempt to protect men from the results of their actions, particularly suffering, is a move to deny them their inherent means with which to pursue Happiness. The proposal that a basic function of government is the relief of suffering is incompatible with the philosophy that government guarantee the Right of the pursuit of Happiness. Moreover, such a function is destructive of this end, and it is the "Right of the People to alter or to abolish it. . . ."

In the past forty years, the notion that "suffering is intolerable in a humane society" has been used with increasing effectiveness by those who would have an omnipresent state. We have seen, and are seeing more and more each day, the countless burdens we are having to bear as a result of some foggy theories about misery and rule. If anything, the cry that the government should undertake the relief of suffering has resulted in a gigantic free-for-all for the spoils of power.

If we will, we may learn from *these* mistakes and proceed on a course which, as envisioned by the Founding Fathers, will truly "secure the Blessings of Liberty to Ourselves and our Posterity." If we won't, we have only ourselves to blame. 

The Puritan Experiment in Common Ownership

GARY NORTH



ONE of the more familiar incidents in American history, at least within conservative circles, is the disastrous experiment with a common storehouse in the Pilgrim colony in 1621-23. Governor Bradford describes in some detail in his history of the colony how young men refused to work in the common fields in order to lay up produce for a common storehouse, only to see all goods divided equally among families. Upon petition of the planters, the Governor and his council decided to follow their advice: assign families their personal plots of farm land (according to family size) and abolish the common storehouse. Immediately, men and women returned to the harvest fields.

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What is less known about this incident is how the little colony ever made such a disastrous decision in the first place. The fact of the matter is that the colonists had never wanted to inaugurate a system of totally common property. The group of British "adventurers" that had supplied the Pilgrim exiles in Holland with traveling money and capital had insisted that the colony be made a part of the joint-stock company. The assets of the colony therefore were the assets of the company, headquartered in Britain, and the agricultural products were to be shared equally among company members, both colonial and British. Governor Bradford was the chief agent of the company in New England; hence, he was compelled to impose the common storehouse system.

In the original negotiations, it

had been understood that profits would be shared by all members of the company, but the colonists had not agreed to the sharing of houses, gardens, and other improved land. They were informed of these terms only as they were about to leave for North America, and as they left, they sent back word to the merchant adventurers that their agents who had agreed to such terms had not been empowered to do so.¹ But the continuing dependence upon the company for resources during the first year of the colony's existence compelled them to give in to the company's terms.²

The story did not end in 1623, when necessity forced the hands of the colonists. In 1627, the bickering British directors sold out their interests in the colony to the settlers for £1800. The settlers were to spend a decade and a half in paying off their debt, and at times had to borrow extra time at rates of 30 per cent to 50 per cent. Nevertheless, they persisted and finally repaid the debt, in 1642.

In 1627, shortly after buying out the British directors, Governor Bradford supervised the division of the colony's assets among

the settlers. First, they divided livestock. There were few animals, so the 156 people (less than 40 families) were divided into a dozen companies; each company received a cow and two goats. In January of 1628, the land was divided, this time by random lot. Complaints about unequal housing were forestalled by requiring those who received better housing to make an equalizing payment to those receiving poorer housing. Peace was preserved.

There was one decision, however, which was to prove costly. Meadow was in short supply, so it was kept in common ownership. Furthermore, fishing, fowling, and water remained "open" to all settlers.³ The Pilgrims were to have the same difficulties with the administration of these common fields as their neighbors, the Puritans, were to experience. Only after 1675, when the "commons" throughout New England were increasingly distributed to the families in each town, were these problems overcome.

Varying Concepts of Ownership

In order to understand the thinking of the first half century of New England settlers, we have to realize that these immigrants did not bring over from England some

¹ George D. Langdon, Jr., *Pilgrim Colony* (New Haven: Yale University Press, 1966), p. 9.

² *Ibid.*, p. 26.

³ *Ibid.*, p. 31.

universally accepted concept of land ownership. There was an obvious tendency for groups of settlers from one region in England to establish homogeneous townships in Massachusetts. English towns had developed at least three major systems of land tenure: the open field system, the closed field system, and the incorporated borough. All three appeared in New England in the early years.

The open field system stressed the community administration of land. It is this system which we generally associate with the word "medieval," although the Middle Ages saw many systems of land tenure. Sumner Chilton Powell has described these systems in some detail in his fine study, *Puritan Village*. The open field system "regarded the advantages of the area as communal property, to be shared by all. No one was to exclude a neighbor from such a necessity as good meadow, or the down, or the woods. And if anyone practiced such exclusion, or attempted to increase the amount of his holding at the expense of his neighbors, all villagers reacted instantly to restore their 'rights.'"⁴ Needless to say, this approach did not survive long in the setting of New England.

⁴ Sumner Chilton Powell, *Puritan Village* (Garden City, N. Y.: Doubleday Anchor, [1963] 1966), p. 11.

Extensive Trading of Land in Berkhamsted

Quite different was an English borough like Berkhamsted. In the early seventeenth century, over one thousand acres "were opened up, bought, or traded, in countless individual transactions. If the men of Berkhamsted were doing nothing else, they were trading land."⁵ The legend of the Yankee trader was rooted in this sort of English inheritance. There were some enclosed lands, but most of the farmers were shifting as rapidly as possible to a system of individual farm management.

A third system was a sort of combination, the closed field system of East Anglia. "There was one common pasture, but each farmer was expected to provide a balance of arable, pasture, and hay meadow for himself. He succeeded, or failed on his own farming ability."⁶ One of the problems in a Massachusetts town like Sudbury was the diversity of backgrounds of its inhabitants. There was no agreement as to where the locus of economic sovereignty should be. Should it be the individual farmer? Should it be the town's selectmen who controlled the resources of the town commons?

The towns and colonial govern-

⁵ *Ibid.*, p. 26.

⁶ *Ibid.*, p. 72.

ments of seventeenth-century New England were not strictly theocracies; ordained ministers could not be elected to political office. But they were important as advisers. Furthermore, the laymen of that era were very often more theologically motivated than ministers of this century. Most of the towns were regarded as tightly-knit Christian commonwealths by their inhabitants, and during the first fifty years of their existence, they imposed restrictions on immigration into the local community. They were concerned that newcomers might not meet the religious and moral standards of the present inhabitants. As late as 1678, the records of Plymouth Colony offered the hope that "the Court will be careful, that whom they accept are persons orthodox in their judgments." The Puritan towns of Boston, Cambridge, Dedham, and probably many others all included the requirement that outsiders be cleared by town officials before they were allowed to buy land locally. Braintree even included a restriction on land sales (though not explicitly religious in intent) that local residents would have the right to bid first on all property offered for sale to outsiders.

It is significant that in the final quarter of the century, these religious restrictions were gener-

ally dropped. Instead, a new requirement — in fact, a new emphasis on an old requirement — appeared: restrictions on immigrants who might become a burden on the welfare rolls. The towns had steadily become more pluralistic theologically, but the fear of an increase in tax rates was a truly ecumenical device. By offering economic support to local indigents, the townspeople were afraid that outsiders might take advantage of this legal charity. Barriers to entry followed in the wake of "free" goods, however modest — and they were *very* modest — the size of the public welfare allotments.⁷

Pressure on the Commons

The fear of increased welfare burdens was not the only economic issue confronting established communities every time a stranger sought admission as a resident of some town. In the early years of settlement, each town had considerable land — six to eight miles square — and relatively few inhabitants. Each resident had legal access to the common pasturage and to any future divisions of land from the huge blocs owned

⁷ On the size of local town charities, see Stephen Foster, *Their Solitary Way: The Puritan Social Ethic in the First Century of Settlement in New England* (Yale University Press, 1971), p. 137.

by the town. But as the number of inhabitants increased, and as more and more distributions of town land reduced the available source of unowned land, the per capita supply of land began to shrink. Those inhabitants who had a share in the common pasture and the common lands sought to protect their control over further use and distributions of such property. In town after town, a new rule was imposed: outsiders had to purchase access to rights in the common property from local inhabitants. The result was a new appreciation of private ownership and private control of property, even among men who had grown up in English communities that had used the open field system of farming. The land hunger of New England after 1650 created new incentives to gain and exercise personal sovereignty over the chief economic resource, land.

There was another incentive to reduce the size of the community-owned property: bureaucratic wrangling. Page after page of the Massachusetts town records, year after year: how to restrain access to the common meadow? How to keep midnight visitors from cutting down choice trees for firewood or other uses? How to keep the meadow's fences in repair? Statute followed statute, to no avail. Fines were imposed, equally

to no avail. "Free" land meant strong demand for its productivity, and town leaders never were able to find a rational, efficient means of restricting uneconomic uses of the town property. Men had a strong incentive to further their personal economic ends, and far less incentive to consider the public's position. The commons served as incentives to waste, for without a free market and private ownership, it was impossible to calculate accurately the costs and benefits associated with the use of the land. This is the chief economic flaw of all socialist systems, and the early settlers of New England were unable to solve it.

The Eternal Problems of Supply and Demand

Someone who has only a superficial knowledge of the history of the Puritans of the Massachusetts Bay Colony tends to see them as men obsessed with imposing religious restraints or moral restraints on private activities. They were concerned with such questions, as the records indicate, but from the bulk of the legislation, two problems were eternal, unsolvable, and endlessly bothersome to Puritan leaders: pigs without rings in their noses running through the town, and midnight tree cutters on the commons. The tree cutters, like the pigs, insisted

on sticking their noses into other people's property.

The commoners — those who had legal access to the common fields and meadows — were too often involved in what today is known as "free riding." They planted crops in the common property, but neglected to keep their portion of the commons properly fenced. It was almost impossible to keep track of who was responsible for which plot. Towns had to intervene and assign plots, thus creating opportunities for local political dissension. Animals that wandered around the fenced land often broke down unrepaired fencing between plots, getting into someone else's crops. Tension here was continual.

Fencing inspectors were important officials in every town. Conflicts over responsibility were endless. Without private plots privately repaired, such conflicts were inevitable. In the early decades of Massachusetts, no single public policy prevailed long. First, the colony's General Court — the chief legislative agency — placed the responsibility for fencing on the local town; then it placed the responsibility on the local individual citizen; next it switched back to its original position of town control. The statutes did not function well in practice. Different communities had different

problems, and the central government had difficulty in dealing with all of them through the use of any single administrative policy.⁸

The problem facing every selectman in every New England village was "the tragedy of the commons," as the biologist Garrett Hardin has called it. Each person who has access to the benefits of public property for use in his own personal business has a positive incentive to drain additional resources from the commons, and he has a very low or even negative incentive to restrain him. The cost of his actions are borne by all the "owners," while the benefits are strictly individual. One more cow or sheep or goat grazing on the town commons will register no noticeable increase in the communally assessed economic burden which rests on any single individual. Yet such grazing is immediately beneficial to the owner of the animal. High benefits, low costs: "Each man is locked into a system that compels him to increase his herd without limit — in a world that is limited."⁹ It is not

⁸ William B. Weedon, *Economic and Social History of New England, 1620-1789* (2 vols., 1890), I, pp. 59-60.

⁹ Hardin, "The Tragedy of the Commons," *Science* (13 Dec., 1968); reprinted in Garrett de Bell (ed.), *The Environmental Handbook* (New York: Ballantine, 1970), p. 37.

surprising that selectmen would find themselves burdened with endless disputes concerning the size of the local herds and the proper — “fair” — assessments of the economic costs of running those herds on the commons.

There is an answer to the tragedy of the commons, at least where it is inexpensive to assign property rights. As C. R. Batten has argued, the transfer of ownership from an amorphous common group to individual citizens provides an incentive to reduce the demands made on the land. Private owners have to assess both costs and benefits of any activity, seeing to it that costs do not outrun benefits. By the end of the seventeenth century, Puritan leaders — or at least leaders who were the descendants of Puritans — reached a similar conclusion.¹⁰

With each piece of legislation, another problem or set of problems appeared. First, only actual town commoners could run their animals in the common meadow or in the outlying common lands. Only local residents could cut the trees. Later, the selectmen had to impose limits on the number of cattle that could be run, frequently on a “one cow per man” rule. Each man was assessed a few shillings

per year for this right. Some people brought in horses; Boston banned them on Sundays. Sheep had to be supervised by a shepherd. As more animals required full-time supervision, towns hired herdsman. To keep the cost-per-beast low, each town resident was required by law to run his animal with the herd. Cambridge, for example, imposed a fine of one shilling on anyone whose cow was found on his land after 8 a.m. Since the driver left at 6 a.m., anyone who had not yet delivered his animal to the herd had to escort his cow to the driver, eating up scarce time. A similar law for goats was passed two years later, in 1639.¹¹ People naturally attempted to evade the law, and by 1648 the revenues supporting the town’s herdsman were not meeting his salary. Consequently, in typical interventionist fashion, the selectmen decided to assess all men a certain amount, whether or not they ran cattle on the commons.¹² A similar rule was established in Watertown in 1665, and the massive evasions encouraged the selectmen to pass an even stiffer law in 1670.¹³

¹¹ *The Records of the Town of Cambridge, Massachusetts, 1630-1703* (1901), pp. 28, 39.

¹² *Ibid.*, p. 72.

¹³ *Watertown Records* (1894), I, pp. 92, 94-95.

¹⁰ C. R. Batten, “The Tragedy of the Commons,” *THE FREEMAN* (Oct., 1970).

Corrected Over Time

The confusion reigned for decades. As the Watertown records report so eloquently, "there being many complaints made concerning the disorderliness of cattle and swine and the multitudes of sheep in the town, it was voted that the matter above mentioned is left with the selectmen to consider something that may tend to reformation and to present what they shall do to the town to be confirmed."¹⁴ Needless to say, the selectmen could not do anything about it, any more than half a century of Puritan town governments before them. The only solution was the distribution of the commons to local inhabitants—the demise of the commons.

Traditional patterns of life do not die out overnight. Men are usually unwilling to change their way of life unless forced to do so, either by economic circumstances or by direct political pressure. The little town of Sudbury was a case in question. Its inhabitants clung to the old English system of communal property management. The access to the commons was restricted, in 1655, and at least thirty younger men received no meadow grants for their animals. They went out of the selectmen's meeting ready to fight. Fight they

did, until the town was split. They formed a new community down the road, Marlborough. Not gaining access to the local commons, they were perfectly willing to settle for a 24,000 acre plot a few miles away.¹⁵

Factional strife was not a part of the original goals of the founders of New England. Factionalism was a blight to be avoided; this opinion remained a touchstone of American political thought until James Madison wrote *Federalist* #10. Yet the quarreling over the commons was incessant, in direct opposition to the political and communal ideal of the peaceable kingdom.

"Togetherness"

The town of Sudbury was not to be the only Puritan village unable to cope successfully with the centrifugal forces created by the presence of socialized property within the town limits. The creation of Marlborough, despite the fact that the young founders also established a town commons, testified to the difficulty of preserving both the old common field tenure system and social peace in the midst of vast stretches of unoccupied land. It was too easy to move out, and this feature of New England was to erode the medi-

¹⁴ *Ibid.*, p. 142.

¹⁵ Powell, *Puritan Village*, chap. 9.

evalism of early Puritan thought. The centralized social control necessary to enforce such a system of common land required the existence of widespread land scarcity. Ironically, it was in the final quarter of the seventeenth century that such land scarcity appeared — scarcity of the most productive lands — but by that time the haggling over the administration of the commons and increasing land values had already provided the incentives necessary to convince both leaders and average citizens that the commons should be distributed permanently.

One of the original goals of the founders of New England was that of social cohesion. The life of each community was to be religiously based. The church was the center of the town, both symbolically and very often physically. Men were to live close to each other, share in each other's burdens, pray together, and construct God's kingdom on earth. But there was a strong economic incentive to consolidate land holdings.

Even before the market of Boston created demand for agricultural products, men in the villages had begun to barter their land allotments. A man might live in the town with five or six acres of garden and meadow, and he might also have been given some forty- or fifty-acre plots in the

common lands scattered around the town. Obviously, it was to the advantage of some men to consolidate their holdings, trading with others who also wanted to cut down on the time spent to travel — in mud, in snow, in dust — from one plot to another. Then, family by family, an exodus began from the central town. Artisans tended to come into the town's center; farmers, especially those affected by Boston's market (those in the immediate Boston area or close to water transport to Boston), needed to consolidate in order to rationalize production.

Despite the efforts of ministers and local selectmen, the population spread out; decentralization, when not political, was at least social. You could not examine your neighbor's intimate affairs when he was three miles away. The market for land was an agent of social decentralization.

The Urge for Privacy

The experience of the isolated little town of Dedham is illustrative of the effect of market freedom on traditional patterns of social and economic control. Professor Kenneth Lockridge describes the process:

If the corporate unity of the village was slowly eroding, so was its physical coherence. The common field system began disintegrating almost

from the day of its inception. Already in the 1640's the town permitted men to "fence their lots in particular" and presumably to grow in these lots whichever crops they wished. By the 1670's it had become usual for men to take up both special "convenience grants" and their usual shares of each new dividend in locations as close as possible to their existing lots, practices which aided the consolidation of individual holdings. The process encouraged by public policy was completed by private transactions, for an active market in small parcels soon emerged, a market in which most farmers sought to sell distant lands and buy lands closer to their main holdings. The net result was the coalescence of private farms. From here, it would be but two short steps for farmers whose holdings were centered in outlying areas to move their barns and then their houses from the village out to their lands. As of 1686 few seem to have taken these steps, but the way had been prepared and the days of a society totally enclosed by the village were numbered. In any event the common-field system was gone, taking with it the common decisions and the frequent encounters of every farmer with his fellows which it entailed.¹⁶

The closer to Boston, the faster these changes occurred, for if transport was cheap enough —

within 10 miles or so along a well-traveled road — the effects of the free market were felt far more alluringly. It paid to become more efficient.

A Typical Development

The demise of the commons in Cambridge seems typical. The first division took place in 1662. A second followed in 1665. Two small divisions were made in 1707 and 1724. Various methods were used to determine who got what parcels of land: lots were drawn, or acres were distributed in terms of the number of cows a family was allowed to graze on the common meadow, or a committee was formed to consider other methods. In some towns there was considerable strife; in others, the distributions were relatively peaceful. The effects on Cambridge were significant, and in retrospect they seem quite predictable. After 1691, it was no longer necessary to pass new laws against the cutting of timber from the commons. Men owned their own land, and they cut or refused to cut as they saw fit. It was no longer necessary to pass laws against selling timber to men from other towns, a common feature of mid-seventeenth-century legislation in the towns. A thoroughly individualistic system of land tenure evolved.

The final impetus to private own-

¹⁶ Kenneth Lockridge, *A New England Town* (New York: Norton, 1970), p. 82.

ership came in the 1680's. James II, after coming to the throne in 1685, sent Sir Edmund Andros, the former Royal governor of New York, to take over as governor general of New England. The king meant to consolidate the political structure of the colonies, making them all purely royal colonies. Andros met with instant opposition. He began to hit too close to a crucial legal weakness of New England's towns.

By 1685, there were four New England colonies, New Haven having been absorbed into Connecticut in 1662: Massachusetts, Plymouth, Connecticut, and Rhode Island. (Plymouth became a part of Massachusetts in 1692). The right of these colonial governments to create valid, legal townships was in question; the right of the towns to act as if they were incorporated entities in giving legal title to land was not in doubt: it was illegal. The king's seal was not present in the towns, and this was an invitation for the king's newly appointed bureaucracy — a growing horde — to intervene to their own advantage.

In 1686, the Andros regime imposed a 2.5 shilling quit-rent per annum on all 100-acre lots not occupied or occupied by means of defective titles. Andros called for a re-examination of the land patents. Whether or not this represented a

true threat to the majority of land owners, they certainly were convinced that his intentions were the worst, and that a major land-grab was about to be inaugurated. In the various political pamphlets issued in 1688-90 by outraged critics of his administration (later assembled as the *Andros Tracts*), this criticism was made over and over. It was a major reason cited as a justification for his overthrow in 1688. "Henceforward, the colonies took absolute control of the land. . . ."¹⁷ Men desired, as never before, to gain clear-cut title to their lands. It intensified a pressure that was five decades old or more.¹⁸

The Market Process

Step by step, individual men asserted their sovereignty over land; the proprietors of the commons steadily transferred the unoccupied land surrounding the village, as well as the land in the more central common fields, to the citizens of the town. While they did not ask for competitive bidding as a means of distributing this land, the officials did effect a continuous

¹⁷ Roy H. Akagi, *The Town Proprietors of the New England Colonies* (Gloucester, Mass.: Peter Smith, [1924] 1963), p. 124.

¹⁸ Philip J. Greven, *Four Generations: Population, Land, and Family in Colonial Andover, Massachusetts* (Ithaca, N. Y.: Cornell University Press, 1970), p. 61.

transformation of ownership. In doing so, they established a break from the historical inheritance of many towns, the old medieval open field system of common ownership. The continual bickering over the allocation of timber, fallen logs, tree cutting by moonlight, town herds, herdsmen's salaries, fence mending, planting in the common fields, and policing everyone to see that these laws were obeyed, finally broke the will of the town officials. It was easier to give the land away; it was also more profitable for town residents, in most cases.

The tradition of the independent yeoman farmer so impressed Jefferson that he built an entire political philosophy around it. The idea that individual men are more responsible for the administration of property than boards of political appointees or even elected officials became a fundamental principle of eighteenth and nineteenth century American life. The concepts of personal responsibility and personal authority became interlocked,

and the great symbol of this fusion was the family farm. The endless quest for land by American families is one of the most impressive tales in American history. It began as soon as the Pilgrims stepped off the *Mayflower* and their Puritan neighbors stepped off the *Arabella* a decade later. The experiment in common ownership in village after village over half a century convinced ministers, laymen, and political leaders that the private ownership of the means of production was not only the most efficient way to get Christian goals accomplished, but also that such a form of ownership was economically profitable as well. They saw, almost from the start, that social peace is best achieved by means of the private ownership of the tools of production, especially that most crucial of tools, land. The lessons of that first half-century of New England Puritan life is one of the most important heritages of American life. Without it, indeed, American life would be impossible to interpret correctly. ☉

IDEAS ON



LIBERTY

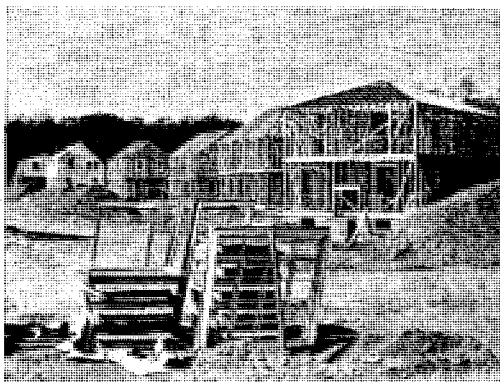
That Vital Spark

THE SPARK of liberty in the mind and spirit of man cannot be long extinguished; it will break into flames that will destroy every coercion which seems to limit it.

HERBERT HOOVER

Best Housing Hope

BERNARD H. SIEGAN



MOST people with incomes below the national average cannot afford to buy or rent new housing. This is not a condition solely of modern times nor of high inflation. It has probably existed throughout history. There never has been a time or a civilization, and probably never will be one, in which all people had equal access to material goods. Moreover, in the case of housing, the new products are not always preferred to the old — at least this must be concluded from the many wealthy people who willingly pay huge amounts for old houses.

However, there are many people who feel that those of lesser means are entitled to new housing, almost

as a matter of right. They contend that if the private sector cannot provide such housing, then it is the obligation of government to do so.

This was an underlying premise of the 1968 national housing act which called for the construction or rehabilitation of six million housing units for low and moderate income families over the succeeding decade and established subsidy programs to accomplish that aim. Another basis for that legislation was the conviction that government could effectively and efficiently subsidize the construction of housing for the less fortunate in our society.

Time has shown that Congress in passing this legislation, did not understand the operation of its own government. Admittedly, it was a mistake easily made, for the task appeared relatively simple. Establish subsidy programs, pro-

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vide them with billions of dollars, and it would be only a question of time before those billions would create new and better housing for the country's less fortunate citizens, at a reasonable per unit cost. Nothing could have been further from the truth.

Much housing was constructed under the program; in fact about 20 to 25 per cent of residential housing starts for 1970 and 1971 were for subsidized and public housing. Unfortunately, most of the beneficiaries probably were not poor people. By the time the product reached its intended recipients, a great many had profited along the way, including many who cheated and gave and accepted bribes. There were many scandals in the program, but even these might have been explained away had the program largely accomplished its purposes.

The results however, were highly unsatisfactory. Much of the construction was by the government's own evaluation defective and of poor quality. Perhaps the program created as many tax shelters for the rich as housing shelters for the very poor. A significant number of projects failed financially, and possibly worst of all, some of the developments intended to eliminate the slums themselves turned into almost instant slums.

With scandals and costs mount-

ing and results remaining unsatisfactory, the Nixon administration in 1972 began to contract the subsidy programs and subsequently froze funds appropriated for them. "We can no longer afford \$100 billion mistakes," said George Romney, who assumed office as Secretary of the Department of Housing and Urban Development a strong proponent of subsidized housing and left office an equally ardent opponent.

Government-Built Housing Is Costly and Wasteful

If the total cost of the subsidy programs were averaged over the successful units—which, of course, were far fewer than those built—the cost of each unit might be quite similar to the cost of housing in Beverly Hills (with hardly the same resale value). Even governments can go broke on this basis, and taxpayers can and should become very angry.

But the cry goes out: "How else can we provide for the housing needs of the less fortunate in society?" The operation of the real estate market provides the answer: enable or allow builders to produce more private housing, and the less affluent will benefit as much as the more affluent. Due to the operation of the filtering process, construction of housing for the well-to-do will equally benefit those

of average, moderate and low incomes.


What is the filtering process? Filtering in housing occurs when new homes and apartments are constructed and families move in to them, vacating their former residences for occupancy by others. The others, in turn, may vacate still other units and the process continues through many sequences.

A study of filtering in seventeen metropolitan areas of the country, made by the Survey Research Center at the University of Michigan, has shown that on the average the construction of one new unit makes it possible for a succession of $3\frac{1}{2}$ moves to occur to different and more likely better housing accommodations. New construction thus helps more people indirectly than it does directly; $2\frac{1}{2}$ moves occur to existing housing and only 1 move to new housing.

The study shows that more than one-third of all those who move are likely to be in the lower and

moderate income categories, the targets of the subsidy programs. It also reveals that while most new construction occurs in the outer portions of the metropolitan area, these moves extend to older areas near the center of the city, where the poorer portions of the population tend to live.

The experience of the subsidy programs has demonstrated that new housing has not always meant decent housing; and it is decent housing, whether new or old, that should be the nation's objective. More private construction will accomplish that goal for more people without the huge waste of resources that seems inevitably to accompany government's efforts.

Accordingly, governments can best serve housing needs by eliminating laws and regulations such as zoning which impede development of the land. An unrestricted private market still remains the most efficient and effective means yet devised to provide better housing for the less affluent. 

Mass Production

IDEAS ON



LIBERTY

THE very principle of capitalist entrepreneurship is to provide for the common man. In his capacity as consumer the common man is the sovereign whose buying or abstention from buying decides the fate of entrepreneurial activities. There is in the market economy no other means of acquiring and preserving wealth than by supplying the masses in the best and cheapest way with all the goods they ask for.

The Sanctifying of PLUNDER

The law . . . has converted plunder into a right, in order to protect plunder.

— Bastiat

THE COMMANDMENT, "Thou shalt not steal," would be far better kept today had not theft assumed various disguises under which its practice has been generally sanctified. The gilding of an evil gives it a virtuous face — a Mr. Hyde's ugliness covered by a comely Dr. Jekyll mask. Why such subterfuge? To be thought of as a thief by others or to so regard oneself is utterly revolting to all but stunted mentalities; so, we try to sanctify our plunder!

The sanctification of plunder is as old as the history of man. If thievery was indeed the first labor-saving device, it was developed out of sheer ignorance. Survival is a laudable objective; therefore, if thievery is thought to be the only means to that good end, it must perforce be good. Thus is plunder sanctified by those who know no better.

Many tribal societies have practiced plunder, raiding their neighbors, taking home all the loot they

could garner. But we can hardly be critical of them without criticizing ourselves.

Perhaps no other book has more wisdom between its covers than the Holy Bible. Yet, we find written there about twenty-three centuries ago: "Men do not despise a thief, if he steals to satisfy his soul when he is hungry."¹ This was written centuries later than "Thou shalt not steal." How can any practice be more sanctified than by biblical endorsement! However, we must understand the times lest we render too harsh a judgment.

Move on another fifteen centuries to St. Thomas Aquinas:

The superfluities of the rich belong by right to the poor. . . . To use the property of another, taking it secretly in case of extreme need, cannot, properly speaking, be characterized as theft.²

¹ Proverbs 6:30 (King James version). It might be noted that modern translations render this passage differently.

² See Thomas Aquinas, 2a, 2ae, quaestio 66, art. 7.

The Rich, Back Then

Seven centuries ago, at the time of Aquinas, who were the rich? They were plunderers, the feudal lords who lived off the serfs — the poor. In all justice, what the lords possessed belonged less to them than to the serfs from whom they had taken it. Considering the politico-economic darkness in medieval times, it is understandable how a religious leader might sanctify plunder by those who had been plundered. The axiom, "Thou shalt not steal," was but an ancient flash of light with no sustaining source of energy.

There is no need for further illustrations of plunder sanctified. Every age and all civilizations abound with examples of this primitive trait of gilding evil that it may appear virtuous, a weakness which prevails to this day. There were some excuses in times past, prior to a knowledge of free market phenomena. But what of the present? How do we now sanctify plunder?

Today, whichever way the majority votes is generally conceded to be the criterion for what's right and wrong.³ Once this nonsensical foundation of morality is accepted — approval by the majority — plun-

der is legalized and thus sanctified. Legislation, being a collective action, leaves hardly anyone with a sense of guilt. Why? The evil is depersonalized. Comparable is the mob that hangs Joe Doakes. The mob did it! The truth? Each of the lynchers committed the murder precisely as each person who is a party to legal plunder is guilty. Yet, the collective action affords each participant a false sense of absolution.

Legal plunder in the U.S.A. today, in dollar amount, is many thousands of times greater than, say, at the time of Aquinas or even during the lives of our founding fathers. In those days someone stole a pig or chicken or some other small item, not because thieves were more scrupulous then than now but simply because no one owned very much. However, my guess is that the proportion of all private property which is stolen or plundered is substantially the same today as in the past. What has changed, aside from the method of sanctification? The total quantity of property owned is thousands of times greater now than before. There is incomparably more to plunder, that's all. The propensity to plunder — to live off the fruits of the labor of others — appears to be as persistent a trait as it is evil.

In the light of free market, pri-

³ For an excellent analysis of this fallacy, see "The American System and Majority Rule," by The Reverend Edmund A. Opitz, *The Freeman*, November 1962.

vate ownership, limited government practices with their moral and spiritual antecedents — of which the American people have had a remarkable sampling — how is this possible? I am now beginning to understand. This way of life has been but a flash of enlightenment, as dimly perceived as “Thou shalt not steal.” The freedom philosophy, with but few exceptions, is no better understood than was the commandment against theft of more than thirty centuries ago. No intellectual muscle in either case, no sustaining force.

Cause and Effect

With few exceptions, the masses of people in this and other “advanced” countries have not correlated the fantastic outburst of creative energy with the practice of freedom. Ortega pinpoints this failure:

The world which surrounds the new man from his birth does not compel him to limit himself in any fashion, it sets up no veto in opposition to him, on the contrary, it incites his appetite, which in principle can increase indefinitely. Now it turns out — and this is most important — that this world of the XIXth and early XXth centuries not only has the perfections and the completeness which it actually possesses, but furthermore suggests to those who dwell in it the radical assurance that tomorrow it will be

still richer, ampler, more perfect, as if it enjoyed a spontaneous, inexhaustible power of increase. . . . They believe in this as they believe the sun will rise in the morning. The metaphor is an exact one. For, in fact, the common man, finding himself in a world so excellent, technically and socially, believes it has been produced by nature, and never thinks of the personal efforts of highly endowed individuals which the creation of this new world presupposed. *Still less will he admit the notion that all these facilities still require the support of certain difficult human virtues, the least failure of which would cause the rapid disappearance of the whole magnificent edifice.*⁴ (Italics added)

Is there a remedy? Yes, but the price gives the appearance of being too high. First, there is required of you and me a far better understanding of the freedom philosophy than we now possess and, to top it off, brilliant explanations of its efficacy. In a word, show the correlation between the abundant life and freedom so attractively that others are bound to take heed. Actually, this is not a high price — it is the very least we should do for ourselves, if not for others.

Second, let us begin to call this practice of “robbing selected Peter to pay for collective Paul” by its

⁴ From *Revolt of the Masses* by Jose Ortega y Gasset (New York: W. W. Norton & Co., 1932).

right name: legalized plunder. Frederic Bastiat gave us the measuring rod more than a century ago in *The Law*:

See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not belong. See if the law benefits one citizen at the expense of another *by doing what the citizen himself cannot do without committing a crime.* (Italics added)

This question of legal plunder must be settled once and for all, and there are only three ways to settle it:

- 1 – The few plunder the many.
- 2 – Everybody plunders everybody.

3 – Nobody plunders anybody. We must make our choice among limited plunder, universal plunder, and no plunder. The law can follow only one of these three.

Finally, there must be a recognition that might—majority rule—does not make right. Counting noses is no way to decide moral, ethical, or economic matters. This accomplished, plunder will lose its legal backing and, thus, its sanctification.

Let the law defend the rightful owner of property rather than the thief. Let freedom prevail! ☉

Legal Plunder

THE WAR against illegal plunder has been fought since the beginning of the world. The law itself conducts this war, and it is my wish and opinion that the law should always maintain this attitude toward plunder.

IDEAS ON



LIBERTY

But it does not always do this. Sometimes the law defends plunder and participates in it. Thus the beneficiaries are spared the shame, danger, and scruple which their acts would otherwise involve. Sometimes the law places the whole apparatus of judges, police, prisons, and gendarmes at the service of the plunderers, and treats the victim—when he defends himself—as a criminal. In short, there is a legal plunder.

FREDERIC BASTIAT, *The Law*



The Motive Force of Society

FREDERIC BASTIAT

IT IS NOT within the province of any branch of human knowledge to give the ultimate reason for things.

Man suffers; society suffers. We ask why. This is equivalent to asking why God has given man feeling and free will. We know on this subject only what is revealed to us by the faith in which we believe.

But whatever may have been God's plan, what we do know as a positive fact, what human knowledge can take as a starting point, is that man was created a *sentient being* endowed with *free will*.

This unfinished manuscript, written in 1850 during the final months of his life, is part of Bastiat's effort to explain man's role in a harmonious universe. It appears as Chapter 22 in *Economic Harmonies*, translated by W. Hayden Boyers, edited by George B. deHuszar, available in paperback from The Foundation for Economic Education, Irvington-on-Hudson, N.Y. 10533, \$3.50.

This is so true that I defy anyone who may be astonished at it to conceive of a living, thinking, desiring, loving, acting being—of anything, in a word, resembling man—yet lacking in sensibility or free will.

Could God have done differently? Of course, our reason says yes, but our imagination will forever say no; so radically impossible is it for us to think of man as being without this double attribute. Now, to be *sentient* is to be capable of receiving identifiable sensations, that is, sensations that are pleasant or painful. Hence well-being and suffering. By the very fact of creating sensibility, God permitted evil or the possibility of evil.

In giving us free will, He has endowed us with the faculty, at least to a certain extent, of avoiding what is evil and seeking after what is good. Free will presupposes intelligence and is associated with it. What good would it be to have the power to choose, if the power to examine, to compare, and to judge were not joined to it? Thus, every man born into the world possesses a *motive force* and an *intellect*.

The motive force is that inner, irresistible drive, the very essence of all our energy, which impels us to shun evil and to seek after the good. We call it the instinct of self-preservation, personal interest, or self-interest.

This impulse has sometimes been decried, sometimes misunderstood, but there can be no question as to its existence. We seek indefeasibly everything that to our mind can improve our lot; we avoid everything that is likely to impair it. This fact is at least as certain as that every molecule of matter possesses centripetal and centrifugal force. And even as this double movement of attraction and repulsion is the great motive force of the physical universe, so the double impulse of human attraction toward happiness and human aversion to pain is the great motive force of the social machine.

Intelligence

But it is not enough that man should be irresistibly disposed to prefer good to evil; it is also necessary for him to distinguish between them. And this God has provided for by giving man the complex and marvelous mechanism called intelligence. To direct our attention, to compare, to judge, to reason, to relate cause and effect, to remember, to foresee — such are, if I may so express myself, the moving cogs of this wonderful machine.

The driving force that is in each of us moves at the direction of our intellect. But our intellect is imperfect. It is subject to error. We compare, we judge, we act accordingly; but we can be wrong, make a bad choice, turn toward evil, mistaking it for the good, or we may shun the good, mistaking it for evil. This is the first source of social *discord*; it is inevitable for the very reason that the mainspring of human nature, self-interest, is not, like attraction in the material world, a blind force, but one guided by an imperfect intellect. Let us therefore clearly realize that we shall find harmony only with this restriction attached to it. God has seen fit to establish the social order, or harmony, not upon the basis of perfection, but upon that of man's perfectibility. Yes, if our intellect is imperfect,

it is also perfectible. It develops, enlarges, corrects its errors; it repeats and verifies its operations; at every instant experience sets it right, and responsibility holds over our heads a whole system of punishments and rewards. Every step that we take toward error plunges us more deeply into suffering, so that the warning signal does not fail to make itself heard, and our decisions, and consequently our acts, are sooner or later inevitably set aright.

Under the impulse that actuates him, man, eager to pursue happiness, quick to seize hold of it, is quite likely to seek his own good in another's harm. This is a second and fertile source of discordant social relations. But their field is limited; they are inevitably eliminated by the law of solidarity. The activity of one individual thus misdirected provokes the opposition of all other individuals, who, being hostile to evil by their nature, reject injustice and punish it.

The Source of Progress

In this way progress is achieved, and it is nonetheless progress for being dearly bought. It is the result of a natural, universal drive that is innate, directed by an intellect that often errs, and subject to a will that is often perverse. Halted in its course by er-

ror and injustice, it surmounts these obstacles with the all-powerful aid of responsibility and solidarity — a help that is ever present, since it stems from the obstacles themselves.

This inner, indestructible, universal motive force that resides in every individual and makes of him an active being, this tendency of every man to seek happiness and to shun misery, this product, this effect, this necessary complement of sensibility, without which the latter would be merely a meaningless burden, this primordial phenomenon which is the origin of all human action, this attracting and repelling force which we have called the mainspring of the social machine, has been disparaged by most social philosophers and political theorists; and this is certainly one of the strangest aberrations to be found in the annals of science.

It is true that self-interest is the cause of all the evils, as well as all the benefits, that can fall to the lot of man. This cannot fail to be the case, since self-interest determines all our actions. Certain political theorists, seeing this, have conceived of no better way to cut off evil at its roots than to stifle *self-interest*. But, since by this act they would also destroy the very motive force of our activity, they thought it best to en-

dow us with a different motive force: *devotion* and *self-sacrifice*. They hoped that henceforth all social transactions and arrangements would be carried out, at their bidding, on the principle of self-abnegation. People are no longer to seek their own good but others'; the admonitions of pain and pleasure are no longer to count for anything, any more than the punishments and rewards of responsibility. All the laws of nature are to be overturned; the spirit of self-sacrifice is to take the place of the instinct of self-preservation; in a word, no one is ever to consider his own personality except to hasten to sacrifice it to the common good. It is from in their own hearts so that it is this complete transformation of the human heart that certain political theorists, who believe themselves to be very religious, expect the coming of perfect social harmony. They forget to tell us how they propose to carry out the indispensable preliminary, the transformation of the human heart.

Let Them Try It

If they are mad enough to undertake it, they will certainly not be strong enough to achieve it. Do they desire the proof? Let them try the experiment on themselves; let them try to stifle self-interest no longer evidenced in the most

ordinary acts of their lives. They will not be long in admitting their own inability to do so. How, then, do they presume to impose upon all men, without exception, a doctrine to which they themselves cannot submit?

I confess that it is impossible for me to find anything religious, except in outward appearance and at the very most in intention, in these affected theories, these impracticable maxims, to which their authors give lip service while they continue to act like the common run of humanity. Is it true religion that inspires in these Catholic economists the presumptuous thought that God has done His work badly and that they must set it right? Bossuet¹ was not of this opinion when he said, "Man aspires to happiness; he cannot do otherwise."

Tirades against self-interest will

¹ [Jacques Bénigne Bossuet (1627-1704), bishop of Condom and of Meaux, was the outstanding pulpit orator of his day, his funeral orations for members of the royal family ranking as brilliant examples of French classical style and power. As tutor to the heir apparent, the son of Louis XIV, he wrote his *Histoire universelle*, one of the classics on which French school children were raised for generations. His vigorous stand against Protestantism and his successful leadership of the Gallican movement, which brought increased independence to the Catholic Church in France, reveal him as an important ecclesiastical, as well as literary, figure.—TRANSLATOR.]

never have great scientific significance; for by its very nature it is indestructible, or at least it cannot be destroyed within man without destroying man himself. All that religion, morality, and political economy can do is to enlighten us regarding this impulse, to show us not only the immediate but also the ultimate consequences of the acts that it prompts within us. Greater and constantly increasing satisfaction following a momentary sensation of pain; long and constantly aggravated suffering following a momentary pleasure: this, in the last analysis, is moral good and evil. What determines man's choice in favor of virtue must be his higher, enlightened self-interest, but basically self-interest it will always be.

If it is strange that people have decried self-interest, not only in its immoral abuses, but also as the providential motive force of all human activity, it is even more strange that they have not taken it into account and have felt that they could work in the social sciences without reference to it.

With the unaccountable folly of self-pride, political theorists have, in general, considered themselves the guardians and directors of this motive force. For every one of them the point of departure is always the same: Assuming that humanity is a flock of sheep and

that I am the shepherd, how shall I set about making humanity happy? Or else: Given, on the one hand, a certain quantity of clay, and on the other, a potter, what must the potter do to make the best possible use of the clay?

Our political theorists may differ on how to decide who is the best potter, or who can mold the clay most effectively; but they agree on this point, that their function is to mold the human clay, just as it is the role of the clay to be molded by them. They establish between themselves, in their capacity as the lawgivers, and the rest of mankind a relationship analogous to that of guardian and ward. It never occurs to them that man is a living body, feeling, willing, acting in obedience to laws that it is not their province to invent, since these laws already exist, even less to impose, but rather to study. It does not occur to them that mankind is composed of a great host of beings in every way similar to themselves, in no way their inferiors or subject to them; that their fellow men are endowed both with an impulse to act and with intelligence to choose; that in everything men do they are affected by the promptings of responsibility and solidarity; and that, finally, from all these phenomena there results a pattern of already existing rela-

tions that it is not the province of the social sciences to create, as these theorists imagine, but to observe.

Rousseau's Error

Rousseau was, I believe, the political theorist who most naively exhumed from antiquity this idea, which had already been resurrected by the Greeks, of the omnipotence of the lawgiver. Convinced that the social order is a human invention, he compares it to a machine. Men are the cogs; the prince makes it run. The lawgiver invents it at the bidding of the political theorist, who thus, in the last analysis, activates and controls the human race. That is why the political theorist never fails to address the lawgiver in the imperative mood; he orders him to give the orders: "Establish your nation on such and such a principle; give it good manners and customs; make it bow to the authority of religion; orient it toward war or commerce or agriculture or virtue, etc., etc." The more modest among them hide behind the anonymity of the passive voice. "Idlers *will not be* tolerated in the republic; the population *will be* suitably distributed between the cities and the country; steps *will be* taken so that there will be neither rich nor poor; etc., etc."

These formulas attest to the in-

ordinate presumption of those who use them. Implicit in them is a conception of man that leaves the human race not one shred of self-respect.

I know of no doctrine more false in theory or more disastrous in practice. On both scores it leads to lamentable consequences.

It gives rise to the view that the social economy is an artificial arrangement that has sprung from the brain of an inventor. Every political theorist, therefore, constitutes himself an inventor forthwith. His greatest desire is to win acceptance for the machine he has invented; his greatest preoccupation is to represent all other proposed social orders as detestable and especially that which springs spontaneously from the nature of man and the nature of things. Books conceived according to this plan are and can be only a long tirade against society.

This false science does not study the concatenation of cause and effect. It does not investigate the good and the evil that acts produce, leaving it afterwards to the motive force of society to select the course to be followed. No, it enjoins, it restrains, it imposes, and if it does not have the power to do these things, at least it gives advice; like a physicist who would say to a stone, "There is nothing to hold you up; therefore I order

you to fall, or at least I advise you to fall." It is on this principle that M. Droz² has said, "The aim of political economy is to make prosperity as general as possible"; a definition very favorably received by the socialists because it opens the door to every utopian scheme and leads to regimentation. What would people think of M. Arago³ if he began his course of lectures in this fashion: "The aim of astronomy is to make gravitation as general as possible"? It is true that men are animate beings, endowed with will power and enjoying freedom of choice. But there is also a kind of inner force in them, a kind of gravitation; the question is to know toward what they gravitate. If it is inevitably toward evil, then there is no remedy, and certainly none will come from the political theorist, who as a man is subject to the same unfortunate tendency as the rest of mankind. If it is toward the good, the motive force is ready-made; science has no need of replacing it with coercion or advice. Its role is to en-

lighten men's free will, to show the relation between cause and effect, confident that, under the influence of truth, "prosperity tends to become as general as possible."

A Crushing Responsibility

In practice, the doctrine that places the motive force of society, not in all mankind and in the nature of man, but in lawgivers and in governments, has even more unfortunate consequences. It tends to weigh down the government with a crushing responsibility that does not belong to it. If there is suffering, it is the fault of the government; if there is poverty, the government is to blame. For is not the government the universal motive force? If this motive force is not good, we must destroy it and choose another. Or else the blame is placed on political economy itself, and in recent times we have heard it repeated *ad nauseam*: "All the suffering of society can be attributed to political economy."⁴ Why not, when it is presented as having for its goal the securing of men's happiness

² [Joseph Droz (1773-1850), French philosopher and economist, member of the French Academy.—TRANSLATOR.]

³ [Dominique François Arago (1786-1853), famous French scientist and statesman, member of the provisional government of 1848, and the Minister of War and the Navy.—TRANSLATOR.]

⁴ "Poverty is political economy's doing . . . Political economy has to have death come to its aid . . . It is the theory of instability and theft." (Proudhon, *Economic Contradictions*, Vol. II, p. 214.)

"If the people lack the means of subsistence . . . it is the fault of political economy." (*Ibid.*, p. 430.)

without any effort on their part? When such ideas are current, the last thing that occurs to men is to turn their gaze upon themselves, and to see whether the real cause of their woes is not their own ignorance and injustice—their ignorance, which exposes them to the law of responsibility; their injustice, which brings down upon them the action of the law of solidarity. How could men dream of blaming themselves for their woes when they have been persuaded that by nature they are inert, that the source of all action, and consequently of all responsibility, lies outside themselves, in the will of the sovereign and of the lawgiver?

If I had to point out the characteristic trait that differentiates socialism from the science of economics, I should find it here. Socialism includes a countless number of sects. Each one has its own utopia, and we may well say that they are so far from agreement that they wage bitter war upon one another. Between M. Blanc's *organized social workshops* and M. Proudhon's *anarchy*, between Fourier's association and M. Cabet's communism, there is certainly all the difference between night and day. What, then, is the common denominator to which all forms of socialism are reducible, and what is the bond that unites

them against natural society, or society as planned by Providence? There is none except this: *They do not want natural society*. What they do want is an artificial society, which has come forth full-grown from the brain of its inventor. It is true that each one desires to play Jupiter to this Minerva; it is true that each one fondly caresses his own invention and dreams of his own social order. But what they have in common is their refusal to recognize in mankind either the motive force that impels men toward the good or the *self-healing* power that delivers them from evil. They quarrel over who will mold the human clay, but they agree that there is human clay to mold. Mankind is not in their eyes a living and harmonious being endowed by God Himself with the power to progress and to survive, but an inert mass that has been waiting for them to give it feeling and life; human nature is not a subject to be studied, but matter on which to perform experiments.

The Economic Approach

Political economy, on the contrary, after first establishing the fact that within every man are the forces of impulsion and repulsion that together constitute the motive power of society, after making certain that this motive

force tends toward what is good, does not propose to destroy it and to replace it with another of its own creation. Political economy studies the highly varied and complex social phenomena to which this motive force gives rise.

Does this mean that political economy has no more to do with social progress than the study of astronomy has to do with the actual movement of the heavenly bodies? Certainly not. Political economy deals with beings who possess intelligence and free will and as such — let us never forget — are subject to error. Their tendency is toward the good; but they can be mistaken. The utilitarian function of science, therefore, is not to create causes and effects, not to change man's natural bent, not to foist upon him social orders, injunctions, or even advice, but to show him the good and the evil that results from his own decisions.

Thus, political economy is a science concerned exclusively with the observation and description of phenomena. It does not say to men: "I urge you, I advise you, not to get too close to the fire"; or: "I have thought up a social order; the gods have inspired me to create institutions that will keep you far enough away from the fire." No; political economy notes that fire burns, announces

the fact, proves it, and does the same for all similar phenomena of the moral or economic order, convinced that this is all that is necessary. It assumes that an unwillingness to be burned to death is a basic, innate attitude that it did not create and that it cannot alter.

Differences by which Men Grow

Political economists cannot always be in agreement, but it is easy to see that their differences are of quite another kind from those that divide the socialists. Two men who devote themselves to observing the same phenomenon and its effects, like rent, for example, or exchange or competition, may not arrive at the same conclusion; but this proves nothing except that one of the two, at least, has observed badly. The work will have to be done over. With the help of other investigators the chances are that the truth will finally be discovered. That is why — provided only that every economist, like every astronomer, keeps himself informed on the advances his predecessors have made — this science cannot fail to contribute to progress and consequently to be ever more useful, constantly correcting past errors in observation, and continually adding new observations to those already made.

But the socialists — isolating

themselves from one another, so that they may concoct, each one on his own, artificial contrivances out of their own imaginations — could go on pursuing their investigations in this way through all eternity without ever coming to an agreement and without one man's work ever in any way helping another's. Say profited from Smith's investigations; Rossi, from Say's; Blanqui and Joseph Garnier, from those of all their predecessors. But Plato, Sir Thomas More, Harrington,⁵ Fénelon, Fourier may revel to their heart's delight in drawing up their Republics, their Utopias, their Oceanas, their Salentes, their Phalan-

steries, without there ever being any connection between any one of these flights of fancy and the others. These dreamers draw it all, men and things alike, out of their own heads. They dream up a social order not connected with the human heart; then they invent a new human heart to go with their social order. . . .

⁵ [James Harrington (1611-1677), English political philosopher, whose work on the ideal state, entitled *Commonwealth of Oceana* (1656), advocating a written constitution, rotation of magistrates and legislators, indirect election of the president, the secret ballot, and agrarian reforms, is believed to have influenced political thought in the United States and other democracies.—TRANSLATOR.]

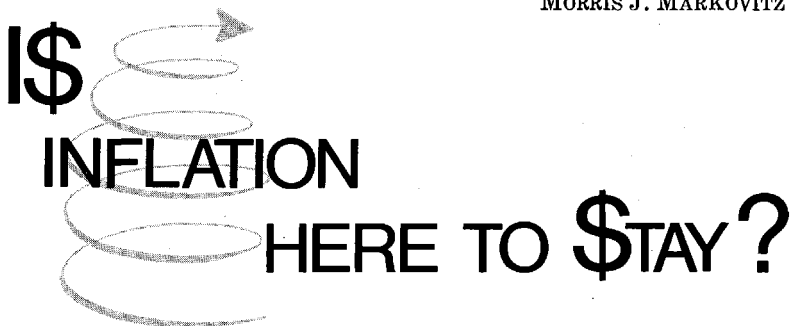
An Interesting Question

THE SOCIALIST does not trust in the goodness of humanity. He is convinced that the hungry will not be fed, the naked clothed, the aged cared for, the sick visited, unless the power of the state intervenes to confiscate from society the means necessary for the state to attend to these needy. But this poses an interesting question. If the vast majority in our society really share this powerful urge to help the needy, why do they fear for the fate of charity if left to the voluntary care of the people? It is a well-known fact that there is little or no administrative cost in the sort of family or neighborhood charity for which America was famous, whereas there is great administrative cost in the compulsory redistribution of wealth by government agencies. So what is there to lose in allowing the people to follow their avowed inclinations without recourse to the power of the state?

IDEAS ON



LIBERTY



INFLATION HERE TO \$TAY?

SOMEDAY, you will have to retire. How much money will you need to support a decent standard of living when that time comes? \$7,000 for a single year? \$10,000? \$25,000? \$100,000? There is no way to know, because there is no way to know exactly how much inflation there will be. But even without exact figures, we *can* know that it will take many more dollars to support oneself in the future if inflation continues.

A 35-year-old man now earning \$20,000 a year may need \$200,000 a year or more by the time he retires. How can he possibly save that much? Whatever he does save will be continually eroded by inflation, with the value of his dollars being stolen away gradually over the years. And the word "stolen" is used here in a very literal sense.

Inflation has a tendency to accelerate — to get worse and worse, and at an ever-rising rate. During the past year or so, inflation has finally reached proportions significant enough for everyone to notice its effects, though few understand its cause.

Inflation usually is "explained" in one of the following ways:

(1) Greedy businessmen, unsatisfied with "reasonable" profits, raise prices to line their own pockets at the expense of consumers. Then laborers have to ask for higher pay in order to maintain their standard of living. Businessmen, in turn, use this increased labor cost as a pretext for raising prices once more, and a vicious cycle ensues that results in spiraling inflation.

(2) Greedy labor unions, unsatisfied with "reasonable" pay scales, raise their demands in order to line their own pockets at

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the employer's expense. He then raises prices, passing the expense along to the consumer. The consumer, noting that his cost of living is increasing, asks for more of a wage increase. Again, the vicious cycle ensues.

These two explanations are similar from an economic point of view, but different from a political point of view. "Liberal" politicians tend to use the first explanation, laying the blame conveniently at the door of business, whereas "conservatives," just as conveniently, would lay the blame at the door of labor unions. Both explanations rely upon the same economic argument, and each is as false as the other.

Monetary Manipulation

Inflation is caused by neither business nor labor. The real cause is the government's manipulation of the monetary system. If getting a raise were simply a matter of demanding it and going out on strike, then why doesn't labor ask for 1000 per cent instead of a mere 10 per cent? And if raising prices were simply a matter of the businessman's whim, then why doesn't he raise prices by 1000 per cent instead of a mere 10 per cent? Obviously, these are extremes. But economic principles apply at the extremes as well as in the middle. It should be obvious

that, in these extreme cases, it is definitely *not* the threat of government action that prevents the increases. Even if the government tried to encourage such huge increases, they still could not be adopted. No one would buy the exorbitantly priced goods, so business would fail. No one would hire the exorbitantly priced labor, so workers would be unemployed. Yet, even though this principle of supply and demand is obvious in the extreme case, most people tend to lose sight of it when only small amounts are involved.

In order not to lose sight of it, let us ask: *Why* wouldn't people buy goods priced 1000 per cent higher? *Why* wouldn't businessmen hire labor costing 1000 per cent more? The answer is simply that *they can't afford it. They haven't got the money.*

Now, let's carry this one step further. The same principle that applied to the extreme case of 1000 per cent above, also applies to the case of 10 per cent, or even the case of 1 per cent: *Consumers can't pay even 1 per cent more for all their purchases unless they have 1 per cent more money. Businessmen can't pay even 1 per cent more wages unless they have 1 per cent more money.*

Where does this money come from? The government prints it on pieces of green paper, calls it

“legal tender,” and hands it out by various means until it gradually permeates the economy. Thus, it can now be deduced that even the “ridiculous” 1000 per cent increases are not so impossible after all. If the government were to inject 1000 per cent more money into the economy, all prices would rise about 1000 per cent. Wage earners would be getting \$50 per hour, and a loaf of bread would cost \$5. *The only thing that prevents this is the government's decision not to print that much money.* Instead, the government prints only 5, 8, or 10 per cent more money each year, so prices rise only about 5, 8, or 10 per cent. (Note, however, that a “mere” 8 per cent annual increase amounts to over 1000 per cent in 30 years, when compounded.)

What does all this mean for the “typical” consumer? In general, it means bad things. Inflation hurts wage earners, those with savings, and those on fixed incomes such as the elderly and the handicapped. Inflation helps the sophisticated borrowers and the politicians. Inflation literally takes money out of the pockets of some and puts it into the pockets of others.

Here's how the whole scheme works: By a roundabout and complicated procedure, the Federal Reserve Bank is allowed, in es-

sence, to print money which it “lends” to the government at interest. (This, by the way, is where most of the national debt is owed: to the banks.) This money consists of those green “Federal Reserve Notes” that everyone carries in his wallet. These pieces of paper used to be redeemable in silver. Now, all they are is a “promise” — a promise to pay the bearer one dollar. *Not* one dollar in silver or gold. Just one dollar. And what is “one dollar” today? Why, it's another one of those same pieces of paper! In other words, the money people carry in their pockets is really nothing more than a promise to give a promise to give a promise . . . without ever *really* promising anything at all.

Legal Tender Laws — A Unique Privilege

However, the government has passed a law which gives a unique privilege to the Federal Reserve Bank (a nominally private bank). The “legal tender” law says that this bank's notes must be accepted at face value for the payment of any debts. Creditors are thus forced by law to accept payment in such paper dollars irrespective of any loss in value on the market. This is very important because it is the key element that makes inflation profitable for the banks

and the government, at almost everyone else's expense.

A large part of the newly printed "legal tender" goes to the government, which then spends it to buy some of the goods in the economy, leaving fewer goods for the rest of us. Since the general public still has essentially the same amount of money it started with, this money is left to chase fewer goods, the result being higher prices.

It all boils down to the law of supply and demand, which applies to money as well as anything else: if there is more money around, its value per unit decreases. Inflation is this increase in the quantity of money, which "depreciates" the value of each dollar. In this way, inflation amounts, literally, to the theft of the earned values of people who save. It is a disguised tax — it enables the government to take real goods out of the market apparently without anyone having to pay. Everyone does pay, but in the form of higher prices instead of an outright tax. This is particularly convenient because it enables the government to carry out its policies without being subject to the scrutiny of the citizens. For example, during the Viet Nam war, the government had the Federal Reserve print huge sums of money to pay for men and material to fight the war. The current infla-

tion owes much to the printing spree of those years. If, instead, the government had taxed us directly, we would have known *then* how much it was costing us and might have reacted much sooner. Financing the war by inflation deprived us of this choice.

Patterson's Scheme


As a matter of interest, central bank inflation was invented under circumstances of war by William Patterson, a canny Scot who founded the first Bank of England in the 1690's. Both the bank and the King benefited. The bank made fortunes in interest collected on money created out of thin air, by permission of the King. The King was allowed to continue fighting the war. The war had been very popular, but people began to lose their enthusiasm as their pocket-books were pinched more and more by taxes. Patterson's scheme allowed reduced taxes, so citizens didn't realize that their money resources were being depleted through inflation instead. The King was relieved of the distasteful prospect of having to terminate the war, Patterson reaped immense profits from his clever scheme, the public was hoodwinked into paying for the whole thing both in money and blood, and the institution of central banking was invented that would

continue to hoodwink people for hundreds of years.

Inflation has always been a problem for countries whose governments were allowed to print money without limit. For various reasons, inflation has a strong tendency to accelerate unless it is stopped altogether. Unfortunately, the usual remedy offered by governments is price controls, which cannot work in theory, have never worked in practice, and are not working today, because they do not attack the real cause of inflation: the wanton printing of paper money. Price controls simply create shortages, as is attested to by our current economic problems.

One index some economists use

to predict forthcoming inflation is the Federal Reserve's holdings of government bonds. When these increase, it means that the decision was made to print more money to "pay" for them, and that inflation is on the way. The very government officials who pose as "inflation fighters" are in fact the people in society who are most responsible for the inflation in the first place.

The *only* way to end inflation is to end the unlimited power to print paper money. Unless the legal tender laws are abolished, there is slight prospect of a return to the kind of a hard currency traders would choose as a medium of exchange. 

Laissez Faire

IDEAS ON



LIBERTY

IT IS the very essence of prices that they are the offshoot of the actions of individuals and groups of individuals acting on their own behalf. The catallactic concept of exchange ratios and prices precludes anything that is the effect of actions of a central authority, of people resorting to violence and threats in the name of society or the state or of an armed pressure group. In declaring that it is not the business of the government to determine prices, we do not step beyond the borders of logical thinking. A government can no more determine prices than a goose can lay hen's eggs.

LUDWIG VON MISES, *Human Action*

The Necessity of Government



DAVID KELLEY

ANARCHISM is, on the face of it, a political philosophy; it is, therefore, a theory about the proper relation between the individual and the government. The theory is very simple: it is that there *is* no proper relation between the individual and the government—because there ought to be no government. For this reason, anarchism is held by many to be a simple-minded theory. By many on the right, however, it is held to be merely a simplification of their basic principles, with all the appeal of such simplicity. For libertarians believe that government has fewer proper functions than it currently assumes, in this country and others; and when the so-called free market anarchists say that government has *no* proper function, it is often thought that they are merely taking the principle of liberty, with great rigor if little wisdom, to a logical extreme. And this image of the anarchist as a logi-

cal purist, as a friend of rigor though the skies fall, is also cultivated very assiduously by the anarchists themselves. But the image, I suggest, is an illusion. Logic, like virtue, is something of which one cannot have an excess; but anarchism is distinguished by its lack of that quality. Its antipathy to law apparently extends even to the laws of thought.

The first and most basic failure of the anarchist logic is its failure to notice a crucial distinction. An anarchist is one who wishes to place coercion, the use of force and the ability to use it, on the market. The use of force to prevent the initiation of force against its citizens is the basic function of government, and the essence of “free market” anarchism is to hold that this service should be on the market, like any other. In holding this view, anarchists overlook a crucial difference between this coercive service, and all other economic goods and services.

The distinctive feature of coer-

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cion derives from the position of values in the market place. Values are, in the first instance, the subject of moral philosophy, whose task it is to discover their nature, and to formulate the proper standards for evaluating goods and actions, means and ends. This task is one of discovery, because values are objective. It is a fact that some things are values whereas others are not; it is a fact that some things are more valuable than others. In a free market and a free society, however, individuals may pursue whatever ends they choose, regardless of whether they really are valuable; and they may apportion their time and money to things in ways that may or may not reflect the relative importance of these values. People can and of course should take moral considerations into account, but nothing compels them to do so.

Despite the protestations of statisticians from Plato onward, there is no contradiction here. For in a free society, the actions of one person do not restrict the proper liberty of another, including his liberty to act morally. One has no right, therefore, to restrict the actions of someone just because they are immoral. In a free market, the production and trade of economic goods are determined by individual value preferences; and whether these are moral or immoral, ration-

al or irrational, the exchanges of economic goods to which they give rise do not violate anyone's rightful freedom—that is to say, his rights. Your enjoyment of your rights is not endangered by my misuse of mine. If this were not the case, then to the extent that it were not, the market would have to be regulated by some institution outside the market: for the market is unjustifiable if it allows the violation of individual rights. Fortunately, the market as we know it does not allow this, and requires no outside regulation—with the exception of a single economic good: coercion.

Coercion Is Different

The use of coercion against criminals and foreign aggressors is a service, one provided by the government to its citizens. As such it may be considered an economic good. But it differs from all other economic goods in just the respect mentioned. When its use is morally improper, it does violate individual rights. Coercion, in this world, must sometimes be exercised. Given the existence of criminals, and the constant possibility that some men will prefer criminal to honest means and ends, the existence of a power to prevent and punish this by force has a certain value. Its value is restricted, however, by the moral

principle forbidding its use against persons who have not themselves used force against others. If this power is exercised improperly, if it is not used in accordance with the objective principles that define and delimit its value, then it violates rights — the rights of innocent people, or at least the right of the guilty to have their guilt objectively demonstrated before suffering punishment. This is true by the very nature of coercion, and it is true only of coercion.

Coercion, therefore, and coercion alone, falls under the proviso mentioned earlier: since it has the potential for violating rights if used improperly, its use cannot be determined by the value preferences people happen to hold, whether right or wrong; and so cannot be determined by market forces. Coercion has a place in social life, but it must be kept in place; and the market is not the institution to do this. Power to coerce, then, must be reposed in another institution altogether, one outside the market and the sway of subjective value preferences. This institution must have strict control — a monopoly, in effect — over the use of force, since its function is to take force off the market. Its use of coercion must be determined solely by rules derived from the appropriate moral

principles; and it must operate in accordance with such rules without taking into consideration any individual or collective desires to the contrary. This institution all men call government.

The Nature of the Market

Here, then, is the first failure of the anarchist logic: it fails to discern that feature of coercion which distinguishes it from the economic goods offered on the market. A second failure concerns the nature of the market itself. It consists in the assumption that the market would exist without the government. Anarchists wish to see the services presently offered by the government offered instead by private "protection agencies" competing on the free market. We have seen why this is not appropriate, given the nature of this particular good. We must now question the assumption that in the absence of governmental institutions outside and protecting the market, a free market would even exist for protection agencies to offer their services in.

The free market is one in which all exchanges are voluntary. A person can trade his time, effort, money or goods for those of another only if the latter is willing. The economic laws of a free market are true only when or to the extent that this condition obtains.

Consider, for example, the law of supply and demand. What would happen to prices if one did not have to pay for a good at a price acceptable to the seller, but could take the good by force, giving nothing in exchange? There is no way of telling. The law of supply and demand does not apply to thieves. The economic analysis of the market assumes that the use of force does not occur, that all exchanges are mutually acceptable to the parties involved. It assumes, in effect, that the cost of using force is infinite.

This assumption is legitimate, for in free market theory there exists an institution outside the market which protects the rights of individuals, and therefore ensures that the principle of voluntary exchange will be observed. This institution may work well or badly, but its working well or badly is not a subject of economic law; it is the concern, rather, of political and legal theory. The government codifies and enforces the rules of the market; it establishes a framework of rights and liberties that men must respect in action. Economic theory then tells us what happens as individuals act within that framework to acquire the things they value. Economic laws are to political laws as principles of strategy are to the rules of a game.

A Dilemma

For anarchism, however, all this is changed. Anarchists hold that in their scheme also, force would not be used; coercion would not be a feasible alternative to voluntary exchange. But they cannot assume this in describing the market as they would have it. They cannot assign the problem to another field, as we do, and say that whatever is necessary to prevent the use of force we shall bring about by consciously designing our institutions to that end. The anarchists would place governmental services on the market, to be offered by entrepreneurs on the basis of their own value preferences and their expectations about the preferences of others. But if so, then they can only try to predict what is likely to come about from the interplay of human interests. If we ask how our rights are to be secured to us in the anarchist system, the anarchist can only answer *que sera sera*. At best he can try to predict what would happen.

The anarchists, then, have their work cut out for them. They must show how, by the mechanism of the market, things work out in such a way that force is not used. But of course they cannot do this without assuming the existence of a free market, an assumption to which they are not entitled. They

cannot make their case — substantiate their prediction that force will not be used — without relying on economic laws; but economic laws, as we have seen, are true only on the assumption that all exchange is voluntary, which is the very point at issue. It should, no doubt, be easy to prove that the cost of using force is prohibitive, if one assumes from the outset that the cost of using force is infinite. But the proof would be invalid; it would be circular. A principle of strategy, which tells one what to do *given that the rules must be followed*, is hardly the vehicle by which to prove that the rules must be followed in the first place.

The Problem of Monopolies

Consider, for example, the problem of monopolies in an anarchistic society. What is to prevent protection agencies from banding together to destroy the competition and form a monopoly over protective services? Is it because monopolies do not occur in a free society? But the reason monopolies do not occur is that anyone is free to compete with large firms and, by underselling them, cut into their market; it is because the only determinant of success in a free market is the ability of the entrepreneur to *persuade* consumers of the value of his goods, to


give them the best *choice*. What would happen if force as well as persuasion could be used against consumers and competitors? Why would the large protection agencies restrain themselves from driving out the competition by force? That is, after all, what happens in the nearest model we have to the anarchist system of protection agencies — the criminal underworld. Clearly the anarchists are assuming what they have to prove: that the market would be free, that competition would exist unhindered, that coercion is not a means by which men would deal with each other.

Coercion is not, of course, the only means by which men do deal with each other; in most societies, gang warfare is an exception. The anarchist may wish to argue, on the basis of this fact, that from a state of nature protection agencies would arise in peaceful competition, and the anarchist vision would be fulfilled. But this argument too is denied him. For wherever men, finding themselves without government, have not descended to the level of gang warfare, they have done something else equally damaging to the anarchist hypothesis: they have formed new governments. Or, in the anarchist terminology, they have formed monopolistic "protection agencies." But this is precisely what

the anarchist says would not happen in an anarchistic situation. Anarchism lives on its opposition to government, but every government that exists is a refutation of anarchism; for it belies the anarchists' prediction that if only we can send government away it will not come back.

Again, anarchists complain that governments are immoral because they initiate, or would initiate, the use of force against anyone forming a rival "protection agency." Now it is false that this would be immoral: a government is justified in preventing any private power designed to exercise coercion, because such a power is a threat to the rights of its citizens, even if the power is never actualized. But the fact that governments *would* use force in this way is another refutation of anarchism; for such a use of force by one "protection agency" against another to keep its monopoly is precisely what the anarchist predicts would not occur.

That such things happen, or would happen, is embarrassing to the anarchist because he allows no means for preventing them from happening. The anarchist is caught in a dilemma. Like his namesake of the nihilistic left, he rejects the social institution through which men attempt, by positive action, to insure them-

selves of certain conditions necessary for social existence; yet unlike the nihilist he believes that there are such conditions, and that a form of society in which they do not obtain is unacceptable. Caught in this dilemma, he can only try to argue that these conditions will come about by natural law, so that we need do nothing ourselves. But this argument, we have seen, is riddled with logical errors. It ignores the difference between coercion and economic goods on the market, a difference that undercuts the argument from the outset. It relies, for its argument that coercion would not in fact occur, on principles that assume coercion cannot occur, which makes the argument circular. And since it rests on a prediction about what men *would* do, it is vulnerable to the historical facts about what men *have* done. In the end, the anarchist cannot escape his dilemma; his dilemma is a contradiction. He is advocating a certain end, a society free of violence among men, while rejecting the only means of achieving that end. Thus anarchism is hardly even a political philosophy. It is, much rather, an attempt to escape the responsibility of providing one. It would, as its critics contend, be a disaster in practice; but that is because it is fantastic and incoherent in theory. 

Money



Said the Crawling Peg
 To the Dirty Float,
 "We're two lost souls
 "In a leaky boat,
 "And down below there's a hole
 in the hold
 "That can't be plugged with
 Paper Gold."

THIS, in rhymed capsule, is the gist of the proceedings of the first International Monetary Seminar, which was sponsored last spring by the Committee for Monetary Research and Education, Inc., at the Arden House campus of Columbia University. The seminar was held some time before the Arabs, contemptuous of paper money whether called Paper Gold

or not, decided to use the "oil weapon" to force the western world to let Israel go down the drain. But the handwriting was on the wall even before the Arab ukase.

With not a single western nation dedicated to disciplining its economy, why would the raw material owners in the so-called Third World go on giving their riches away for what John Exter calls, not IOUs, but "Who-owes-you-nothings"? The publication in book form of the Arden House proceedings (*Toward a New World Monetary System*, edited by G. C. Wiegand and issued by the Engineering and Mining Journal of the McGraw-Hill Publications Company;

\$8.95) is a not-so-gentle reminder that the oil-producing countries of the world, having achieved what is close to a corner on exportable energy, could use their dominant position to pick up most of the loose gold in the world. They would then proceed to hold their gold, along with their oil, until the West had ceased to deal in "Who-owes-you-nothings."

The contributors to *Toward a New World Monetary System* can't quite spell out what the money of account, or the *numeraire*, of the future will be, but most of them seem to agree that gold will be either the official or the unofficial standard. There may be no such thing as an objective store-of-value (value is always subjective, as Carl Menger and Ludwig von Mises both taught), but, historically, most people have agreed that a basic medium of exchange must have purity, rarity and in-built resistance to rot. Gold fills the bill better than silver, which is more abundant and tends to drift off into use in industrial and commercial forms.

Basic Disagreement

The authorities who debated with each other at Arden House were not of one mind on the subject of the Bretton Woods system, which was viable until a distrustful world, uncertain of what to do

about a seventy-billion "Eurodollar" overhang due to the scandalous monetary behavior of Washington, began to worry about the persistently adverse international balance of the U.S. Henry Hazlitt and John Exter, I gather, would agree that Bretton Woods, with its central bank manipulation of currency "swaps," its "special drawing rights," and so forth, is beyond resurrection. Fritz Machlup, on the other hand, seems to be saying, along with Professor David Meiselman, that there could be life in the old dog yet. I am not enough of a technical student of banking to follow Professor Machlup on "gliding parities" and the various degrees of "managed floating" (isn't that a contradiction in terms?), but I can see that politicians in past eras have not always respected a gold *numeraire*. Says Fritz Machlup, "In my reading of economic history neither the gold standard nor any other system of fixed exchange rates have [sic] ever effectively curbed governments in their extravagant spending policies . . . when eventually the inflation of credit, prices and incomes threatened to deplete the country's gold and exchange reserves, the gold parities or dollar parities were changed or given up. A barrier which is lifted whenever it really bars is hardly worth having."

Professor Machlup's knowledge of history may be good, but there are tides in the affairs of nations. When indiscipline has resulted in chaos, there is nothing to do but to agitate for a discipline that would permit people to protect themselves against the further depredations of irresponsible politicians. Without peering too far ahead into the mist, can't it be said that the time has come to let U.S. citizens own gold if they so choose? We are now off the gold exchange standard, so what is the objection to letting people establish their own private hedges against a continuing inflation? If Arabs can hold gold, why not John Doakes in Kokomo?

Helpful Suggestions

Henry Hazlitt's contribution to the Arden House deliberations seems to me to be eminently sound simply because he does not strive to combine a lot of things into "a higher synthesis" that would be a blueprint for a better international monetary system. What Mr. Hazlitt does is to suggest that we stop doing a number of things on the national scene before worrying about great international conclaves. He says that establishing a sound currency is an ethical problem that begins at home. People have a moral right to make contracts in anything they choose;

that is what personal liberty means. One of the things that Congress could do without waiting upon international cooperation would be to restore the right of American citizens to buy gold on whatever terms they choose. This, says Mr. Hazlitt, would open gold markets everywhere in the world, and it would immediately establish gold as a de facto international money, whether monetized or not.

The second thing advocated by Hazlitt would be to balance the Federal budget. He would do this not by raising taxes but by slashing expenditures. If we were to discipline ourselves by balancing the budget over a fairly long period, the dollar would be respected in world markets, and it would become possible at some point to return to a full gold standard.

Poor Reception

What Mr. Hazlitt has to say is, of course, not being listened to in Washington. Nixon, in his desperate effort to find favor with some of his "liberal" enemies, has asked for a whopping budget that can be paid for in full only by running up some more Keynesian deficits. The little spending trickles will flow together to become broad rivers. As our "pols" see it, it would be a desirable thing to

protect people against "catastrophic" illness, so why not a "national" health plan? Poor people should have access to lawyers, so why not a private (i.e., a government-financed) corporation, something comparable to the Post Office, to provide "free" legal service to those who can't afford good counsel? And why not a Family Assistance Plan to put a "floor" under everybody? This is the way the tide now runs on Capitol Hill. So what Mr. Hazlitt proposes will probably not be listened to until we have had another round of inflation, culminating eventually in an inflationary crisis.

Even though we have not reached the point where it is likely that the majority of our politicians are ready to listen to Mr. Hazlitt's common sense, some things may be done to improve the U.S. position in the world. William J. Casey, Jr., our Under Secretary for Economic Affairs, suggests, in an interesting paper on the "Internationalization of the Capital Markets," that we balance off the investments that we make abroad by attracting foreign investors to our own shores. He thinks we "have enormous assets not the least of which" is a "high standard of disclosure and fair dealing." Will the Arabs, who have gold to invest, listen? We'll see.

▶ **THE PEOPLE FACTOR:** *Managing the Human Climate* by Philip Lesly (Dow-Jones-Irwin, Inc., Homewood, Illinois, 1974) \$9.95.

Reviewed by Charles Hull Wolfe

IN THIS book, an unusually perceptive, knowledgeable and articulate public relations man has attempted to tell how a private institution can do an effective communications job in a relatively new situation — in a human attitude-climate no longer peaceful and mild but essentially hostile and stormy.

As the author puts it in his introduction, "In an era when most men and women seem to have become assertive, when every kind of viewpoint has a movement and a loud voice," the gap between institutions and their publics "is threatening to undermine all of our organizations and the society they compose. It seems not only pertinent but urgent that the causes of this estrangement be diagnosed, and a course of treatment sought."

From time to time the author reveals considerable understanding of the American "miracle" which simultaneously "produced the greatest degree of individual freedom and the greatest range of individual choice of any major society in history." He is also aware

that this society's foundations are threatened by those on the "left," and that their activism includes physical militancy and the presumption that private institutions are "guilty until they have gone through an inquisition."

But Philip Lesly manages to trace this attack to a variety of secondary causes, terming the "estrangement" between private organizations and their publics "a direct consequence of the growth and complexity of our institutions," the failure of business to communicate the need for profits, and the fact that "in some areas business has not performed adequately in the public interest."

Nowhere, as far as I could detect, did the author bluntly and boldly portray the underlying cause — the deliberate, long-standing attack by collectivist-minded intellectuals determined to destroy our traditional, religiously-oriented society and system of individual liberty, and replace it with secularism and statism.

Had the author worked from this premise, he could have better interpreted various phenomena which he has correctly observed but not adequately explained, such as the promulgation by contemporary intellectuals of two contradictory articles of faith: 1) That the average individual cannot be relied on to assume responsibility

for his own actions, and 2) That the average individual must be given power to determine how all our institutions are operated.

While contradictory in and of themselves, in today's mental climate both contentions tend to further the cause of socialism, and thus are consistent as precepts of socialist propaganda.

Just as the author leaves something to be desired in explaining root causes of the worsening business climate, he also fails to make some important recommendations for improving the mental atmosphere. For example, as far as I'm aware, he never urges those who prefer responsible freedom to devote themselves to a systematic, in-depth study of liberty, and to develop their ability to intelligently present the case for a free society and a free market.

Again, in titling his book, the author may have violated one of his own precepts — that to lessen our social problems, we must stop creating unattainable expectations — for surely his title implies that the human climate in America *can* be managed. In an authoritarian country, "managing" the human attitude-climate — controlling or directing it, rendering it subservient to one's will — would be hard enough; but in a relatively free society, no one — and certainly no businessman or corporation — has

the power to make such clear-cut guidance possible.

Nonetheless, Philip Lesly is a most interesting and well-read man who appreciates liberty and fair play, and who reveals considerable writing skill and a great deal of insight on a wide variety of subjects. Most friends of freedom should be able to gain from his book useful ideas on how to communicate more effectively.

► **PSYCHO-CHEMICAL WARFARE: THE CHINESE COMMUNIST DRUG OFFENSIVE AGAINST THE WEST** by A. H. Stanton Candlin (New Rochelle, N. Y.: Arlington House, 1974) 540 pp., \$14.95.

Reviewed by Allan C. Brownfeld

IN THIS VOLUME, the author argues persuasively that the Chinese Communists are engaged in a massive campaign aimed at the West with narcotic drugs as the primary weapons.

A. H. Stanton Candlin, a native of Tientsin, North China, and a long-time member of the British Foreign Service who was at one time Chemical Advisor to the British High Commission in Germany, and held important intelligence responsibilities, makes an impressive case.

The use of narcotics as a political weapon by the Chinese Communists, Mr. Candlin points out, is not unique in world history. "History," he writes, "is replete with examples of the use of drugs to attain political ends . . . consider in this regard, examples of the use of drugs for political purposes, such as provided by the sect of the Assassins in Syria, Persia, and elsewhere; the Roshaniyeh in Afghanistan; and, in more recent times, the Japanese narcotics or psychochemical warfare offensive."

Marco Polo wrote in his *Travels* of the Assassins: "The Grand Master of the Assassins, whenever he discovers a young man resolute enough to belong to his murderous legions, invites the youth to his table and intoxicates him with the plant Hashish. Having been secretly transported to the pleasure gardens, the young man imagines that he has entered the paradise of Mahomet . . . he is informed that he can enjoy, perpetually, the delights he has just tasted if he will take part in the war against the Infidel as commanded by the Prophet."

It is from the Japanese, however, that the Chinese Communists learned how drugs could be used as an effective political weapon. The principal characteristics of the Japanese campaign, the author notes, were that, "It provided a

means of exploiting Chinese susceptibility towards drugs . . . whereby they could undermine the fabric of Chinese society and liquidate the authority and influence of the National Government . . . By it they could weaken the Chinese will to resist at all levels . . . It was a means of inducing collective defeatism among their enemies."

Mr. Candlin warns that the narcotics offensive being launched by the Chinese Communists embodies in a special Marxian sense the application of the ancient military maxim of Sun Tzu (c. 500 B.C.), sometimes called the Chinese Clausewitz: "To fight and conquer in all your battles is not supreme excellence. Supreme excellence consists in breaking the enemy's resistance without fighting."

The book is filled with documentary evidence and statements such as that from Harry J. Anslinger, the U.S. Commissioner for Narcotics for many years.

In 1950, after the Chinese Communists established control of the Mainland, Mao Tse-tung forbade opium smoking in China and a few opium growers were executed with great publicity. Yet shortly after this, Commissioner Anslinger placed an American complaint before the United Nations to the effect that the Communist Chinese were smuggling narcotics into Japan. His evidence was overwhelm-

ing and proved that during the early 1950s China was heavily engaged in the illicit drug trade.

When Mr. Anslinger made these charges at the U.N., the Soviet Union vigorously denied them. After the Sino-Soviet split, however, *Pravda*, in its issue of September 12, 1964, charged that Communist China was the biggest opium, morphine, and heroin producer in the world. Total proceeds from the illicit narcotics traffic were alleged to yield some \$500 million annual revenue.

Drugs in Vietnam

Mr. Candlin expresses the view that the Chinese Communists were largely responsible for the drug offensive carried out against American servicemen in Vietnam. He reports of the investigation by John Steinberg of the Senate Subcommittee on Juvenile Delinquency who discovered that heroin which was 99.5% pure was being sold for as little as \$1.00 a vial. Heroin which was only 10% pure, he noted, could be sold for at least \$10.00 a vial. It was, states Candlin, thus clear that the increase in narcotics was by no means only a money making venture, but had other purposes.

The volume contains such eyewitness reports as that of Miss Yuan Moun-ru, who testified before the Asian and Pacific Affairs


Subcommittee of the House Foreign Affairs Committee in May, 1972. A refugee from Communist China, Miss Yuan reported that, "My route of escape from China to Burma is via Yunnan Province. I rode through Lu River Valley and the district of Kaonigon Mountains. I saw with my own eyes the Chinese Communist liberation army growing opium in that area. So were the Burmese Communists and their mountain army under Chinese Communist influence."

Another statement of the Chinese Communist policy came on December 13, 1961 from Lawrence Sullivan, Coordinator of Information for the U.S. House of Representatives, who declared that, "For the first time in human history, the systematic production and distribution of narcotic drugs has become an organized government monopoly in Red China. In ten years, Mao Tse-tung has built up a

virtual monopoly in opium, heroin, and morphine."

Prior to "detente," the author notes, there was real concern in Washington over Communist China's role in the narcotics traffic. This increased when Egyptian editor Mohammed Heikal reported a conversation in which Chou En-Lai had told President Nasser that, "We are planting the best kinds of opium especially for the Americans."

Now, however, there is an attempt to ignore this material. "The threat," Mr. Candlin writes, "has apparently been concealed from the public by persons who evidently had the desire to cultivate better relations with the Red Chinese."

With the publication of this important book, however, the burden of proof is placed upon those who deny such a role for the Peking regime. It seems unlikely that they will be able to meet it. 

the
Freeman
VOL. 24, NO. 5 • MAY 1974

Living with Shortages An engineer sees no reason why we should try to live with shortages.	Dick Sabroff	259
FEO and the Gas Lines If we wait for Uncle Sam to provide, the lines will be interminable.	Milton Friedman	263
Price, the Peaceful Regulator When parties are not permitted to trade at the price agreeable to both, violence will erupt.	C. W. Anderson	265
Made in Washington Washington can lead us into crisis, if we so empower the government.	Paul L. Poirot	267
The Puritan Experiment with Price Controls Concerning the search in early New England for a "just price."	Gary North	270
Windfall Profits Erratic changes in consumer evaluations create profit opportunities for alert entrepreneurs.	Robert G. Anderson	286
The Role of Savings Savings are discouraged by government intervention.	Brian Summers	291
The Blessings of Diversity Were all alike, instead of free, t'would mean the end of me and thee.	Leonard E. Read	295
Competition: Key to Consumer Dominance The entrepreneur renders society valuable services without cost.	Bernard H. Siegan	298
In Quest of Justice Man's nature and justice in inter-human relationships.	Ridgway K. Foley, Jr.	301
Peace and Justice One man's resolution to behave peacefully toward others.	Dean Russell	311
Book Reviews: "Having My Way" by Leonard E. Read "The Enterprising Americans" by John Chamberlain "Population, Resources, and the Future: Non-Malthusian Perspectives" edited by Howard M. Bahr, Bruce A. Chadwick, and Darwin L. Thomas		314

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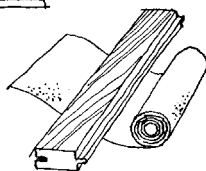
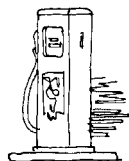
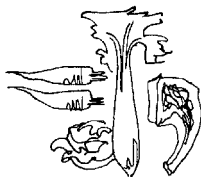
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Living with Shortages

DICK SABROFF



Dear Mr. _____:

I'D LIKE to comment on a question you raised a couple of days ago. You wondered if shortages were not something beyond our control and with which we must live. You thought that in such a situation Uncle Sam "had to" step in.

To me this is very sad. Elementary notions of economics, once taught in the schools and in homes, are largely forgotten today.

For example, "shortages" are impossible in a free market. Instead, there is a constantly shifting balance between supply, demand, and prices. If today's demand is higher than yesterday's, or the supply lower, prices tend to rise. This is due as much to buyers' bidding up of the price as to sellers' desires to take advantage of the situation; both bid and asked prices go up in a most natural way.

Dick Sabroff has taught and worked as an electrical engineer and demonstrates considerable skill in the practice of freedom. This article is in response to a recent radio broadcast.

People tend to see in this only "greed" on the part of sellers. The thing on which to focus, however, is that the market is doing its job of allocating scarce resources in the beautiful, impersonal, automatic manner that only a market can.

The ways in which the market does this job are far more subtle than the schemes of men. If the supply of gasoline, for example, temporarily drops without a corresponding reduction of demand, the resulting higher prices eliminate the least necessary purchases so that the available supply goes where it's needed the most. But that's only the beginning. The higher prices also temporarily increase profits which encourages Exxon and Mobil and others to expand their facilities in order to sell more and, hopefully, earn more of those high profits. New competitors appear, too, to get in on the good pickin's. And the increased demand on pipe and drilling equipment suppliers produces

similar effects; higher prices, higher profits, expansion. This sort of thing spreads to every industry needed to produce a greater supply.

Market Directives

The beauty of it goes still deeper, however. The reallocation process of the market not only causes expansion where needed, but also contracts the very industries contributing most to the problem. For example, with a gasoline "shortage," General Motors' sales tend to decrease, prices are forced downward (new 1973 full sized cars are still for sale at bargain prices), and profits tend to decrease. GM and others are urged, if not forced, to liquidate plant investment designed for production of gas-eaters. The same contracting forces act in the case of snowmobiles, resorts, and any other industry or activity tending to increase consumption of the scarce item.

Human resources are reallocated by this marvelous system, too. Layoffs in the contracting industries are accompanied by an increased demand for workers in the expanding ones. This might mean retraining and moving for some, but the market is doing the best thing that can be done and doing it fast, automatically, and impartially.

It goes still further. Higher

prices on a "scarce" item, gasoline in our present example, mean greater potential profits from substitutes. This will spur industries and individuals to seek new ways — atomic cars or moving sidewalks or something. Investment of money and effort will be allocated, automatically again, to such research. And it is likely that the temporarily depressed industries, such as auto manufacturing, will lead the way.

Thus, an unhampered market acts immediately to solve so-called shortages and surpluses. Through the price mechanism, it causes increased or decreased production as needed, it reduces or increases consumption both directly because of higher or lower prices and indirectly by contracting or expanding capital in industries which affect consumption. It reaches into every nook and cranny of our lives, and it changes our individual behavior in ways of which we are often unaware, but which are always calculated to bring about a better adjustment of economic factors. It acts so fast and so effectively that most of the time we don't even know that a potential problem has been averted.

The only thing required to prevent this super system from working is to interfere through legal or illegal actions. It is the job of government to prevent the latter, but

it is government itself which is guilty of the former. A price control on gasoline, for example, eliminates the incentive to expand the industry while at the same time encouraging continued high consumption. It also prevents purchases from alternate sources willing to sell at realistic prices. Subsidizing consumption is another form of interference which has similar effects. In America, for example, we have mostly public ("free") roads. Expressways and the I-system, especially, have encouraged people to live farther from work and to do more traveling, thus encouraging greater consumption of gasoline. And because these roads are not owned by stockholders such as you or me, the market can't do much to reallocate resources from highway building and maintenance to gasoline production.

Fast and Automatic

To top everything, a free market would not only solve a gasoline "shortage" through the price mechanism, but the prices themselves would come back down almost before they went up. As soon as production is expanded and consumption decreased, prices must be lowered to solve the potential "surplus." Add in the benefits of research also born of the high price situation and one can see

that prices may well be lower than before with quality and service improved to boot. We could even end up selling to the Arabs for less than their costs of production. As mentioned previously, all of this happens so fast and so automatically in a really free market that we are unaware that there ever was a problem. We see only that prices fluctuate slightly and constantly, reflecting changing conditions, new desires on the part of people, new methods and inventions, and so on. "Crises" are unknown in an unhampered free market economy.

The relative stability and quiet efficiency of a free market dull people's minds to a realization of the millions or billions — probably even trillions — of decisions and adjustments that are made every day by 200 million people acting and interacting, planning their futures, and so on. This marvelous system clearly transcends the abilities of men. Any attempt to replace this near-perfect, natural, *moral* system with the political actions of a relative handful of people is as pitiful as it is naive. The fact that the free market has been largely frustrated in the matter of education probably has much to do with the almost universal ignorance of the basic economics I've touched upon in this letter.


Ourselves to Blame

One more point. When I speak disparagingly about "government," I'm not referring to the people who make up the government. The behavior of government is determined by the rest of us through our ignorance, our greed, our envy, our jealousy, and our childish belief that someone else can run our lives better than we and thereby relieve us of the responsibility for our actions. There are many good people in government, but they have little choice other than to reflect the consensus of opinion; even emperors and dictators must face this if they wish to persist. Government officials, then, are not proper targets for our complaints. In our ignorance we have given government an impossible assignment and the blame for our troubles lies wholly with us.

Sincerely,

Dick Sabroff

P. S. Please forgive me for preaching. I'm trying to avoid pressing my views on anyone unless asked. You didn't ask me, but you did sound sincerely puzzled and that seemed like my cue. I've known a few who have broken through the myths, superstitions, propaganda, ignorance, and self-delusion, to discover the divine

nature of freedom; a harmony and beauty which truly "passes all understanding." Once this initial breakthrough is achieved, a person is in for a lifetime of unfolding beauty which at times is almost too much to bear. The joy which accompanies this is also beyond description. To know that things are just fine at the foundation is a source of great comfort. It's a faith achieved by very few, but I've never heard of anyone losing it once he found it. Your interest suggested that you might be ripe and I would always feel guilty if I did nothing. People like me are often regarded as kooks and I'm used to it, so if you choose to disregard this letter, that's fine. There's nothing lost. But something could be gained if you are motivated to reflect more on the subject; you might even discover the wonderful world I've said is reserved for a select few. Should you care to delve more deeply, I suggest that the truth is not easy to come by and one should be highly skeptical of the popular sources of information. These sources (newspapers, television, bestsellers, and so on) are entertaining and informative, but they largely reflect the thoughts and desires of the masses and we're talking here about something much more elusive and profound—Truth. 

FEO

and the Gas Lines

As I write this in Chicago, lines are forming at those gas stations that are open. The exasperated motorists are cursing; the service-station attendants are fuming; the politicians are promising. The one thing few people seem to be doing is thinking.

How is it that for years past, you and I have been able to find gas stations open at almost any hour of the day or night, and have been able to drive up to them with complete confidence that the request to "fill up" would be honored with alacrity and even with a cleaning of the windshield? To judge from the rhetoric that pollutes the air these days, it must have been because there was a powerful Federal Energy Office hidden somewhere in the underground dungeons in Washington, in which an invisible William Simon was efficiently allocating petroleum products throughout the land, riding herd on greedy oil tycoons lusting for an opportunity to mess things up and create long lines at their gas stations.

Of course, we know very well

that the situation is precisely the reverse. The lines date from the creation of a real Federal Energy Office run by a very visible, able and articulate William Simon. Which is the cause and which the effect? Did the lines produce the FEO or the FEO the lines?

After the Arabs cut output, Germany imposed no price controls on petroleum products. It did initially restrict Sunday driving but soon removed that restraint. The price of petroleum products jumped some 20 or 30 per cent, but there were no long lines, no disorganization. The greedy consumers found it in their own interest to conserve oil in the most painless way. The greedy oil tycoons found it in their own interest to see to it that petroleum products were available for those able and willing to pay the price.

Other European countries, like the U.S., imposed price controls. And, like us, they had chaos.

The Arab cut in output can be blamed for higher prices, but it cannot be blamed for the long lines. Their creation required the

cooperation of shortsighted governments.

The world crisis is now past its peak. The initial quadrupling of the price of crude oil after the Arabs cut output was a temporary response that has been working its own cure. Higher prices induced consumers to economize and other producers to step up output. It takes time to adjust, so these reactions will snowball. In order to keep prices up, the Arabs would have to curtail their output by ever larger amounts. But even if they cut their output to zero, they could not for long keep the world price of crude at \$10 a barrel. Well before that point, the cartel would collapse.

The effects of consumer and producer reactions are already showing up. The European countries that introduced rationing and restrictions on driving have eliminated them. World oil prices are weakening. They will soon tumble. When that occurs, it will reveal how superficial are the hysterical cries that we have come to the end of an era and must revolutionize our energy-wasting way of life. What we have been witnessing is not the end of an era but simply shortsightedness.


At home, unfortunately, our problems will not be over so soon. The panicky FEO forced oil companies to shift so much production

to heating oil that we face a glut of heating oil but a paucity of gasoline. The FEO's allocations among states have starved some, amply supplied others. Its order that refineries operating at high levels must sell oil to those operating at low levels sounds fine. In practice, however, it reduces the incentive for the recipients to buy oil abroad and produces a wasteful use of oil at home.

We have the worst of both worlds: long lines and sharply higher prices — indeed, higher than I believe they would have been without the waste resulting from FEO controls.

Is rationing the solution? Far from it. It is the problem. We already have rationing of producers and distributors. Coupon rationing of final consumers would simply be the hair of the dog that bit you.

The way to end long lines at gas stations is to abolish FEO and end all controls on the prices and allocation of petroleum products. Within a few weeks, your friendly dealer would again be cleaning your windshield with a smile.

How can thinking people believe that a government that cannot deliver the mail can deliver gas better than Exxon, Mobil, Texaco, Gulf and the rest? 

PRICE,

The Peaceful Regulator

C. W. ANDERSON

"GAS TRUCK DRIVER SHOT AND KILLED ON TOLLWAY," screamed the headline!

The second line could have been "... as he was delivering goods on a contract made voluntarily and peacefully between two parties." How come the violence and third-party interest here? A good question! But, actually, the killed was the fourth party of this transaction — a third party having previously declared an interest in it. The third party was the Government, which had ruled that prices for certain products and for deliveries must have Government approval. In effect, two parties who would normally work out a free-market price agreement to their mutual advantage were prohibited

from doing so . . . and in the process, many felt their rights were infringed and that violence was required to correct the injustice.

Such actions, which take the law into the aggrieved party's hands, are never justified, of course, but they dramatize the fact that violence in the exchange of goods and services (the market place) is almost always a result of a third party enforcing its decree or demand.

Normal two-party exchanges are nonviolent because of a wonderful economic tool: *price, the peaceful regulator*. A free-market price is reached by a very complicated, computer-like weighing of a vast number of factors which include not only costs but personal buyer preferences, other attractions for the buyer's dollars, an-

Mr. Anderson is President of the Employers Association in Milwaukee.

ticipated competition, and the like. When we understand how this process works, we will see our own business and personal activities in clearer focus. Also, what is happening in the current energy shortage will be more understandable!

It Takes Two to Trade


An example close to all of us may illustrate how this tool works.

If we will ask ourselves how much our own services and time are really worth, we'll find that an honest answer is elusive — actually impossible. This is because our judgment is never the only factor in the determination of this price. There is always the value someone else, the buyer (employer), places on our services. As great as we may sometimes think we are, our effective price is not at that high level unless a buyer agrees with us. Only in a system where a dictator or a law sets an arbitrary price is our compensation determined without an agreement between a buyer and ourselves (seller).

Precisely the same is true of all products and materials. Just as you and I try to get "all the traffic will bear" in selling our time and services, so the merchant does this for his goods and the manufacturer for his "widget." And, this is as it should be because all

the buyers of our services, or "widgets," try to pay as little as possible for these. The net result of these "conflicting" objectives is a willing, uncoerced exchange by mutual agreement . . . with no conflict. Even when the buyer and seller don't agree, no violence occurs — each simply seeks a seller or buyer elsewhere. No headlines; no one else even aware of what has happened.

Today, third-party interference is all about us working both subtly and with open violence; in either instance force, or the threat of it, hovers over voluntary, peaceful exchange arrangements. The danger in this is that we tend to be expedient, to adjust to each new third-party interference, soon accepting it as normal. As evidence, consider only the growing normalcy of teacher strikes and the almost complete acceptance of controlled interest rates and plane fares. But as we embrace each new third-party interference, our vision of a free market blurs and the ideals and the miraculous efficiency of a free, peaceful economy become more remote.

Free-market pricing is, indeed, a kind of miracle when we consider the billions of exchanges made peacefully every day in our economy. *Without it, the "energy crisis" will continue! Without it, no economy can survive!* 



MADE IN WASHINGTON

PAUL L. POIROT

THE FACT that the nation's "crises" are made in Washington leads many citizens of the United States to the false conclusion that solutions are to be found there, too. Opinion polls may reveal that the popularity of the President, or of the Congress, or both, has fallen below zero; yet an overwhelming preponderance of these same supposedly disillusioned citizens will demand that the Federal government "do something" to solve whichever crises happens to be most aggravating at the moment.

Let there be no doubt that crises are made in Washington—whether it be a matter of meat, grain, energy, transportation, education, health care, or even inflation. The reason why shortages invariably are caused in Washington is because that's where all the raw material is concentrated.

The raw material concentrated in Washington? The meat? The grain? The fuel? No, of course not these things. But meat is not the raw material of a meat shortage, nor fuel the raw material of an energy shortage. The only raw material of any shortage of goods or services is *coercive intervention*. And only when that coercive intervention is concentrated in Washington can there be the kind of shortage that amounts to anything like a crisis.

Let's stick to the "energy crisis" for a moment. What is meant by *coercive intervention*? It is the use of violence to disrupt or interfere with the peaceful voluntary actions and transactions of willing buyers and sellers. For example, someone steals a gallon of gas, or a whole truckload, or bombs a refinery, or even an entire oil field.

Those are forms of coercive intervention, and they are destructive and disruptive of production and trade. But does the theft of a gallon of gas or the shutdown of a particular oil field result in a shortage or crisis of national or international proportions? No, it doesn't. The market, if left open and free to function, can readily cope with and adjust to such changes. If supplies are diminished to some extent, higher prices will discourage consumption and stimulate production until a new balance is achieved, with no crisis whatsoever.

Major Violence

Suppose there is more extensive violence — such as an Israeli-Arab war that closes canals, cuts pipelines, destroys producing wells and shipping facilities. Wouldn't that bring an energy crisis? Indeed it could, but not necessarily, and not directly. Any crisis that comes of such warfare will come only in those countries where the war is used as an excuse to close the market and coercively prevent prices from adjusting to the new conditions of supply and demand. If the citizens of the United States, for instance, allow themselves to be stampeded by war in the Middle East to either demand or allow ceiling prices on oil and gas and other fuels, only then would there

be concentrated in Washington the raw material of an energy crisis. And, to repeat, that raw material is coercive intervention: not the war in the Middle East, but the coercion turned against the people of the United States by the government in Washington to which they had surrendered their freedom of choice and freedom to trade.

Market Interference

The process of closing the market against citizens is called *price control*, but a more realistic name would be *people control* or *prohibition*. Citizens are coercively prohibited from buying or selling precious fuels at market prices. If the legal price is lower than the free market rate, the consequence is a shortage — a demand that will not voluntarily be satisfied at that arbitrary price — a crisis of coercive intervention that must persist as long as the Federal government chooses to exercise the power of choice citizens have relinquished.

What motivates individuals to allow government to close the market may be of interest, but it doesn't have anything to do with the consequent shortage or crisis. Perhaps it was sympathy for Israelites or hatred of Arabs, a desire to befriend the poor, a concern over pollution, an objective of national self-sufficiency, an at-

tempt to curb profit margins, or any one of the other reasons that might have entered 200 million different minds.

The fact is that the power to close the market was concentrated in Washington and was exercised; and no other consequence was possible except a shortage and a crisis, at the prices and under the rules coercively prescribed. To then demand that Washington exercise further power, impose additional prohibitions, can only aggravate the crisis. All that is necessary to effect an instantaneous and miraculous end to the shortage

is to lift all controls over the production and marketing of fuels; leave the matter to the voluntary actions of willing buyers and sellers in an open market.

So, how does one go about lifting these controls? Write his Congressman to do something? Perhaps that might be helpful. But an alternative is to stop writing Congressmen to do things for us, do what we can for ourselves and accept the responsibility for such risky decisions and actions. Washington would soon get the message if we wanted to try freedom. 🌐

A Better Idea

THE USE OF FORCE to battle an idea tends to generate it rather than to kill it. I doubt if an idea has ever been killed by means of force. The enemy of the free market is an idea – the belief that controls can serve the freedom of man. . . .

IDEAS ON

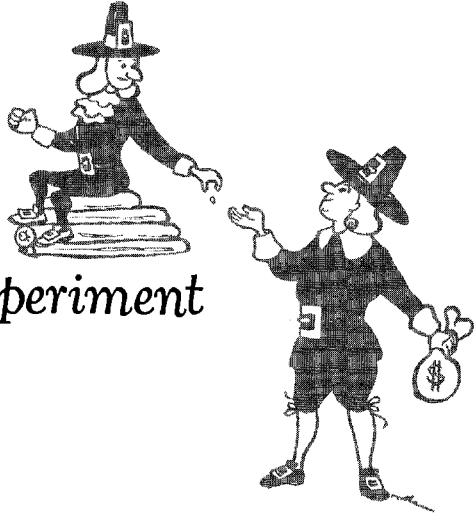


LIBERTY

Any law or regulation will be nullified whenever enough persons judge it to be unwise and improper, and not until then. Not every person needs to become convinced that it is unwise. Not even 51 per cent of them need to become convinced. All that is necessary is for a few thought leaders in all walks of life to become convinced because they are the ones to whom many others turn for guidance and advice. It is this understanding among the thought leaders that we now lack and that we must have for success in regaining freedom to trade.

F. A. HARPER, "Gaining the Free Market"

GARY NORTH



The Puritan Experiment with Price Controls

The court having found by experience, that it would not avail by any law to redress the excessive rates of laborers' and workmen's wages, etc. (for being restrained, they would either remove to other places where they might have more, or else being able to live by planting and other employments of their own, they would not be hired at all), it was therefore referred to the several towns to set the rates among themselves. This took better effect, so that in a voluntary way, by the counsel and persuasion of the elders, and example of some who led the way, they were brought to more moderation than they would by compulsion. But it held not long.

Gov. John Winthrop
Winthrop's Journal, II, p. 24.

Dr. North, economist, lecturer, author, currently is an associate of Chalcedon, an educational organization dedicated to Christian research and writing. His latest book is *An Introduction to Christian Economics*, Craig Press, 1973. He is the editor-publisher of the *Remnant Review*, a fortnightly economic newsletter.

THE LITTLE band of Pilgrims who settled Plymouth Colony in 1620 are more famous in children's textbooks than their neighbors, the Puritans. Plymouth Rock, Thanksgiving, Miles Standish, and Speaking For Yourself, John, are all ingrained in the story of America's origin. Nevertheless, in terms of historical impact, the Pilgrims never rivaled their Puritan neighbors. Plymouth Colony remained a relatively isolated and closed society until it finally merged with Massachusetts in 1692. It was Gov. John Winthrop, not Gov. William Bradford, who left his mark on American institutions.

The first generation of New Englanders were an optimistic bunch. Even those social and religious outcasts who wound up in Rhode Island shared this faith in the future. The Puritans, in the famous words of Gov. Winthrop, expected to become a "city on a hill," like the shining community mentioned in the Gospel of Matthew (5:14) — a light to the darkness of the world, an example of how godly living, both personal and social, might bring prosperity and peace on earth. By the preaching of the gospel and the establishment of Christian institutions, they believed, Christian reconstruction of the world is not only possible but mandatory.¹ This vi-

sion is best seen in the history of New England written by Edward Johnson in 1653: "I am now pressed for the service of our God Christ, to re-build the most glorious Edifice of Mount Zion in a wilderness. . . . Then my dear friend unfold thy hands, for thou and I have much work to do, aye, and all Christian Soldiers in the world throughout."²

The question of what constituted a truly godly economic system did not immediately disturb them. The leaders of the colony were sons of the lesser British gentry, made up of men trained in law, theology, and the classical education of the universities, Cambridge and Oxford. Most of the people were farmers, with a scattering of craftsmen and artisans (too few, as they were to discover); they were literate, reflecting the Puritan emphasis on education, but hardly scholars. What little economics their leaders brought with them was basically the economics of the medieval schoolmen. Economics was only just beginning to become an independent discipline in England; there were no professional academic economists, and very few men who were more than pamphleteers even among the "professionals." Thus, it is not surprising that the first two generations of leaders in New England should

have fallen back upon "tried and true" medieval economic concepts. One of these was the concept of the just price.

A "Just" Price

A lot of needless confusion has emerged from discussions of scholars concerning the just price. From the time of Thomas Aquinas right up until the mid-seventeenth century, a "just" price was assumed to be the market price during "normal" times. No widely read schoolman ever tried to compute some mathematically precise formula on the basis of ethics; indeed, Aquinas himself had denied that such precision is possible.³ The problem of justice arose when there were disruptions in the market — a war, a famine, a local production monopoly — that made it appear that justice was being thwarted by greedy exploiters. Then the standard approach was to assemble a group of distinguished, "impartial" leaders in the community, and they were supposed to determine the proper prices for various commodities. (If this sounds vaguely familiar in the 1970's, it is. Now, however, computers are supposed to guarantee the impartiality.) The goal, officially, was consumer protection. More often, not unsurprisingly, the result was the creation of an even more monop-

olistic guild, for the "just" or "reasonable" price was, in the absence of a competitive market price, computed on a "cost-plus" basis. As in World War II, this was more apt to lead to producer protection — from more competitive producers.⁴

These restrictions on free entry — to guarantee "quality" production from "unscrupulous" producers who would offer shoddy goods at lower prices — were the foundation of the medieval guild system. Similar restrictions operated in New England during the first half-century of its existence. Licensing, municipality-enforced inspections, and self-policing by guild members were all features of the medieval city and the New England town. But the most common feature was a system of price and wage controls.

Early Controls

Almost from the beginning, the colony of the Massachusetts Bay Company placed controls on the wages of artisans. The colony was begun in 1629; in 1630 a law was passed which established wage ceilings for carpenters, joiners, bricklayers, sawyers, and thatchers.⁵ Common laborers were limited to twelve shillings a day, or six if meat and drink were provided by the employer. Any artisan violating this statute was to

be assessed a ten shilling fine. The effect of these wage ceilings must have presented itself almost immediately: an excess of demand for the services of artisans over the available supply. Under such conditions, it is always difficult to recruit labor. Within six months, these wage ceilings were repealed, leaving wages "free and at liberty as men shall reasonably agree."⁶ The implication was clear enough, however: if men should again grow unreasonable, the controls would be reimposed. They were.

The history of price and wage controls in New England is an "on again, off again" affair. The year 1633 brought a new set of regulations, a law which the magistrates saw fit to repeal in 1635.⁷ The repeal was of a special nature, however. The civil government imposed a general profit margin of 33 per cent on any goods sold retail in the colonies if the particular good was imported. No imported good could therefore be sold above 33 per cent over the London price.⁸ The magistrates then inserted a clause which was almost calculated to drive merchants and laborers to distraction. Instead of setting forth in the statute a precise, predictable definition of what constitutes economic injustice and therefore a breach of the written law, the magistrates chose instead to warn

citizens against violating the *intent* of the law:

Whereas the former laws, the one concerning the wages of workmen, the other concerning the prices of commodities, were for diverse good considerations repealed, this present Court, now, for avoiding such mischiefs as may follow thereupon by such ill-disposed persons as may take liberty to oppress and wrong their neighbors, by taking excessive wages for work, or unreasonable prices for such necessary merchandise or other commodities as shall pass from man to man, it is therefore now ordered, that if any man shall offend in any of the said cases against the true intent of this law, he shall be punished by fine or imprisonment, according to the quality of the offense, as the Court upon lawful trial and conviction shall adjudge.⁹

In short, there was a law against "excess profits" back in 1635, and it provided the law enforcement agents with a considerably broad unspecified coverage. The men involved in trade in 1635 had about as little notion of what constituted the limits of state authority in the realm of economics as men have today. The 33 per cent figure was one of the few to appear in the legislation of that era, but men could never be certain that the court or courts would uphold the validity of any given transaction. It made for a con-

siderable degree of uncertainty in economic exchange.

The Road to Serfdom

Max Weber, the great German sociologist, argued on several occasions that the essence of both theocratic commonwealths and socialist regimes is this reliance upon substantive concepts of justice. The law of the land is governed in terms of a higher ethical or theological system than mere economic efficiency or the possibilities for profit. (It could be argued, of course, that the emphasis on economic efficiency to the exclusion of everything else is equally religious in impact, equally ethical.) What characterizes most capitalist economies, on the other hand, is a system of written, formal, predictable law that inhibits the decision-making power of theocratic rulers or socialist bureaucrats and planners. F. A. Hayek concurs with Weber, and his *Road to Serfdom* and especially *The Constitution of Liberty* are eloquent defenses of the rule of formal law as the foundation of the free society as well as the free market. What is essential to capitalism, both Hayek and Weber agree, is *legal predictability*. Written law is important, though not absolutely essential. (England has resisted formal written law for centuries, while

the Soviet Union has a nice written Constitution that is operationally impotent.) Men need to know what to expect from the civil government if they are to plan rationally and make economic decisions effectively.

The magistrates, by assuming that the inherited medieval concern about "ethical" pricing was the Christian approach to economic affairs, necessarily created a dilemma for themselves and the citizens of Massachusetts. How does one determine what is a just price? What are the legitimate limits on economic oppression? How is the individual bargainer to estimate whether or not he is making an infraction against the "true intent of this law"? What are the legitimate limits on state authority? Prediction becomes exceedingly difficult, for the traders can never be sure of how the magistrates — who were also the final court of appeals — would estimate "the quality of the offense."

Another problem was the establishment of the locus of authority. (The Soviet Union is eternally caught on the horns of this dilemma.) Should the local civil government set prices in terms of local conditions, or is the central government responsible? In October, 1636, the General Court of Massachusetts delegated the authority to regulate prices and wages to the

various towns.¹⁰ Nevertheless, the magistrates could not resist the cry of "oppression," and in March of 1638, a committee was set up to investigate complaints against exorbitant prices and wages. Such ruthless pricing, the authorities stated, is "to the great dishonor of God, the scandal of the gospel, and the grief of diverse of God's people, both here in this land and in the land of our maturity. . . ."¹¹ The city on a hill was not setting a godly example to the heathen and the people back home in England. The central government continued to maintain its right to step in and regulate prices when such action seemed warranted by the situation, but in general the towns did most of the regulating work after 1636. Only with the great Indian war of 1675-76 did the central government step in to take vigorous action against high prices. As Prof. Richard B. Morris summarizes the history of the controls: "The codes of 1648 and 1660, and the supplement of 1672, continued substantially the basic law of 1636 against oppression in wages and prices, leaving to the freemen of each town the authority to settle the rates of pay."¹²

Connecticut's Wage Code

The other Puritan colonies were no better, with the exception of the Pilgrim group in Plymouth.

Connecticut's General Court insisted that men had not proved reliable when left as "a law unto themselves," and therefore it passed an incredibly detailed wage code. At first, the officials apparently had no insight into the consequences of the regulatory nightmare they were constructing. Skilled craftsmen were not to accept more than 20 pence a day (12 pence to a shilling) from March 10 through October 11, nor above 18 pence for work on any other day during the year. This included carpenters, masons, coopers, smiths, and wheelwrights. All other handicraft workers were prohibited from taking more than 18 pence per day for the first half of the year, nor more than 12 pence during the remainder of the year. Workers were obligated to work an eleven-hour day in the summer, in addition to eating and sleeping, and nine hours in the winter. Price controls were placed on sawed boards.¹³ This jumbled mass of legislation was repealed within a decade.¹⁴

New Haven Colony, which was merged with Connecticut in 1662, imposed controls in 1640, just as the great economic depression of the 1640's struck New England.¹⁵ No longer would there be the massive exodus of Puritans from England, for the Civil War of the Cromwell era had begun, and Eng-

lish Puritans stayed in the British Isles to fight. Thus, the capital and currency brought in by immigrants from 1630-40 was instantly cut off. Prices collapsed almost overnight. The irony of imposing price controls in the year of the beginning of a collapse in prices should be obvious. As in the comparable medieval legislation, a group of supposedly disinterested men served as the committee which judged individual situations in cases involving disputes.¹⁶ These controls do not appear in the 1656 law code of the colony, indicating that they had abandoned price controls in the intervening period.

***The Trial of Captain Keayne,
a Typical Case***

Historians are not agreed on the actual effects of such legislation. Some think that the Puritans were in dead earnest about enforcing the codes.¹⁷ On the other hand, one scholar has argued that they probably were not that crucial in operation; between 1630 and 1644 – the years of the most rigorous legislation in Massachusetts Bay Colony – less than twenty people were actually convicted for violating the wage and price guidelines. Twice as many people were convicted for speaking out against public authority in this period.¹⁸ The most famous case was the

trial of Capt. Robert Keayne, but there is good reason not to regard this as a typical case.

Capt. Keayne, officer of the Artillery Company, was a zealous Puritan, a merchant of Boston, a public leader, and the subject of the most famous economic trials of New England. The 1639 trial involved a dispute over his alleged price gouging; the 1642 trial involved a dispute with a local woman over the ownership of a sow. (Incredibly, this was one of the most important trials in American history. The dispute over its result – Keayne was judged innocent by the magistrates – led to the establishment of a bicameral legislature, for the elected representatives of the towns, the deputies, sided with Keayne's opponent, goodwife [Goodie] Sherman. The magistrates had vetoed the deputies, and the deputies finally pressed for a division in the legislature. A pig helped to destroy unicameralism in America!¹⁹) In the 1639 trial, Keayne was convicted of economic oppression, and he was fined £200 (later reduced to £80 by the magistrates, to the dismay of the more "democratic" deputies), and he was forced to confess his economic sins before the First Church in Boston. This is the only case of economic confession in the archives of the Massachusetts ecclesiastical rec-

ords.²⁰ Thus, far from being typical, this famous trial was more of a pre-1640 symbol. Once his "deviant" behavior was exposed publicly, the public promptly forgot about it, although Keayne never did.

Keayne's last will and testament, which has become one of the most important of all primary source documents for early New England history, records his disapproval of the whole affair. He desperately wanted to clear his name, a decade and a half later, even to the point of asking his estate's overseers to petition the General Court to repeal the original sentence "and to return my fine again after all this time of enjoying it. . . . which I believe is properly due to my estate and will not be comfortable for the country to enjoy."²¹ His economic practices had been fair, he claimed, and well within the bounds of merchants' ethics. Those who had accused him were all liars, he said, and spent several pages of his will to refute them. Furthermore, other men had committed really serious crimes, but they had been fined lightly. Keayne's most incisive observation related to the changed status of some of his former detractors. This statement offers considerable insight into the process of gradual decontrol of the economy after 1650:

[My own offense] was so greatly aggravated and with such indignation pursued by some, as if no censure could be too great or too severe, as if I had not been worthy to have lived upon the earth. [Such offenses] are not only now common almost in every shop and warehouse but even then and ever since with a higher measure of excess, yea even by some of them that were most zealous and had their hands and tongues deepest in my censure. [At that time] they were buyers, [but since then] they are turned sellers and peddling merchants themselves, so that they [the crimes] are become no offenses now nor are worthy questioning nor taking notice of in others.²²

What had taken place to change the public's opinion about price controls? First, as Keayne noted, the self-interest of some of the participants had changed, so their ethics had changed. Second, the depression of 1640-45 had begun to slacken in the later 1640's, and one of the sources of revival was the birth of the New England shipping trade. The merchants were important in the economy now — crucial, in fact — and their influence could not be ignored without cost. New England in 1650 was no hotbed of laissez-faire capitalism by any stretch of the imagination (or manipulation of the footnotes), but the old suspicion toward business was never completely revived after the 1640's.

A Problem for Politicians

Keayne's case had posed a serious problem for the political leaders and the ministers who served as their advisers. (Ministers were not permitted to hold political office in New England, for this was regarded as a breach of separation between two God-ordained offices. There was no separation of religion and state — except, as always, among the outcasts of Rhode Island — but there was an official separation of powers, sword and word.) Gov. John Winthrop records in his diary the problems confronting the judges. Rev. John Cotton, probably the leading social theorist among the New England clergy, had outlined for the magistrates the standard medieval critique of free pricing, already over four centuries old in European thought. Primary rule: no man has the right to buy as cheaply as he can in all cases, nor sell as dearly as he can in all cases, even if the market should permit it. Second, no man of business should take advantage of another's ignorance to make a profit. Third, he may not sell above the current market price, even to make up for losses on other items, a restriction which was basic to medieval Christian casuistry. (Casuistry: the application of general principles to specific circumstances.)

In applying these standards in

Keayne's case, Winthrop said, the magistrates had tended toward leniency. He offered several reasons why. First, there was no law prohibiting profit as such. Second, because men in all countries use their advantage to raise retail prices. Third, he was not alone in his fault. But the fundamental point was the final one. It is here that we see the ultimate chink in the armor of all price control schemes, from 1100 A.D. to the present: "Because a certain rule could not be found out for an equal rate between buyer and seller, though much labor had been bestowed upon it, and diverse laws had been made, which, upon experience, were repealed, as being neither safe nor equal."²³ Aquinas himself had warned that "the just price of things is not fixed with mathematical precision, but depends on a kind of estimate, so that a slight addition or subtraction would not seem to destroy the equality of justice."²⁴ Finding that elusive "equal rate" proved to be more of a task than successive pieces of legislation could achieve in New England, no less than in Europe as a whole. No one knew what a just price was.

Kai Erikson has written with respect to social deviants that they perform a kind of communal function. The deviant is ushered into his role "by a decisive and often

dramatic ceremony, yet is retired from it with scarcely a word of public notice."²⁵ This was certainly Keayne's fate. He was later elected as a magistrate, and his occasional lapses into drunkenness are noted in the official records only by the imposition of small fines. The humiliation of the trial disturbed him until his dying day, but the Puritan community, having made its point, was content to let bygones be bygones. It had asserted its medieval economic standards, and it promptly went about undermining them, a fact which Keayne saw clearly, but which did not bother the majority of his more energetic contemporaries. So long as a man's conscience was sound and his intent was just, he was free to go about his business. Obviously, to prove the state of a man's conscience, especially if the suspect happened to be a leader in Puritan politics, industry, or shipping, would be no easy task. This difficulty would be far more obvious to the magistrates in 1650 than it had been in 1639.

Wage Controls in 1641

The last major attempt by the central government of Massachusetts to control wages in peacetime came in 1641. The scarcity of money — scarce in comparison to prices common the year before —

had disrupted the economic life of New England. Immigration from England came to a standstill; indeed, a few energetic Puritans returned to England to participate in the Civil War against Charles I. Merchants were closing their doors, manufacturers were refusing to hire laborers. The General Court declared that laborers must accept a mandatory reduction of wages proportional to the reduced price of the particular commodity they labored to make. Laborers, the law declared, "are to be content to partake now in the present scarcity, as well as they had their advantage in the plenty of former times. . . ."²⁶ At least the magistrates had enough sense to control prices in the general direction of the market. In tying the laborer's wage to the value of his output, they acknowledged the close relation between the market price of the produced good and the value of labor's services. In contrast to modern wage controls during a depression — wage floors, compulsory collective bargaining, artificial restrictions on entry into labor markets, and so forth — the Puritans of 1641 understood that laborers should accept a lower wage if the value of their output was falling. Three centuries later, their descendants were not to show equal wisdom in the face of a similar collapse in price expect-

tations, even those who were the officially certified experts in economics, a discipline undreamed of in 1641. The Puritans used shipping and increased agricultural output to revive their economy; their descendants used deficit financing and a world war, and even then their depression lasted longer.²⁷ The price controls of the seventeenth century, however misguided, were a lot more sensible than those of the twentieth century.

1675: The Turning Point

After 1650, there was a relaxation of economic controls, especially price controls. (The controls on product quality and guild output did continue, sporadically.) As the new shipping trade expanded, the market expanded. This expansion of market transactions, especially in the Boston vicinity, encouraged the greater specialization of production, and hence encouraged greater economic productivity. Furthermore, as more people entered the markets, both as producers and buyers, the ability of individuals to manipulate specific prices decreased. There was more competition, greater knowledge concerning alternative prices and substitutes, and more familiarity with trade. The price spread between producer and consumer naturally decreased as participants

became more skilled in their transactions. Thus, the need for specific legislation was reduced, as far as the magistrates were concerned. Medieval just-price theory had always accepted market pricing as valid, except in "uncommon" or emergency conditions, and with the expansion of the free market came a respite from political intervention into market pricing. The last great outburst of intervention came in 1675-76, during the serious Indian uprising known as King Philip's War.

People seldom hear of King Philip's War today, yet in terms of the percentage of Americans who died in any war, this was by far the worst. The Indians, led by their prince who was known as King Philip by the whites, struck without warning up and down the edge of the New England frontier. For almost a year it looked as though they would triumph, or at least seriously restrict European settlement in the area. Estimates of the loss of life have ranged above ten percent of the total population of the whites, unmatched by any other war. Thousands lost their homes and fled to the urban areas of more populated towns. Understandably, such population shifts put terrible burdens on the New England economy. Outfitting the militia and paying the salaries intensified the disruption, as men

left their farms and shops to join the armed forces.

Pastoral Pessimism

For years, Puritan preaching had become increasingly pessimistic in approach. After 1660, the old theological optimism had begun to fade, and a new sermon style appeared. Known today as the "jeremiad," these sermons warned the people against the consequences of sin and the failure of the young generation to join the churches as members (membership had always been a minority affair in New England, but after 1660 it was even more of a minority affair). Michael Wigglesworth's famous poem, the *Day of Doom*, and his less famous *God's Controversy with New England*, became best-sellers in their day (the early 1660's). Pastors warned of God's impending judgment; the old faith in New England as a triumphant "city on a hill" appeared less and less in the sermons. The Indian uprising seemed to confirm all the dire prophecies of the ministers.

Rev. Increase Mather (who along with his son Cotton became the most prolific writing team in American history) pressed the General Court to pass a list of "Provoking Evils" that had brought on the curse of the war. The "democratic" deputies instantly followed his advice; the

"aristocratic" magistrates held out for a week, until the news of another Indian victory forced them into action. The list included the usual social failings: the ignoring of God's warnings, the many uncatechized children in the commonwealth, the decline of church membership, the wearing of wigs, long hair among men, and luxurious wardrobes, the existence of Quakers (this issue had faded in the early 1650's). (Topless fashions among women — far more common in 1675 than today — drew a fine of 90 per cent less than the fine for being a Quaker, which may indicate something about Puritan priorities in 1675.) But the list of "Provoking Evils" could not be rounded out without calling attention to various economic oppressions. Double restitution for price gouging was imposed (for the amount of the overcharge); fines could also be imposed by the court. (Today, we also hear suggestions to impose a system of restitution for crime victims, but with this grim variation: the victims are to be reimbursed by the taxpayers, not the criminals.²⁸) Complaints against artisans and merchants could be lodged by "victims," but there was no mention of inflated agricultural prices.²⁹

The key concern of the magistrates was shown in the following year, 1676. Inhabitants of differ-

ent counties were charging varying prices for the same goods sold to the militia. (You can be virtually assured that the higher prices appeared in those areas where the militia was actively engaged at any point in time.) The General Court asserted that goods and services are the same in value, wherever found, that is, a rifle is a rifle, in any county of Massachusetts. The answer to this problem, said the Court, was the imposition of full-scale price controls, and this became law on May 3, 1676. This was the last fling; not for another century, when a new war broke out, would any New England legislature pass such a comprehensive scheme of price controls. So they created a central council:

It is ordered by this Court, that a committee shall be chosen in each county to examine the rates put upon all manner of things used or expended for the public, and to view the particular bills allowed by the militia of each town for expences, until the first of this instant [month]. And so far as they judge right and equal, to pass the same under their hands. And the committees abovesaid are hereby ordered to choose one man from among themselves, in every [one] of the counties, who shall meet at Boston the first fourth day in July next, and bring with them the accounts allowed and passed in the several counties, where and when their work shall be

to compare them together, and to regulate the whole, as to them shall seem most just and equal. . . .³⁰

**One Last Try,
Then a Century of Freedom**

A very similar piece of legislation was passed by the Connecticut legislature in the same month.³¹ Under the pressure of war, the magistrates and deputies could not resist the lure of officially stable, universal prices. The lessons provided by four and a half decades of price control legislation had not sunk in; the leaders still thought that they could legislate away the economic realities of scarcity and dislocation. Fortunately for the New England economy, the war ended before the year was over; the price controls of 1676 were allowed to lapse before the shortages, black markets, and disrupted supplies that are the inevitable products of price controls, could appear.

This was the high-water mark for price controls in New England. English mercantilism imposed controls on external trade, but not until 1776 were the people of New England to see full-scale price and wage controls. (Those controls proved to be economically disastrous.³²) After 1676, a whole series of restraints on free bargaining were allowed to fade away. Controls on fashion —

status-oriented sumptuary laws — disappeared. As discussed in a previous article, controls on the buying and selling of land were abandoned.³³ Clearly, it was the end of an era. A half-century of experimentation with intermittent price and wage controls had ended.

There was one exception to this general rule. The Massachusetts legislature did try, from time to time, to regulate the price and quality of bread. This continued until 1720. Finally, the legislature passed one last bill, an incredibly complex set of regulations on the price and size of each loaf — four general price categories, 23 different weights, three types (white, wheaton, household) — and explained why such a law was necessary. The preface of this bill is an archetypal summary of the total ineffectiveness of price controls through the ages:

... the act made and passed in the eighth year of King William III, entitled "an act for the due assize of bread," is found not effectual for the good ends and purposes therein designed, and a little or no observance has been made thereof, but covetous and evil-disposed persons have, for their own gain, deceived and oppressed his majesty's subjects, more especially the poorer sort. . . .³⁴


I have not been able to ascertain if anyone was ever brought to

trial as a result of this law, but there is no indication in the colony records that I have been able to locate which indicates that this control of bread prices was ever attempted again. My guess is that this absence is not due to the success of the law in thwarting "covetous and evil-disposed persons," but rather that the law was, as all the others before it had been, a failure. The search for the "just price" was over.

Conclusion

The Puritans had to be a practical people. The New England wilderness was a rugged testing ground. Commitment to principle was important for their religious and psychological survival, but they were always convinced that Christianity is an eminently practical religion. If a particular policy failed again and again, then Puritan political leaders and ministers were willing to rethink the policy. Either it had to be based on a false principle, or else there had to be a misapplication of a general principle. After half a century of failure with price control legislation, Puritans were quite willing to let the civil government retreat from the market's pricing activities. They did not stop preaching about economic oppression or personal immorality in economic transactions, but they no

longer sought to involve the machinery of civil government in questions of cost and price.

The important fact for American economic history is that the old belief, imported uncritically in the name of Christianity, that the civil government needs to set "just" prices, was abandoned. A medieval legacy — itself the product more of Aristotelian logic than biblical exposition — no longer was assumed to be necessary in a Christian commonwealth. Men were left free to truck and barter at prices determined by mutual consent. A crucial break with an intellectual tradition that had been somewhat hostile to the free market was accomplished in 1676. Americans in peacetime would be left free to pursue their vocations as they chose, not as some governmental panel of "disinterested, distinguished persons" might choose. 

— Footnotes —

1 On the optimism of the first generation of Puritans in New England, see Aletha Joy Gilsdorf, "The Puritan Apocalypse: New England Eschatology in the Seventeenth Century" (Ph.D. dissertation, history, Yale University, 1966), esp. pp. 119-20. See also Iain Murray, *The Puritan Hope* (London: Banner of Truth, 1971).

2 J. Franklin Jameson (ed.), *Johnson's Wonder-Working Providence, 1628-1651* (New York: Barnes & Noble, [1910] 1952), p. 52.

3 Thomas Aquinas, *Summa Theologica*, II-II, Quest. 77.

4 Price competition broadens the scope of the market by making goods and services available to buyers formerly too poor to enter the market. It was the fundamental form of competition in the coming of modern capitalism: Max Weber, *General Economic History* (New York: Collier [1920] 1961), p. 230.

5 Nathaniel B. Shurtleff (ed.), *Records of the Governor and Company of the Massachusetts Bay in New England* (5 vols.; Boston: William White, Commonwealth Printer, 1853), I, p. 74. [Cited hereafter as *Mass. Col. Recs.*]

6 *Ibid.*, I, p. 84.

7 *Ibid.*, I, pp. 104, 159-60.

8 *Ibid.*, I, pp. 159-60: the maximum rate was 4d/s, that is, 4 pence per shilling, or 4/12, or 33%.

9 *Ibid.*, I, p. 160.

10 *Ibid.*, I, p. 183.

11 *Ibid.*, I, p. 223.

12 Richard B. Morris, *Government and Labor in Early America* (New York: Columbia University Press, 1941), p. 62.

13 J. Hammond Trumbull and Charles Hoadly (eds.), *The Public Records of the Colony of Connecticut* (15 vols.; New York: A.M.S. Press, [1850-90] 1968), I, (1641), p. 65. [Cited hereafter as *Conn. Col. Recs.*]

14 *Ibid.*, I, (1650), p. 205.

15 Charles Hoadly (ed.), *Records of the Colony and Plantation of New Haven, 1630-1649* (Hartford: for the editor, 1857), pp. 35-36, 52, 55.

16 *Ibid.*, p. 55.

17 Morris, *Government & Labor*, p. 72.

18 Marrison H. Gottfried, "The First Depression in Massachusetts," *New England Quarterly*, XI (1936), p. 640.

19 T. H. Breen, *The Character of the Good Ruler* (New Haven: Yale University Press, 1970), p. 79. The debate raged for two years, 1642-44. The split occurred in 1644.

20 Emil Oberholzer, *Delinquent Saints* (New York: Columbia University Press, 1956), p. 189.

21 Bernard Bailyn (ed.), *The Apologia of Robert Keayne* (New York: Harper Torchbook, 1964), p. 51.

22 *Ibid.*, p. 48.

23 James K. Hosmer (ed.), *Winthrop's Journal: "History of New England," 1630-1649* (2 vols.; New York: Barnes & Noble, [1908] 1966), I, p. 316.

24 Aquinas, *Summa Theologica*, II-II, Quest. 77.

25 Kai T. Erikson, *Wayward Puritans* (New York: Wiley, 1966), p. 16.

26 *Mass. Col. Recs.*, I, p. 326.

27 The colonies did impose various kinds of trade restrictions, including embargoes, government monopsonies, and so forth, which undoubtedly prolonged the depression.

28 Cf. *Trial* (May/June, 1972), the publication of the American Trial Lawyers Association.

29 *Mass. Col. Recs.*, V, pp. 59ff.

30 *Ibid.*, V, p. 79.

31 *Conn. Col. Recs.*, V, pp. iv-v.

32 Percy Greaves, "From Price Control to Valley Forge, 1777-1778," *THE FREEMAN* (Feb., 1972).

33 Gary North, "The Puritan Experiment in Common Ownership," *THE FREEMAN* (April, 1974).

34 *Acts and Resolves of the Province of Massachusetts Bay* (21 vols.; Boston: State Printer, 1869), II, p. 166.

Price Fixing in Revolutionary France

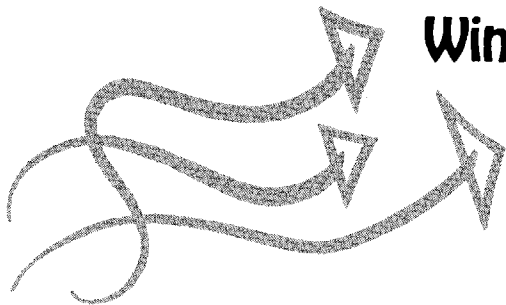
THE ARGUMENTS in the convention relative to the matter ran the whole gamut from the principles of economic liberty advocated by the economists of the day to the radical abstractions of Robespierre and his followers, who swept commerce aside by maintaining that "the food necessary to man is sacred as life itself," and "The fruits of the earth like the atmosphere belong to all men."

One of the most interesting of the many suggestions made in the convention was that of Barbaroux who advocated "a plan to form local associations to collect and circulate information about the crops. In other words, for coercion he would substitute co-operation, believing that the French citizens, farmers and merchants included, would not turn a deaf ear to an appeal for common action against the oncoming peril" (famine). Price fixing finally became one of the characteristic features of the Reign of Terror, and when Robespierre and his councilors passed through the streets of Paris in the carts of the executioners the mob jeered saying, "There goes the dirty maximum."

IDEAS ON



LIBERTY



Windfall

Profits

ROBERT G. ANDERSON

OF ALL aspects of the free market economic system, the role of profit-making by individuals is the one most subject to controversy. An air of apology seems to permeate any discussion of profit-making, even among those who generally commend the market society.

Companies seem duty-bound to defend their latest financial reports. Any increase in profits is contrasted with earlier periods of losses or "inadequate" profits. The relative smallness of profits is demonstrated in terms of capital invested, annual sales, or total wages. Public relations departments tremble over reported company success and gear themselves for the inevitable onslaught such favorable reports will bring.

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Among the charges most feared is the accusation that the firm has reaped windfall profits. While "normal" profits might be tolerated, anything above so-called normalcy is invariably subject to public charges of exploitation. The implication subtly drawn is that windfall profits accrue as a result of someone else's losses. While the public might overlook small injustices, large profits are simply intolerable.

This massive assault on profit-making reflects a belief that profits are something extra, the elimination of which would result in a general improvement in human welfare, that profits are gained at the expense of others—"unearned" and "unjust."

This anti-profit mentality stems from a failure to understand the true nature and source of profits, the integral relationship existing

between profits and losses, and their basic importance to the functioning of the market system. It is a failure to understand that an attack upon profits, even excess or windfall profits, is an attack upon the market system itself.

Within the framework of a free market price system, profits show which producers have best satisfied the wants of consumers. Profits appear as the result of actions taken earlier by those producers most successful in anticipating and serving the demands of the consumer. Profits demonstrate how well a producer has employed scarce resources in the past toward the satisfaction of consumer wants. Profits are a record of experience, a reward for satisfactory service rendered.

The process of profit-making, however, is not the same thing as the amount of profits recorded. Profits earned in the past serve as no specific guide for future productive activity, though the fact that they were earned may offer hope of future profits. Past profitable activity in a given form of production assures nothing about the future. Attempts to imitate activities that have been profitable have resulted in many business failures.

The opportunity for profit-making stems from the changing values of consumers over time, and

the reflection of these changing values on prices. The individual who foresees correctly these developing changes in market prices, and acts upon his foresight, will be the profit-maker.

Adjusting to Change

If man were omniscient, or if his values were to remain static, the concept of profit and loss would not exist. But fallibility and change are part of the human condition and necessarily affect man's economic behavior.

Today's market prices are reflections of values previously held by consumers and of the production those values generated. The prices so established will be either too high or too low with respect to the market conditions of tomorrow, conditions which could only be known by knowing the future, which is impossible.

The profit-maker, however, must attempt the impossible. The uncertainty of the future overrides all human action. The fact that future prices are uncertain does not dissuade the potential profit-maker from acting.

It is this potential of profit-making that provides the entrepreneur's motivation and incentive for production. The entrepreneur identifies resources in today's market that he believes will possess a higher market value tomorrow. If

his foresight about the future values of the consumers is correct, a profit can be realized. The magnitude of the profit will depend upon the degree of change in future market prices and the entrepreneurial decision to act on his foresight.

When the rise in prices is large, the entrepreneur holding the resources so affected will experience large profits. The identification of this development as excess or windfall profits has been grossly misleading. The fact that he did not anticipate the precise degree of change in prices is no basis for denying the owner of the resources his right to the gain.

The concept of windfall profit merely observes that large gains can be realized from drastic changes in consumer evaluations and their resultant impact on market prices. The owner of the affected resources experiences a dramatic and sudden increase in the value of his property. But, if consumer evaluations change in the other direction, market prices can just as suddenly and dramatically fall, causing windfall losses to the owners of resources so affected.

Windfall profits or losses simply emphasize the risk of productive activity resulting from the changing values of consumers. While the entrepreneur attempts to cal-

culate future market conditions, he is not omniscient. An underestimate of future prices may yield him a higher profit than he had anticipated when he took productive action, but that same higher profit becomes the magnet for an influx of new competitive activity.

A Reliable Guide

With the profit and loss system as their guide, competing entrepreneurs decide how resources shall be directed for future consumption. Anticipated profitability attracts the productive capital of the entrepreneurs, but the ultimate profit is determined by the actions of the consumers. The entrepreneur's astuteness in judging the consumer's demands will decide whether profits or losses are to be realized by him in the future.

A significant contributor to a smoothly functioning market is the much maligned speculator. As an entrepreneur, the speculator acts in anticipation of the changing values of consumers. His buying and selling of resources creates a more orderly market, reducing erratic fluctuations in prices, and thus holds down the magnitude and severity of gains and losses. Accurate foresight by the speculator mitigates the errors of resource pricing and the consequent large profits or losses brought on by changing consumer tastes.

Once profits are understood to evolve from the actions of the consumers, it becomes pointless to speak of profits as being "fair," "normal," "excess," or whatever.

The decision on how to allocate existing resources into future use is made by entrepreneurs on the basis of their interpretation of the consumer's actions in the market place of the future. Through a subsequent return of profits and losses to the entrepreneur, the consumer is constantly signaling entrepreneurs, as to how to direct scarce resources toward best satisfying consumer wants.

This relationship between the entrepreneur and the consumer is much like that of a revocable trust. The trustee-entrepreneur allocates resources for the benefit of the trustor-consumer, a relationship perpetuated by profits and revoked by losses. Through the signal of these profits and losses the consumer steers the producer.

The allure of profit-making is the catalyst for productive activity. Sparked by an entrepreneurial decision on the future state of the market, resources are continually being directed into hopefully productive use. The soundness of the original decision is reflected by profits or losses generated by the venture. Without some prospect that profits will substantiate the original decision, no productive ac-

tivity would be undertaken. The problem of determining how resources should be allocated could not be resolved. There would be no response to the will of the consumer in the market. The market would be in a state of chaos.

The Fundamental Issue Concerns Property Rights

The real controversy over the concept of excess or windfall profits evolves over who should be the beneficiary of these subsequent unanticipated changes in market prices. The fundamental issue in this controversy is one of property rights. In a free market system the entrepreneur subjects his property to risk in a productive activity in the hope of generating a profit. If his judgment of the future demand of the consumers proves correct, his property increases in value, and he profits. The extent of his gain is thus determined by the consumer. In a market system of private ownership the gains would therefore accrue to the owner of the property.

Similarly, the burden of windfall losses is borne by the entrepreneur. If he directs his property into productive activities later rejected by the consumer's changing values, he is responsible for his erroneous decision. The sudden abstention from buying on the part of the consumers causes a fall in

the value of his property and a loss to the entrepreneur. Within such a market system, the entrepreneur subjects his property to risk—to the gain or loss that accrues from the changing tastes of the consumer.

The notion that windfall profits accrue at another's expense or loss is patently false. They result from the same forces that bring windfall losses: changes in the values of consumers. Such windfalls result from future uncertainty, and should accrue to the owners who expose their property to the risks of production.


Profits or Losses Stem from Changing Values of Consumers

Once it is understood that profits and losses evolve from the changing values of consumers, it becomes obvious that abolishing windfall profits or windfall losses is impossible. Fallibility and change are a part of our nature, and both large errors and great changes are inevitable. To deny to the entrepreneur the gains or losses resulting from such error or change does not eliminate gains or losses; it eliminates entrepreneurs, disrupts the market, and ultimately leaves everyone under the dead hand of government control.

As long as consumers continue to express their changing values

in the market place, profits, anticipated or not, will continue to materialize. The only question is whether the gain in the value of the entrepreneur's property should accrue to the owner or to someone else.

When the government attempts to make itself the beneficiary of windfall profits, it can only disrupt the productive processes of the market. The natural adjustments in supply and demand that occur in the free market are hampered, and further disequilibrium develops. The consumer's urgent signal for increased production, which is the essence of windfall profits, cannot be heard or acted upon by producers to whom the market is closed. The ultimate consequence must inevitably be even higher prices for the resources involved. Thus, the expropriation of windfall profits is not only counterproductive, but also denies the sovereignty of the consumer in the structuring of society.

If the individual as consumer is to retain his personal liberty, if he is to remain the sovereign force in the structuring of society, he must be free to reflect fully his changing values in the market place. This requires that the profit and loss signal must remain unhampered. For that is the only signal to which entrepreneurs can reasonably respond. 



The Role of Savings



ONE of the least appreciated aspects of the private enterprise system is the role of savings in increasing the wealth of all the people. That the savings of *some* can increase the wealth of *all* may seem, at first glance, paradoxical, so let us consider for a moment just what happens when an individual — call him Joe — forgoes a little spending to put a sum in the bank.

Some people say: "The money that Joe has saved is money that won't be spent. The decrease in Joe's consumption can only mean a commensurate decrease in production and a resulting rise in unemployment. Saving should really be discouraged."

Saving is a form of spending! Joe's money doesn't just sit in the bank; the bank must lend it to someone in order to earn money to pay Joe interest. This lending is not only a form of spending, it is,

in fact, the only kind of spending that actually increases wealth: *investment*.

What happens when money is invested? Say a corporation goes to Joe's bank and borrows money to build a factory. The corporation then spends Joe's money on building materials, machines, tools, and labor. The money that Joe has saved winds up being spent just the same as if he had spent it himself. There is no decrease in production and no rise in unemployment. In fact, as we shall see, there is an *increase* in production and a *decline* in unemployment!

Soon the factory is complete. The corporation then proceeds to hire workers. Joe's savings have increased employment!

How does the corporation hire workers? By offering better conditions of employment than their competitors. Perhaps the most important condition — as far as workers are concerned — is the level of

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wages. In all probability, the workers in the new factory have been lured by higher salaries. Joe's savings, whether he realizes it or not, have increased the wealth of workers in a factory he probably has never seen.

"You said that savings increase the wealth of *all* the people. What about the 210 million Americans who don't work in Joe's factory?"

Competitive Bidding

Consider first the workers in competing factories. If these factories don't want to lose their workers to new factories, they had better raise their wages. Joe's savings have increased salaries throughout an entire industry!

As for workers in other fields, we should remember that most of them are potential factory workers. If you want to keep your best farm hand from going off to work in Joe's industry or taking a job that has been vacated by someone else who went off to work in Joe's industry, you had better give him a raise. Competition among employers means that Joe's savings, and the savings of millions of other Americans, raise the wages of *all* workers.

"That is still not everybody! How about people who don't work?"

Every man, woman, and child — worker and nonworker — is a consumer. The end of economic activ-

ity — saving, factory building, working, and all the rest — is *consumption*. We should always keep this *end* in mind. The higher wages we have talked about would prove meaningless if they didn't result in increased consumption.

Joe's savings benefit *everyone* because the factory, machines, and tools they helped build are designed to produce goods that consumers will prefer to those already being offered on the market. The corporation that borrowed money from Joe's bank took a financial risk because they think that they can satisfy consumers better than their competitors. In other words, they hope to give the consumer more for his money. If they fail, then the loss is theirs. If they succeed, then consumers consume more of what *they* want and thus enjoy a higher standard of living. The consumer — each and every one of us — is the final judge and ultimate winner.

"Savings seem to be pretty good after all. What should be done to encourage more saving?"

Instead of doing things to encourage saving, we should undo things that discourage it. In particular, the law itself is probably the greatest hindrance potential savers face. Let us make a brief survey of some of the ways in which the law discourages saving.

To begin with, people can't save money they no longer have. Every

dollar that goes in taxes is a dollar that won't be saved. Add up all the taxes that Joe pays, and he may find himself withdrawing from, rather than adding to, his bank account.

Tax Disincentives

In addition to the general level of taxation, several specific taxes are especially discouraging to savers. Corporate profits taxes, capital gains taxes, and taxes on dividends and bank account interest hit the saver particularly hard and must be taken into account by every potential saver.

High as taxes are, government spending is even higher. The difference, of course, is "made up" by running fiat money off the government printing presses — inflation. And inflation, combined with other ramifications of over-extended government, is enough to give even the most devoted saver cause to rethink his frugal habits.

The saver sees inflation galloping along faster than legal limits on interest rates. Even though he actually has lost money, in terms of purchasing power, he finds himself forced to pay taxes on his "earnings."

The saver sees inflation increasing the paper value of his capital holdings. When he sells his holdings he must pay capital gains taxes — even though his "capital

gains," in terms of real wealth, actually may have been capital losses.

The saver sees inflation increasing the replacement costs of capital equipment — machines, spare parts, tools — while depreciation allowances are determined by original costs. He finds that depreciation allowances have become inadequate to pay for new equipment to replace the old.


The saver sees inflation increasing the paper profits of his corporation. In particular, inventory "profits" — the difference between the cost of producing an item and the cost of later replacing it in inventory after it has been sold — are a direct result of inflation. Were all these inventory "profits" available for investment in new inventory, the corporation could at least hold its own. However, almost half these "profits," on the average, wind up as corporate profits taxes. Thus, the saver may find his corporation losing money and paying profits taxes at the same time.

Inflation itself, even without being combined with various governmental controls and taxes, is discouraging to potential savers. With prices rising, people are encouraged to make purchases before prices go any higher, rather than to save for future purchases.

This brief survey of ways in which the law discourages saving is, of course, by no means complete.

However, I would like to conclude with one factor that can never be measured, but which is nonetheless very real. This is the factor of uncertainty. In recent years, the United States government has grown so interventionistic that every few months the president is announcing "strong new" economic measures. Who knows what is next? Already we hear congressmen calling for a virtual nationalization of oil companies. Who is

going to invest under such circumstances? To complete the destruction of the American economy, the government does not have to expropriate the means of production. It merely has to make conditions so onerous and so frightful that no one will dare invest in private enterprise.

A free market, and the belief that the market will continue to be free, is all the encouragement savers ever need. 

Sharing the Gains

ALL economic gains must be eventually shared. That is a basic principle of such broad application that it might be called a general "law of economics."

This is not socialism. It is the essence of the free economy. Nor is it "re-distribution." It is plain *distribution*, or *diffusion* of wealth.

It works this way:

1. All business is done by agreement of some kind.
2. The agreements are voluntary.
3. Nobody agrees to anything unless he finds it in some way to his advantage.

These add together to make the essential reason why economic well-being is more widely distributed in the United States than it ever has been in any other country.

For in a free economy, everybody gets a share of the values other people have to offer. But they also have to share a part of the values they themselves have to offer.

IDEAS ON



LIBERTY

The Blessings of Diversity

LEONARD E. READ

Were all alike, instead of free,
T'would mean the end of me and thee.

THERE is an old wheeze that goes something like this: "The whole world is queer but thee and me, and sometimes I think thee a trifle peculiar." The line affixes a bit of humor to a lamentable fact: most people are addicted to conformity. The truth? Were all like thee or me, all would perish. So, let's make the case for diversity.

The first part of the case is easy. Were everyone alike, would we be all men — or all women? There wouldn't even be an Adam and Eve situation, only an uninhabited Eden! Suppose all of us were identical in food preference to those who eat nothing but fish. The fish supply would diminish to the point that all would starve — or die fishing. A moment's reflection reveals the nonsense of be-like-me-ness as related to the strictly physical aspects of our lives — even were all identical to thee or me.

It is when we move from functions of the body to those of the mind that the case for diversity most needs to be examined. Peo-

ple, by and large, seem instinctively to resist the idea of diversity in thinking. Why do not others think and believe as you or I do? Had a person of my convictions lived in Athens twenty-three centuries ago, his disagreement with Plato's concept of a philosopher-king surely would have disturbed the great thinker, even as you and I tend to be disturbed by those who do not see eye to eye with us.

The philosopher-king idea assumes an overlord — absolute rulership — someone who will direct what millions of citizens shall do and how they shall behave. Thinking for self is precluded; the king will do that for us.

Until recent times, kingship — czar, der Fuhrer, the Mikado, a ruler by whatever label — was generally accepted as the only alternative to societal chaos. There had to be a ruler — despite the miserable record — or society would collapse.

Why the failures? Plato's implication is that power hitherto had not been united to wisdom in one man. Obviously, kingship is

not to be trusted to power-crazed shallowpates. Plato's solution? Let only philosophers be kings! Then all of a nation's citizens would be blessed, being the beneficiaries of the king's wisdom.

**Which Philosopher
Should Have Control?**

Now, just who is it that qualifies as a philosopher? How designated? There are two ways. First is self-designation. Though not aspiring to kingship, Plato no doubt thought of himself as a philosopher. Look around at our contemporaries. Observe the countless thousands, none of whom doubts his own wisdom; each in his judgment the perfect philosopher. And fit for kingship!

The second way to be labeled a philosopher is by popular designation. Reflect on those thus acclaimed, ranging from Confucius, Socrates, Plato, Maimonides, Machiavelli, Marx, Berdyaev, to several of our time. Go over the list — some 400 — read of their ideas and find one competent to rule our lives.¹ Not one remotely qualifies. No such individual ever existed or ever will. And the genuine philosopher, at least of our time, would shun rule, even if it were offered!

Granted, each of these philosophers was in search of truth. Their findings? No two the same! One came upon an idea here, another there; now and then a bit of truth, occasionally an out-and-out error, such as Plato's philosopher-king or Marx's "from each according to ability, to each according to need." The worst that could befall mankind would be to give any one philosopher the power to impose his limited vision on everyone else — including other philosophers. Each of us should strive to live by such wisdom as he can glean, while working to expand his vision. But there is no short cut to the attainment of this objective.

When one first reflects on the blessings of diversity in thinking, he might want to make an exception: should not the devotees of liberty look askance at anti-freedom thinking? Of what possible help are Marx and Engels and the countless other opponents? My answer: They are an absolute necessity to the furtherance of our ideal, to the attainment of our aspirations. Bluntly, there is no way to go uphill expect as there be hills to climb. In other words, we have no chance of moving toward or perfecting the freedom way of life short of obstacles to overcome — now and forever! It is in the discernment of error that

¹ See *The Treasury of Philosophy*, edited by Dagobert D. Runes (New York: The Philosophical Library, Inc., 1955).

truth comes to light. The art of becoming is composed of acts of overcoming.

Let us suppose that no one today knows any more about the freedom philosophy than I knew some forty years ago. Heaven forbid! What jolted me awake? Not someone agreeing with me; it was the system of wage, price and exchange controls — the National Industrial Recovery Act. This was not exactly the philosopher-king, but almost as bad: the politician-bureaucrat. Knowing that to be wrong, I had to explore, look for, try to discover what is right. The wrong gave me a toehold, as we say; it served as a stimulant, a springboard. But for NIRA or some similar wrong, I might well have remained ideologically disinterested. So, was not the NIRA a blessing of diversity?

Nearly everyone can recall similar experiences, his thought processes stimulated by one or two wrongs. But how easy it is to believe that a few leaps upward in learning suffice. A momentary awakening and then falling to sleep again! Worse than falling asleep, however, is to harbor the illusion of journey's end, the thought that one's job is done.


During the past four decades, since shocked into awareness by NIRA, I have reacted to every anti-freedom notion that has come

to my attention. This has been my "magnificent obsession." The reward? In all modesty, I am far better informed about such matters than I was some forty years ago. Yet, the road looms ahead, and I have much further to go.

To highlight the danger of stagnation, let it be assumed that I understand far more than I now do — that I have become better than anyone else! Arrival? Indeed not; whatever the stage, it is only the beginning. However far one travels from his beginning in ignorance, it is but a start toward the infinite unknown.

Hold the fantasy for a moment: that I have become better than all others. Then assume that the thoughts of everyone were identical to mine. A better world? No! Such would spell the end of human evolution or emergence — mankind in a state of stagnation.

To seek Truth is to pursue the Infinite. The more one advances, the further into the distance stretches the road ahead. The more one knows, the more he knows there is to know.

Human freedom is an aspiration, never to be perfectly achieved but, at best, only to be more closely approximated. Have no fear of diverse ideas. Welcome them! They are blessings, perhaps in disguise, but steppingstones, nonetheless. 

Competition: Key to Consumer Dominance

BERNARD H. SIEGAN

REZONING to permit the construction of a major regional shopping center has been requested for a large tract of land located about fifteen minutes from where I live, and some of my neighbors are upset and the usual maneuvering and protesting are taking place. Some local officials have expressed opposition because the new shopping center, by creating additional competition, will diminish the profits of existing businesses within the city. It has even been suggested that merchants make a mass protest against the proposed center.

There is no doubt that the more business facilities in existence, the greater the competition each will

confront. But this is about the worst reason in a free enterprise society to deny anyone access to the market. We live in a society which is highly dependent upon competition. We rely upon competition to protect the consumer and stimulate the introduction of new, more and better products and services. There is no governmental agency available to accomplish these vital tasks: nor can government benefit the consumer and society even remotely as well, as any traveler to the socialist countries can confirm. The consumer is king when competition abounds; he is a serf when it is controlled and restricted.

A new shopping center will have to provide something better or different to attract customers—and the older centers may have to change their methods and improve products and services to keep

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pace. For consumers, the result will be some or many lower prices and larger varieties and better selections. Life will be made that much easier and more comfortable for many people.

A Competitive Society

The concept of open competition is innate to this country, as evidenced by the antitrust laws which are intended to make the deliberate elimination of competition a crime. If, for instance, several builders within a city were to agree to build a small number of apartment buildings and to prevent any others from being built, laws would quickly be adopted, if they did not exist, to dissolve this agreement and possibly even penalize the parties involved. This is because such an agreement would give the initiators special economic powers.

Zoning accomplishes the same result when it limits construction or development. The owners of existing buildings would in either situation be able to charge higher rents and/or offer poorer services and/or avoid undertaking repairs and improvements.

But it might be said, perhaps there might be too much, or "cut-throat" competition and we need zoning to save us from such a fate. The answer is that there can never be too much competition from the

consumer's vantage point — and everyone is a consumer. Businessmen who voluntarily enter a market should bear the risk of competition; they can take into account this risk when they commit their funds. Moreover, why should those who are part of the market be given preferred status over those who want to enter it?

Nor is it possible for anyone to determine the "correct" amount of business competition. There are always many uncertainties in the business world and it is difficult to evaluate precisely market conditions pertinent to any proposed development. Future economic and population trends are exceedingly difficult to project accurately for any one area, and this is compounded by changes in demand caused by the shifting desires and needs of people, all of which may glut or unglut a market. This is a risk that can much better be borne by entrepreneurs than by consumers.

Those who invest their money have the greatest incentive and are consequently in the best position to estimate this risk, and that includes both the developers and their lenders, for all large projects require major long-term financing.

To return to the case of the proposed shopping center — many of the owners of existing businesses must contemplate it with

as much delight as they would an impending hurricane. Self-interest would dictate opposition to any additional competition.

And unfortunately, such self-interest has often been a major factor in zoning decisions; businessmen have frequently used overt or covert influence to try to kill a proposed rezoning that would create more competition. Would-be developers can also be expected to exert similar efforts and, regrettably, the outcome of the competition for the favor of the local politicians may determine whether development will occur.

Some contend that this state of affairs must be tolerated because zoning regulations will in the long run provide for better quality, both materially and environmentally. What such a stand fails to comprehend are the benefits achieved by society whenever new development occurs in a highly competitive market.

Consider this example. Because it is not zoned, the apartment market is exceedingly competitive in Houston and there is usually a

significant vacancy rate. Yet new buildings continue to be erected even in the face of such difficulties. Why? Because the owner or developer of a new project believes that he can provide something different or better than what is currently available, and will be able therefore to attract people to buy or rent his housing in preference to his competitors'.

He has detected some void in the market and believes he can satisfy it and still obtain a profitable return. This may involve providing more amenities, larger rooms, more recreational facilities, more open space, better aesthetics, or perhaps lower rents. It requires skill, ingenuity, innovation and much time and effort on the part of the developer, yet the community is likely to benefit as much or more than he does. In this manner, society is rendered enormously valuable services without cost.

This process has led to the very high standards of living in this country. To restrict it is to substantially retard the progress and well-being of our society. ☉

IDEAS ON



LIBERTY

Anti-Social Behavior

THE COVETOUS PERSON lives as if the world were made altogether for him, and not he for the world; to take in everything and part with nothing.

CALEB C. COLTON

In Quest of



JUSTICE

RIDGWAY K. FOLEY, JR.

MANY THINKERS, jurists, philosophers and statesmen have searched across the centuries for the meaning and content of justice. Like many open-textured concepts, the essence of the word has proved elusive.

Justice should be constrained to a consideration of interpersonal relationships and should exclude relationships between man and the universe.

However, such circumscription suffers one potential hazard: it excludes man-to-impersonal-object or nonhuman relationships. For example, our categorization eliminates consideration of justice *vis-a-vis* the hypothetical situation where a man kicks a friendly dog, drowns a kitten, or teases a bird. Upon reflection, the suggested boundaries demonstrate no impediment to analysis of justice.

First, mistreatment of animals belonging to (the property of) an-

other human being finds inclusion in the human relationships posited. If I drown your pet kitten, I exhibit malice toward you in a subtly different way than if I punch you in the nose, but malice all the same.

Second, man-non-man relationships manifest something concerning the nature of man-the-actor; the characteristics impelling one to kick a dog or to torture a horse generally reveal themselves in other human affairs. Thus, exclusion of the specific example does not necessarily exclude consideration of the fundamental attributes.

Third, human-impersonal object liaisons probably do not deserve consideration within the ambit of the notion of justice. Rather, my treatment of spiders, of forests, of farmhouses, and the like (beyond any incidental human relationships) concerns my goodness and my essential nature. As such, the matters rather become issues for determination between me and my

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God; in other words, they relate to justice in the broader sense, that is, justice beyond the power of man to effect and affect. Thus, man can affect events in this milieu to the extent that he can alter his life and mold his character to conform to the nature of the universe, but he has no power to alter the standards and norms which measure that nature. Justice, as we are concerned with it in this essay, considers only relationships between two or more human beings where the conduct of one can affect the life of another.

Justice: The Seminal Norm

One quality, above all others, distinguishes man from other inhabitants of this planet: he possesses the power to make choices (reasoned decisions between alternatives) and each choice he makes constitutes a moral choice.

Concomitant to this quality exists the power of man to affect the lives of his fellow human beings. Man can attract, persuade, or force other men to act in the way he desires them to act. Man's choices affect not only the actor but also other persons resident, now or at other times, upon the landscape. In a very real sense, what I do today can expand or limit the choices available to those in my community and to those who may come after me.

Thus, we can define justice as respect for free choice. Justice demands that no man interfere with choices affecting the life, liberty, or property of another human being by coercion, fraud, or duress. Each man must be left free to determine his own destiny, to seek his own goals, to live his own life as he sees fit. No one *can* effectively live a life for another and none *should* try to do so. Spoken in another manner, each individual should always treat other human beings as human beings, never as objects. To treat a person as a person compels the actor to respect the essential humanity of his fellows, and that essential humanity can be defined as one's right to choose. Each person exists as a child of God, and deserves that treatment and respect which should be reserved for the Creative Energy underlying creation, whether termed a personal God or an impersonal natural law.

Justice obligates man to eschew violence and to stress attraction.¹ Human beings may justifiably employ force in limited circumstances: to repel invasion, to quell insurrection, to impede the imposition of force and fraud upon un-

¹ See Read, Leonard E., "How to Advance Liberty" (The Foundation For Economic Education, Inc., Irvington-on-Hudson, New York, 1964).

willing combatants, and to settle disputes. Writ large, force should only be utilized to parry force. "Might does not make right" underlies the whole proposition. Moreover, one should only employ that amount of force necessary to discourage or rebuff the violence initially practiced; any greater application represents a coercive intervention into the arena which must be left unfettered to the choice-making apparatus of free men.

Justice Reflects the Nature of Man

At least three conflicting views of mankind find current acceptance in political philosophy. For ease of analysis, we may refer to these as statism, anarchy, and voluntarism.²

Quite possibly, no imperfect human being perfectly fits the category of statist, anarchist, or voluntarist. Each of us may profess principles to which we aspire, and from which we fall short. Thus we speak of a statist as one who believes in state intervention into the lives of men, to some degree beyond

² I refer to a voluntarist as one who accepts a limited government, a state employed to discourage coercion and misrepresentation and to provide for common settlement of disputes. "Freedom philosopher" and "libertarian" have often gained favor as synonyms, but at least the latter has been recently co-opted by all manner of thinkers, rendering categorization most difficult.

the intervention accepted by the voluntarist which is solely to repel force and fraud. Obviously this appellation does not apply with equal zeal to each person;³ it may seem ill-conceived to apply the identical brand to Marxians, democratic socialists, and to businessmen who favor subsidies and price controls. Yet each, in his own way, represents the point of view that encourages state action to deprive free men of free choice. For sake of the present analysis, then, statist refers to one favoring partial or total state intervention in human affairs beyond the prevention of force and fraud, anarchist refers to one who decries all states and all state activity, and voluntarist refers to one who believes that the state possesses limited valid functions: the prevention of force and fraud and the administration of common justice.

An individual's conception of justice mirrors his view of the nature of mankind. To the statist, man represents a perfectible being, capable and suitable for molding by the social engineer. Each person possessing this philosophy, in greater or lesser dimension, sees man as an object, as a creature whose choice may be limited with justification and impunity. To the

³ The use and application of labels in the political spectrum merit separate treatment.

extent that he adheres to such a tenet, the statist treats man as something less than human.

The anarchist likewise views man as perfectible, but as voluntarily or self-perfectible. Because man can achieve these heights, the state represents an unnecessary appendage to society. Justice would not countenance the use of organized force for the anarchist — man must retain a full circle of alternatives, even to the extent of visiting violence upon his neighbors. While a single paragraph cannot reconcile the pacifistic anarchist view with the concept of private justice and retaliatory force, and while such a subject merits deeper inspection,⁴ suffice it to say that the anarchist sees man as so perfectible that no constriction of his range of alternatives accords with justice, so long as the actor remains willing to accept the physical, natural, and moral consequences of his choice.

The voluntarist holds quite a different view of human nature and occupies a perch midway between statism and anarchy. He perceives of man as fallible and imperfectible, although capable of improvement. Because no person can achieve perfection, or even closely approach that ideal, no in-

dividual from the mass can, or ought to, dominate the life of another, equally infinite, individual. Since man retains a dark side, a predilection to violence, and fails to act with perfect reason, force lurks pervasively throughout the world. Force may be reasonably rebuffed only by organized force, else man's lot degenerates into civil chaos. Private retaliation invites a misreading of the situation and misapplication of coercive power; misapplication of force invites retaliation when the retaliatory force exceeds that which is necessary to allay the fraud and coercion initially instituted. Examples of misuse of private force litter history books: private armies, vigilante systems, and private detectives, acting without restraint of law, seem predisposed to avoid charity and deny recognition of personal rights. Private systems of protection and the settlement of disputes depend upon a perfect rationality by at least the vast majority of citizens occupying a given territory. The voluntarist doubts that man can achieve that station; until he does, man's nature requires a limited collective force in accordance with a respect for free choice.

**A Fundamental Premise:
Man in Conflict**

Almost all individuals, whatever their persuasion on the polit-

⁴ See, e.g., LeFevre, Robert, "Justice on Trial," *Reason* (Vol. 3, No. 11) February 1972, page 18.

ical or philosophical spectrum, agree that human beings conflict and disagree with one another. An imperfect being can anticipate no other result. Some men cannot conquer their sinister side and exhibit a proneness to violence and deceit. Choice, the most individualistic attribute of human nature, presupposes that choosing beings will pick alternative courses of conduct, and that with billions of persons exercising free choice, some conflict of choice will be inevitable.⁵

Most human conflicts resolve by voluntary means. I meet you on the sidewalk and one of us steps aside to allow the other to pass. My stereo disturbs your slumber; I reduce the volume willingly when you ask. Doe and Roe both reach the bargain counter at the same time and each wishes to purchase the last remaining item; the sales clerk makes an immediate choice to sell to Doe, thinking that he appeared first and Roe, while disappointed, turns away. Clearly, the more voluntary accommodation possible in society, the better.

Nevertheless, some conflicts do not afford a simple resolution, be-

cause of the rational difficulty of choosing between the two or more conflicting claims, or because of the imperfect personalities of the participants. The statist tends to view more conflicts as incapable of solution by voluntary means than either the anarchist or the voluntarist, and he exhibits no hesitancy in calling in the troops to coercively decide each and every issue the way some group in power believes that it should be solved. Such fetters manifest little or no respect for free choice and can be characterized as unjust.

The anarchist and the voluntarist, on the other hand, believe in the voluntary settlement of disputes in the widest possible degree consonant with good order. They differ in the mechanism to be utilized in solution of disagreements irreconcilable by voluntary means. The voluntarist opts for a limited government function—the forceful administration of justice—which will settle controversies which the parties cannot settle themselves and which will compel acceptance of the decision. The anarchist favors voluntary arbitration and private courts, apparently believing that the presumably rational parties will accede to the jurisdiction of these tribunals and accept an unfavorable decision. Practicing lawyers and experienced litigants display familiarity with

⁵ Such is the nature of freedom that millions upon millions of value judgments and choices cause basically little conflict. Freedom works better than coercion because it approaches Infinite Truth. See my essay "Choice or Chains" (April 1974 *Freeman*) for an examination of this phenomenon.

recalcitrant parties who refuse to pay judgments voluntarily or to answer questions on cross-examination or who disrupt courtrooms with obnoxious conduct. Absent sanctions and an agreement to disagree as rational beings, voluntary arbitration and private courts offer no compelling answer to the problem.

In any event, individuals illustrating all phases of the spectrum recognize the need for rules to settle disputes, in either a private or a public milieu, and that such norms must accord with justice. The statist sees more disputes subject to arbitrary and coercive determination than his brethren, but this in no way gainsays that need for rules of decision. The anarchist wishes contests adjudicated by private agencies, but such tribunals must decide on the basis of rules harmonizing with justice. Let us examine certain fundamental principles which accord with justice as respect for free choice, rules which can produce a voluntary society upon faithful adherence, recognizing that one cannot exhaustively state all premises and qualifications appropriate to these norms in so short a space.⁶

⁶ Many of these concepts are open-textured and require definition, which will not admit of perfect solution. See Foley, Ridgway K., Jr., "The Myth of the Perfect Solution," 23 *Freeman* No. 2, 104, 111-113 (February, 1973).

Justice: The Subsidiary Norms

- *Each man should keep his promises.* Freedom to contract with regard to all manner of activity carries with it an interrelated aspect, similar to the fact that individual responsibility serves as the reverse side to personal liberty. Every man should be required to adhere to his solemn promises to the extent permitted by external forces and to the extent that another human being has justifiably relied upon those promises, if the promise was not initially extorted by force or fraud.

Application of this rule does not denigrate free choice: it respects it. If one voluntarily chooses a course of conduct affecting another person, the actor has predetermined a result and should not be heard to mulct the other party of his due. One can refuse to contract altogether, but once he enters into a contractual relationship he must be held bound by the terms of the agreement he actually entered, and no other.

- *Every individual should pay for harms voluntarily caused.* If man receives the right to act freely and to choose his own destiny, it follows that he must accept the moral responsibility for his choices. One result of free choice

witnesses occasional collisions between conflicting human beings. If one voluntarily acting human being causes harm to another person by virtue of fault, be it an intentional or careless act, the actor should be required to compensate the victim to the extent of his harm, and no more.

Problems of causation, fault and amount of damages have plagued legal theorists for centuries, much as the problems of the implication of promises and the objective manifestations of assent. Mankind cannot fully know and appreciate the interweaving of cause-and-effect, nor can it recognize all avenues of fault without looking inside the human mind and soul, nor can it measure the harm directly attributable to a single act. Each problem can be solved only by finite approximation applied by fallible judges. The principle serves as a lodestar to be sought as an ultimate goal.

• *Each individual should pay his own way.* Every choice carries with it a real cost, sometimes clearly apparent to an observer, sometimes hidden and awaiting analysis. As nearly as possible, each choosing human being should accept the consequences of his conduct, and one consequence is the cost. Homely put, "there ain't no such thing as a free lunch." Some-

one must pay. A welfare payment or a subsidy puts money substitutes in the pocket of certain citizens, but it requires a taking from others in the community. Minimum wage laws force marginal workers from the market and deprive them of (cost them) their dignity. Examples proliferate. Application of this precept requires assessment of real cost in terms of Bastiat's dictum: The Seen and The Unseen.

• *No one is entitled to a windfall.* Administration of justice should prevent unjust enrichment. Just as each man should pay his own way, he should pay no more. If mischance or external forces occasion a loss to one person and a gain to another without a voluntary trade, the office of law should be to restore the parties to their preexisting status.

• *The creator of value should determine its retention and distribution.* Man creates value. He applies his mind and his labor (direct or stored [capital]) to natural resources and produces goods and services which carry with them a subjective value. Thus, man also assesses value. Nothing material can be said to possess an inherent value absent relationship to a human being. Individuals place value on goods and services;

they express that value by the value they have acquired which they are willing to trade for those goods and services.

The value discussed, sometimes denoted property, belongs to the creator (owner) or his designate. Thus, justice must recognize the right to private property in order to respect free choice. An essential collateral tenet of justice impels that retention or distribution or destruction of value must rest with the creator of that value or his transferee or nominee.⁷ Man denies justice to the extent that he sanctions nonproducers who dominate or destroy value created noncoercively by others. Just as man must pay his own way, so also must man not be compelled to pay someone else's way.

• *Each citizen of a state should bear an equal share of the expense of governance.* Each individual citizen residing in a territory designated a state should bear an equal share of the common burden which includes the expense of administering that state. He should pay for any services directly rendered to him at his request. Each citizen benefits from the protection rendered by the state and

from the alleviation of civil chaos and no one can properly claim that one person acquires a greater benefit than another. In addition, any citizen receiving a direct benefit at his request should pay his own way, including payment for such a service.

• *No individual or group of individuals should initiate force or employ fraud against others.* Only one man-concocted limitation upon free choice deserves respect: no man, acting singly or collectively, should act fraudulently or coercively toward his fellow man. To the extent that he violates this maxim, justice approves application of counterforce by the victim or by society at large, but the retaliatory force must not exceed that amount absolutely necessary to dispel the initial act else the retaliator, individual or state, becomes the aggressor and violates this norm.

• *Treat similar instances in similar fashion.* Anglo-American common-law tradition rests in part on the ancient concepts of *stare decisis* (the matter has been decided before) and *res judicata* (the thing has been determined previously). These Latin legal tenets represent application of the fundamental norm that similar situations or disputes should be

⁷ See Read, Leonard E., "Justice versus Social Justice," *Notes From FEE* (The Foundation For Economic Education, Inc., Irvington-on-Hudson, New York, May 1972).

decided in harmony or like fashion with other disputes of the same nature, involving either the same or different parties.

Similar treatment of similar situations finds justification in several reasons.

First, the norm rests upon the principle of predictability. Citizens ought to be able to plan their lives in full knowledge of the consequences which will attach legally to their conduct.

Second, the rule finds support in the concept of reliance. In substantive commercial and contractual areas of life, where planning performs a salient function, parties ought to be able to rely upon certain results as a consequence of their actions.

Third, earlier decisions contain the accumulated wisdom of the ages. The law builds on past experience and should not be lightly disregarded. Once courts of justice carefully consider a case and render a reasoned decision, transient causes ought not disturb the principle determined.

Fourth, failure to adhere to decided rules increases the costs of the administration of justice. Absent the effective role of precedent, more cases containing recurrent issues will have to be decided by trial and appellate courts.

Fifth, the sound use of precedent promotes a government of

settled laws, not rule by finite man. A consistent result from case to case follows in the Anglo-American tradition as opposed to the civilian or Continental system which disregards *stare decisis*.

Sixth, in any jural system or decision-making context, a natural tendency exists — the human inclination to look over one's shoulder to discern what was done before. The doctrine of treating like cases in like manner recognizes this tendency by providing an orderly method for use of past experience, a convenient tool for quickly and easily disposing of disputes.

Seventh, finally, and most importantly, adherence to precedent accords with the essential nature of justice, respect for free choice. Decisions once reached upon a rational basis should not be lightly overturned. To do so alters our government from one of laws to one of men. A flexible "rule" is no rule at all, but amounts to measuring "justice" by the length of the chancellor's foot. Respect for free choice impels recognition of the consequences attaching to the operation of that choice-making power, and if these consequences can flow willy-nilly without predictability, man denigrates the essential humanity of his fellows and bears no responsibility for his moral choices. One cannot meaningfully choose unless his

choice can affect and effect results.⁸

• *Adjudge all men equally before the law.* Interrelated with the concept of deciding similar cases in similar fashion, justice also requires equality before the law. In those arenas in which law (organized coercion) plays a salient role, each man must receive identical treatment. Favoritism does not belong in a just society.

One must scrutinize this norm with caution and avoid the misapprehension so common today. Modern society witnesses a false egalitarianism stemming from misuse of the words of the Declaration of Independence ("all men are created equal") and brought to fruition during the French Revolution ("Liberty, Equality, Fraternity"). Men are not equal; their distinction and their individuality represents the vitality of the human race and an essential attribute of mankind. Men possess different appearances and differing talents, distinct life spans and dissimilar values. Enforced equality means enforced mediocrity, where all individuals are cut and stretched to fit Procrustes' Bed. Coerced egalitarianism demands application of destructive force to individuals and,

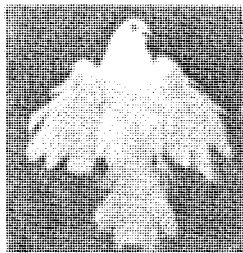
except in the limited areas of prevention of fraud and force and administration of justice, justice disparages the use of force.

Equality before the law imposes a burden upon mankind, acting as a coercive state, to provide both substantive and procedural due process to all citizens *vis-a-vis* interpersonal and individual-state relations. For example, no man shall be tried for a crime *in absentia*; each man is entitled to his day in court in both civil and criminal causes; every citizen is entitled to fair notice and a complete hearing before a competent and unbiased tribunal; rank and station shall not determine application of sanctions; open trials prevail over secret Star Chambers; norms should not apply retroactively. A host of protective and preventive rules assure that each man brought to trial and faced with potential loss of freedom will receive equal treatment to other individuals similarly situated.

Conclusion.

Justice lies within. It represents an ideal toward which we must strive in our relationships with fellow human beings. If each of us will treat each other human being as a person, and respect the essential humanity of that person by respecting his right to free choice, we will achieve justice.

⁸ See essay cited in footnote 5, *op. cit.*



Peace and Justice

DEAN RUSSELL

PLATO sought peace and justice in the person of the “philosopher king” whose edicts would be enforced by the warrior class.

This search for the philosopher king is still with us today. He’s now called the “good man” — and when he gains the power of government, it’s presumed that he’ll enforce just laws justly, and will thereby bring peace.

For guidance on the use of power, and its effect on peace, I recommend the famous dictums of Acton and Emerson:

“All power [even the power of a teacher over his students] tends to corrupt; and absolute power corrupts absolutely.”

“. . . means and ends . . . cannot be severed; for . . . the end pre-exists in the means. . . .”

Dr. Russell is Director, Graduate Program in Management, of The College of Racine in Wisconsin.

For example, if force is used by one person against another, the objective of the user of the force is to use force, i.e., to compel the other person to do something he doesn’t want to do. And the means used to compel action by an unwilling person must necessarily involve the use of force in one form or another. Means and ends are here not merely similar; they are the same thing.

Likewise, if a person’s objective for another person is freedom of choice, the means to implement his objective can be nothing but voluntary action. Again, means and ends are the same thing. Or as Emerson phrased it, “the end *pre-exists* in the means.”

Of course, this correlation of means and ends has no bearing on the tendency of all of us to rationalize and justify *our* particular

use of force. And most unfortunately, it's this rationalization of the act (not the physical act itself) that the user of compulsion prefers to announce as his objective. For example, the robber claims that he's only getting back what has been exploited from him by society; therefore, his objective isn't robbery but justice. And the president of the United States seems sincerely convinced that he's merely performing his duty to preserve freedom for everyone when he advocates and enforces conscription. But after all the rationalizations are advanced and tabulated, this undeniable fact remains: When one uses force, that's precisely what he has in mind; else he wouldn't use it.

The First Step

If means and ends are the same thing (as Emerson and I believe), and if all power of every kind tends to corrupt (as Acton and I are convinced), then the current efforts for peace and justice in the United States, and in the world in general, are not soundly based. Since these efforts mostly ignore the above postulates, they are no more likely to succeed today than they have succeeded in the past. While the actual fighting by various organized armies may cease temporarily for various reasons (e.g., Israel and Egypt in 1967-

73), real peace is still not gained; and, of course, justice is a matter of opinion.

The first step toward peace is for each person to be peaceful. This is a decision that any person can make whenever he wants to. If all persons were peaceful, then peace would exist; and along with it, there would then also exist as much justice (an undefinable emotion) as we fallible human beings are capable of understanding. Since peace and justice must necessarily begin with a unilateral decision by one person alone, I have decided (without consulting anyone) to live as follows:

I will never use (or advocate the use of) force or violence or compulsion against any peaceful person. I won't even advocate the passing of a *law* that will force any peaceful person to follow my concepts of how people should live and act.


Necessary Controls

Of course, I'll still campaign for laws against murderers, polluters of the common water supply, and molesters of children. And I will also continue to advocate compulsory traffic regulations designed to help all of us equally to get to our destinations. Laws such as these, however, are not in any way violations of my pledge toward peaceful persons.

I will do unto others only what others want done unto them; and if what they want done isn't what I want to do, then I'll at least have the common decency to leave them alone. This philosophy of life grew out of my early experience as an evangelist to whom no one would listen, thus causing me to wish for a law to compel other people to live right, that is, the way I was living and wanted them to live — for their own good, of course.

In short, my contribution to peace is to be peaceful, and my contribution to justice is to stop

advocating laws to make other people live as I do. If you care to join me in peace — and this concept of justice — welcome; that will make two of us who have decided to be peaceful.

There's no organization to join, no armband to wear, no action programs of any kind. And the only immediate reward is the possibility of an internal peace that sometimes comes to a person when he stops using and advocating compulsion against any peaceful person, even for the latter's own good. 

A Controlling Power

MEN ARE QUALIFIED for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites; in proportion as their love of justice is above their rapacity; in proportion as their soundness and sobriety of understanding is above their vanity and presumption; in proportion as they are more disposed to listen to the counsels of the wise and good, in preference to the flattery of knaves. Society cannot exist unless a controlling power upon will and appetite be placed somewhere, and the less of it there is within, the more there must be without. It is ordained in the eternal constitution of things, that men of intemperate minds cannot be free. Their passions forge their fetters.

EDMUND BURKE, *A Letter from Mr. Burke to a Member of the National Assembly in Answer to Some Objections to His Book on French Affairs*, VGTV.

IDEAS ON



LIBERTY



HAVING MY WAY

LEONARD READ is the very anti-thesis of the arm twister. He does not teeter on your lapel to shout in your ear. But his phrases, gently repeated in his wisely ruminative essays, do succeed in grabbing people. There is his reiterative use of the phrase "the freedom philosophy," for example. Pundits have spent many hours trying to figure out a modern substitute for the once-honorable word "liberalism," which has been stolen by the collectivists. The best the pundits have been able to come up with is the clumsy word "libertarianism." It doesn't quite fill the bill — and I have noticed that people like Professor Ben Rogge of Wabash College, who is himself the com-

plete libertarian, now use the phrase "the freedom philosophy" to indicate their body of beliefs.

In his latest collection of freedom philosophy essays, *Having My Way* (Foundation for Economic Education, \$4.00 cloth, \$2.50 paper), Leonard Read tosses off the word "dictocrat" on page eleven. It was a new coinage to me, and I placed a check beside it. Further on in the book Mr. Read made an adjective of it, "dictocratic," using the adjective three times within three pages. Rather good, I thought. "Dictocrat" covers a multitude of characters who try to get their way by force, including the force of seizing other people's money to pay for their

experiments. "Dictocrat" brings out the common strain that you will find in Communists, Socialists, Anarchists-of-the-deed, Social Democrats, Majority Rule fanatics, Planners, Collectivists, and what-not, including all the many varieties of Progressive or Liberal (modern sense) who need forgiveness, for they know not what they do.

Let me hasten to say that Mr. Read is not being pejorative in his use of "dictocrat." He doesn't pin it on specific people, knowing that to do so would only succeed in alienating possible converts to his own freedom philosophy. Mr. Read has his Marquis of Queensbury code. He uses the word in a coolly scientific spirit. A "dictocratic scheme," to him, is the antithesis of a "free market scheme." That is all there is to it, and it is enough.

Economics and Morality

The older he grows, the more Leonard Read thinks that economics must be considered a branch of moral philosophy. If one does not have moral scruples in the market place, one will inevitably distort the processes of production and exchange. If, by using interventionist compulsions, you take more out of the system of exchange than you put into it, you will be guilty of diminishing productivity and

multiplying scarcity. This, to Mr. Read, is thievery. Try as he may, Mr. Read cannot imagine a society totally composed of thieves: parasites, he says, die in the absence of a host. He is forced to conclude that economics and morality depend on the same values. Since they do, there is little sense in talking about keeping economics "value free."

With morality on his mind, Mr. Read is more concerned with what the interventionist, or dictocratic, philosophy does to bring injustice to individuals than he is with the usual statistical expressions of economic thinking. Above-market wages and below-market hours create unemployment, a statistical category. But this is the cold, "value free" way of putting it. Mr. Read prefers to emphasize that minimum wage laws make the relatively poor suffer. They become victims of a legally sanctioned form of theft.

The Power of Example

Mr. Read would object to any characterization of his essays as sermons. A sermon is a form of intrusion—the dictionary defines it as "a lecture on conduct or duty," or as a "homily." Leonard Read lectures no one; he writes, so he says, to clear things up for himself in order that he may get on with his own life-project of

trying to perfect his own understanding. If he can improve himself to the point of becoming an example for other people, then so much the better. But he does not mean to be intrusive. He has found that the surest way of scaring people off is to set out consciously to do the other fellow good.

For all his lack of intrusiveness, however, Mr. Read conducts a very subtle pastorate. He preaches the Word by redefining it. As he becomes older he finds himself going more and more back to the roots of language. He cannot believe that it makes sense to let the "meek" inherit the earth if the meek be defined as "timid, shrinking, apologetic" Casper Milque-toasts. But, traced back through Greek to its Aramaic original, "meek" becomes something different. As Gerald Heard has said, the word stands for something opposite to "overbearing" or "aggressive." "Meek" suggested itself to the King James translators because, in Elizabethan usage, it implied a "wonderful, inherent, teachability." So the Beatitude should read, "Blessed are the teachable, for they shall inherit the earth." As for the meaning of "earth" in this context, Mr. Read is reasonably sure that it relates to "man's earthly potentialities."

Learning from Mistakes

Mr. Read is always willing to change his mind, if his pursuit of root definitions leads him to believe that he has been wrong. Once he believed that it was "unfortunate" that inequality should exist. Now he considers it would be a terrible misfortune if everyone could be made equal. We all benefit from the discoveries of the gifted. True, people should be regarded as "equal before the law," but this very equality must mean that crooks and murderers will be treated differently than honest men. It is not even true to say that everyone is "equal in the sight of God." The Deity is not to be insulted by implying that Judas Iscariot could be the "equal" of Peter when called before the Heavenly bar. God, says Mr. Read, should not be condemned as near-sighted.

In talking about willingness to confess past errors, Mr. Read tells a remarkable story about his encounter almost thirty years ago with John Maynard Keynes. He had invited Keynes to oppose J. Reuben Clark, President of the Church of Jesus Christ of Latter-Day Saints, on the subject of the U.S. foreign aid program. Keynes declined the invitation, saying "My mission is to obtain the British loan. Were I to stand before

your audience and say what I *now* think, which is what I would do, I would disparage my mission.”

This is historically very interesting. It accords with Keynes's praise of Hayek's *The Road to Serfdom*. Mr. Read doesn't want to single out Keynes as being alone in the fault of refusing to make public a confession of error. But, in view of the harm that “Keynesian” economics has done the human race, I hope Mr. Read's historical revelation will be read on the campuses where Keynes is still regarded as the master.



- **THE ENTERPRISING AMERICANS: A BUSINESS HISTORY OF THE UNITED STATES** by John Chamberlain, new and updated edition. (New York: Harper & Row, 1974) 283 pages, \$8.95.

Reviewer: John Davenport

THE REPUBLICATION of John Chamberlain's *Enterprising Americans* comes at an opportune time. Businessmen all over the world find themselves under attack and thus far, judged by public opinion polls, have had little success in meeting

their critics. One reason for this failure, it seems to me, is that business is still portrayed by friend and foe as a kind of special interest group entitled to a fair share of profits, just as labor is portrayed as a separate group entitled to its fair share of wages and salaries. Our social philosophers have succumbed to the disease of “groupitus” which makes them advocates of ever stronger government measures to “counter-vail” the power of highly organized and contending minorities. At the end of the road looms some form of the corporate state.

This is the Galbraithian view of things and Mr. Chamberlain will have none of it. In his preface he defines business as “creative busy-ness” that includes just about everybody from factory worker and farmer to manager, investor and entrepreneur. From this vantage point he then traces American economic development from pre-colonial times forward. The result is a rich and many-plied story focusing on the inner dynamics and motivations of men who transformed a continent into a highly industrialized society which, for all its faults and current problems, still gives its citizens a better shake than any other society in history.

In the foreground as the tale progresses stand certain prime movers,

familiar to most college students though all too often portrayed in unflattering terms — Henry Ford, Andrew Carnegie, J. P. Morgan, Rockefeller, and the genius of Edison. But interwoven in the story are other aspects of America all too often forgotten in our haste to deify, or more often today to villify, the work of the titans. We watch William Pepperrell of Kittery, Maine, transforming the rocky shores of New England into a jumping-off-place for ships and world-spanning trade. We are reminded of the effects in Montana and the Dakotas of Sam Colt's revolver and his development of mass production methods. The du Ponts of Wilmington back a scientist, Dr. Wallace Crowthers, and we have nylon and the artificial fibers which today largely clothe a nation. Bell Laboratories and Dr. William Shockley perfect the tiny transistor, and lo! — we enter the age of the computer — not to mention the space rocket and satellite probing the far reaches of Mars and the universe.

It is because Mr. Chamberlain has an eye for such details and interrelated consequences, and because he has cast his book in the form of history rather than abstract argument, that it carries a profound message. The message is that the much-maligned businessman, far from being a greedy

exploiter, is in fact the essential intermediary between man, the consumer, and man, the producer — between the demands of the public for goods, and the desire of most of us for jobs and productive work. In a complex civilization characterized by the division of labor, *someone* must play this role, and on the evidence, the businessman has played it surpassing well. In the end Mr. Chamberlain's history of what businessmen have *done* is a spirited defense of the market process which, in supporting the free society, may one day make possible the good society.

► POPULATION, RESOURCES, AND THE FUTURE: NON-MALTHUSIAN PERSPECTIVES, edited by Howard M. Bahr, Bruce A. Chadwick, and Darwin L. Thomas (Brigham Young University Press: Provo, Utah, 1972), \$3.95 paperbound.

Reviewed by Bruce D. Porter

EVER since Parson Malthus penned his *Essay on the Principle of Population*, prophets of gloom by the handful have denounced childbirth as the source of human woes. In more recent years, however, that handful has multiplied geometrically (and common sense but arithmetically), to make it "common

knowledge" that a population crisis of immense magnitude is at the door, about to thrust civilization to its doom.

"In the belief that non-Malthusian perspectives on population are not receiving the attention they deserve," fourteen top scholars join forces in *Population, Resources, and the Future* to refute numerous myths about overpopulation and resource shortages. The book is a significant contribution to rationality.

The scholars are highly critical of "population myopia" — the increasing trend to blame all manner of social maladies on the infants coming into the world. Such a catchall diverts our attention from far more significant problems and creates a convenient scapegoat for erring politicians. Drumming up a crisis may only encourage hasty, possibly foolhardy solutions.

Several scholars challenge the Malthusian premise that resources inevitably run a losing race with population. The food supply, for example, has not only kept pace with the birthrate, but since the dawn of serious agricultural research in the first half of our century, it has surpassed it, and the Green Revolution is only beginning. If fully developed and allowed to produce, the world's present croplands could support our growing numbers *many times over*.

The same is true of housing and energy technology. R. Buckminster Fuller contributes an imaginative essay on the potential of engineering to handle increased population at *increasing* levels of affluence. He maintains that improved technology rather than political organization will ultimately be the key to erasing housing, water and energy shortages.

Certain environmentalists have identified overpopulation and "the exploitive system of capitalism" as the two main sources of our pollution problems. B. Delworth Gardner of Utah State University convincingly demonstrates that most environmental damage involves *public* resources and lands, where common ownership eliminates individual responsibility for waste. Contrarily, private ownership of well-defined properties normally works to reduce pollution to negligible amounts. He proposes some unique ideas on using the free market system to control environmental abuses.

Another major assertion of neo-Malthusians has been that high population density is the major cause of crime, delinquency, civil unrest, suicide, and drug abuse. An analysis of demographic patterns dispels this idea. Our urban riots have typically occurred in areas *declining* in population; the highly crowded countries of England and

Holland have among the lowest crime rates in the world. A case can even be made in favor of high density life — that it is good for people, their health and sanitation.

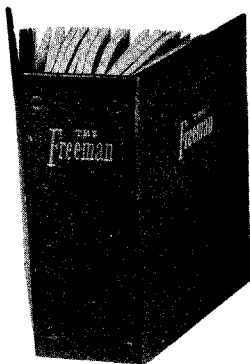
The big picture we get is that population is only one of many factors contributing to social problems, and a minor one at that.

“Mass starvation is not made in bedchambers, but in council chambers.” The closing essays of the book deal with the moral questions raised by population control. “Coercive programs are incompatible with self-direction and personal

freedom.” In the realm of living, breathing people, there are values more precious than survival itself.

Should the time indeed come when our numbers reach crisis proportions (and these scholars agree the time is still distant), people will *voluntarily* bear less children. It may frighten some to thus trust humanity's future to the wisdom of free individuals, but a far more foreboding spectre is that of a society planned and ordered and limited, but alas! void of the values, dignity and freedom we have come to take for granted.

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Mises and Fisher

on

Theory and History

WILLIAM H. PETERSON

SANTAYANA said those who don't know history will be condemned to repeat it. History, then, must be one of the subjects least known or understood by man, as must be economics. For the drip-drip-drip repetition of government's economic errors over millennia and centuries and even over recent years and months boggles the mind.

Perplexed, one asks, Why? Why does bad history repeat itself while history is there for all to read? For insights we can turn to Ludwig von Mises and Antony Fisher.

Before so turning, consider some evidence on current history gone wrong over the past year or so. First, some errors. Arm-twisting of commercial bankers to notch down their prime rate. Devaluation of the dollar, the second in fourteen months. Meat

controls. Export embargoes on soybeans, fertilizers, steel scrap. General price freeze. Oil allocation. Gas rationing in a dozen states. Pressure for a crude oil price rollback. And all this and more is layered over economic policy errors of much longer standing.

Meanwhile, repercussions of these errors abound. Inflation rages. Unemployment rises. Public spending swells. Taxes become increasingly onerous. Partisan re-cremations reach a crescendo in an election year. The nation's leading labor organization considers a resolution calling for nationalization of the oil industry.

Again, one asks, Why? Why price-fixing in this day and age, while history records, for example, the mammoth failure of Diocletian's wage-price-fixing Edict of 301 A.D.? Why must the evils of printing press inflation go on today, while Andrew Dickson White's brilliant *Fiat Money Inflation in France* is in print—

Dr. Peterson holds the John David Campbell Chair in American Business at the American Graduate School of International Management in Glendale, Arizona.

again, there for all to read?* Or why should Britain turn yet another time to a socialist government when the inevitable failure of socialism was abundantly spelled out by John Jewkes' *Ordeal by Planning* and earlier by Ludwig von Mises' *Socialism*?*

According to What Theory?

The answer is that there is history and there is history — or, more accurately, there are historians and there are historians. Historians may strive to be objective or factual in recording history. Yet probably, recording history is not their biggest problem — although selecting and arranging, necessarily arbitrarily, the historical facts of man's and nature's myriad acts and happenings is itself quite a problem. The biggest problem, more likely, is in interpreting history, in seeking to give the Why of historical events (which brings to mind Acton's famous "advice to persons about to write history — don't").

The French Revolution of 1789 is a fact, by way of illustration. No denying the fact. But why is it a fact? What factors caused the Revolution? And how much weight does the historian ascribe to Factor A, Factor B, Factor C and

so on? Here's where interpretation sets in. Here's where the historians' theories and values inevitably color and shape history books. The Marxist historian, for example, is almost certain to be influenced by the opening idea of the *Communist Manifesto*, namely: "The history of all hitherto existing society is the history of class struggles."

The vital, indeed inescapable, connection between theory and history was a major contribution to economic and historical thought by Ludwig von Mises in his *Theory and History* (Yale University Press, 1957). Theory, this late and deeply missed giant of the Austrian School noted, was critical in unlocking the elusive Why of history. Historical effects are relatively easy to observe; historical causes are much harder to come by, or at least the true causes are.

Many historians and quite a few economists, by way of example, simply write off the Great Depression as the failure of capitalism and completely neglect the impact of monetary expansion and contraction and of massive government intervention by Presidents Hoover and Roosevelt. But these two Presidents were, in turn, counseled by advisers who had presumably studied history. The advisers may well have known the facts of history. But, as Mises

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pointed out, "Behind every fact lies a theory." Did, then, the Presidential advisers know theory or, more particularly, did they know the right theory? Judging from the course of the Great Depression and subsequent events, I am inclined to think they did not.

Who Is Antony Fisher?

Antony Fisher probably feels the same way, as he asks prophetically in the title of his new profound and provocative book, *Must History Repeat Itself?* (Churchill Press Limited, 1974).*

Mr. Fisher has seen as well as studied history, even made history, ever seeking out historical cause and effect. He was born in London in 1915, educated in Eton and Cambridge, served as a fighter pilot in the Royal Air Force, and saw action in the Battle of Britain.

He soon put his cause-and-effect mind to work. He learned of the broiler industry while on a lecture tour in the early 1950's in the U.S.A., and in 1954 established the pioneering mass-production Buxted Chicken Company, which dramatically reduced the price of chicken to the British consumer while making record profits. Mr. Fisher became a leading critic of the theory and prac-

tice of the British Government's Egg Marketing Board from 1956 until it was at last repealed in 1969.

In 1955 he founded the highly successful Institute of Economic Affairs in London as an independent research and educational organization, which has by now published scores of scholarly studies on the operation or abuse of the free market. Today he is chairman of the Institute's board of trustees.

So, as doer and thinker, Antony Fisher has been something of a one-man Manchester School, long warning the English people in his time as Richard Cobden and John Bright did in the early 19th century. Cobden and Bright warned of the dangers of protectionism and interventionism—of the dangers of false theory. With the Irish potato famine in 1845, Parliament suddenly saw the light and switched to a policy of free trade.

So Mr. Fisher insists history does not have to repeat itself. He points, for example, to the failure of the rice crop in Bengal in 1770 and the worse economic policy failure of the authorities in immediately establishing price controls to prevent "profiteering." Prices were thereby precluded from rising; food disappeared and fully a third of the population died.

*Available at \$6.00 from Transatlantic Arts, North Village Green, Levittown, New York 11756.

In 1866 the rice crop failed again but, lo and behold, the Bengal government somehow remembered the lesson of 1770. Far from trying to check speculation, the government facilitated it by avoiding price controls and publishing far and wide information on rising rice and other food prices in the province. Rice and other food soon flowed into stricken Bengal and a national disaster was averted. Right theory and right policy saved the day. History did not repeat itself.

An Orderly Universe

Mises and Fisher thus are one in seeing a cause-and-effect, reason-and-action world. They would agree with Einstein, who once wrote: "I cannot believe that God plays dice with the world."

They would agree that the necessity to correlate correct theory with historical interpretation is a problem that not only impinges on historians but on virtually every walk of life. The doctor with the wrong theory can lose a patient. The investor with the wrong theory can lose his investments.

The general with the wrong theory can lose a battle if not a war.

What, then, is right economic theory and policy? Antony Fisher reflects the free market thinking of Ludwig von Mises. Addressing himself to Britain, but very likely comprehending a larger canvas, Antony Fisher calls for ending all government monopoly and control.

Accordingly, over a period of years he would "demobilize" the British civil service, denationalize the post office, cut all tariffs and subsidies, terminate all exchange controls, end all forms of direct controls over prices and incomes, roll back the welfare rolls, make unions subject to the law of contract, adopt Milton Friedman's voucher system to reintroduce choice and competition in schooling, and reprivatize all nationalized industries.

Can Mr. Fisher, with his self-proclaimed "radical approach," win this new Battle of Britain? It all depends on whose theory prevails — i.e. which theory, right or wrong. In any event, thought is decisive. Choice is critical. And inexorably, history will tell. ☉

IDEAS ON



LIBERTY

Why History Repeats Itself

Some modern zealots appear to have no better knowledge of truth, nor better manner of judging it, than by counting noses

INFLATION:

Harbinger of Monetary Upheaval

INTERNATIONAL monetary crises over the past quarter of a century, culminating in 1971 and 1973 United States dollar devaluations, not only have become fixed features of the financial scene, but seeming national curses as well, defying solution. It is incorrect, however, to offer the general public the misguided notion that these crises take place without reason or warning. Monetary crises have known causes; they are the results of economic cause and effect, as sure in terms of results as any other natural laws men acknowledge and respect. Economic history is filled with crises — currencies, and as a result economies, rising and falling over thousands of years from clearly understood, predictable causes.

No monetary crisis can be categorized as a curious thing. Instability in a monetary unit, or system, may not be well understood by the world's masses; but today

the effects are felt everywhere, here and overseas. Monetary crises affect people directly; a devaluation anywhere temporarily restructures relative values in goods traded between nations. Within the country devaluing, the very act wipes out and marks down the value of savings and investments on a broad front. Devaluation is little more than the governmental declaration of partial bankruptcy. By fraud, through inflation, the point is reached where government formally requires more of its inflated currency units for an ounce of gold, raising the prices for all imported goods.

In the United States the fall of the dollar, by devaluation, followed a direct line of annual Federal deficits, the scattering of billions of dollars overseas, and a resulting inflation between 1945 and 1973 which destroyed 57 per cent of the dollar's purchasing power. In the 23 years prior to 1969 alone, foreign aid expenditures totaled 138 billion dollars — paid for

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largely through inflation. By the late 60's, foreigners held some 70 billion of our rapidly depreciating dollars overseas; and, seeing the dollar's value skidding, they accelerated their run, with our own cash, into United States gold reserves. So we stopped redemption of gold for dollars, but not till half the gold was gone. Now, only \$11 billion in gold remains at our "official" devalued price of \$42.22 per ounce.

When we stopped selling gold for dollars, there was only one course of action left to the holder of dollars abroad: come back in and buy us out. This they did either on the United States stock exchanges or, directly, by setting up their own companies on our soil. We have made all this a little more expensive to do by devaluing. Still, the number of dollars held out against us beyond our shores is staggering. For a failing currency, Washington's only answer was devaluation. There is never, of course, any serious talk there about stopping inflation — the real cause of our recent dollar crises.

Cutting the Tie with Gold

Our monetary crisis has its roots in a decision of some 40 years ago to cut the ties with gold. At that point, the ultimate end of silver redeemability in our currency, and the legislative actions

removing all legal ratios of circulating currency to gold reserves could easily have been predicted. When our currency was no longer directly convertible by a citizen into gold, the bars were down and the government was free to inflate at will, and has done so ever since. The 1933 dollar is worth about 30 cents as of 1973, and the decline goes on.

The recent dollar debacle was *not* the result of any interactions between wages and prices as causative elements in inflation; wages and prices rise in response to government deficits and Federal Reserve System expansion of money and credit and are symptoms of the disease, but not the causes. Some economists link the dollar crises to faith in the free market as a substitute for a "managed" solution. But there has not been a free market money for years, and the so-called "managed" solutions have brought us to the current sorry state of muddlement and monetary chaos. Then, grasping at straws, some blame a lack of advance planning in economic activity to insure predictable relationships among world currencies. Planning cannot accomplish this. Elimination of inflation as a root cause would in itself impart the basic stability required to insure workable international currency relationships, particularly if cur-

rencies were tied to something of value, like gold and silver.

Somewhere along the line the perspective became tilted. Noted economists advocate more controls — control of the divergency of wage/price behavior internationally, control of the so-called, but non-existent, wage/price inflation. To further confuse issues, the inconsistency of control policies from nation to nation has been cited as clouding the situation in world monetary affairs.

The implications are clear: more controls, plus more uniform application as a solution. This is merely to be blind to the results of long years of political control and distortion to currencies and economies in the so-called “free” world. The controls, and let us acknowledge the vast quantity imposed within the United States, have brought us to the present stage of near monetary collapse. At this point we are being assured, by some, that more of the same will solve the modern monetary dilemma.

What is needed is *no* controls, before the economic structure collapses or “blows out” from the weight of the load. The United States economy has survived a lot of dead weight and meddling with the underlying currency system that supports us all. But the economy has never had the invincible

strength to survive long-term monetary depreciation through inflation, *in spite of its productive gains*. Today, as a result, values are “out of whack” for goods and services — and, ultimately, hard economic reality will restructure those values.

Scapegoats Sought

There are other common errors in addition to that of trying to lay blame for inflation on the wage/price spiral. Convenient scapegoats are found, often labeled as “other divergent factors”; fixed rates of conversion, and currency conversion rates which were tied to the dollar. This continues to ignore the underlying result of inflation at home and overseas, the lack of convertibility in the dollar to anything of value, and failure to keep our currency tied to some commodity with high market value: gold or silver.

Balance of payments deficits seem to be recognized by most economists as a major item in currency crises, which indeed they are. Erroneously, however, both the export of private capital and goods *and* military expenditures take the blame. This distortion is crucial. The private sector of United States trade has been highly productive in creating its own surplus. The problem of back-breaking deficits has arisen only

after the *addition* of military and foreign aid costs to the trade equation. When these foreign aid and military expenses are added to domestic social programs, the total load cannot be met by direct taxation; inflation has been the literal evil alternative. And the plight of the dollar worsens. By 1974, some sources estimate the Euro-dollar holdings have risen to \$100 billion. We can only envision a long, continued siege of foreign buy-out in our own land — the exact reverse flow, dollarwise, of what took place immediately following World War II. As the old saying goes, "It comes back to haunt us."

Another weak solution offered, and now in use, was the scuttling of fixed rates of exchange—letting rates "float." But a floating currency, by itself, is just as vulnerable to crisis when destroyed by inflation as any "fixed rate" currency. Until the last several years, the world *had* fixed rates. Yet, inflationary crises took their appropriate toll, making mockery of rates which were mythical. Surely the most foolish of times in the past few years must have been when the United States declared the dollar to be worth \$35, then \$38, to the ounce of gold while the free market in gold stood at twice that level. This kind of wishful thinking continues today with the Treasury gold level at \$42.22 per

ounce while the free market in gold is well over the \$100 per ounce mark and continues to move upwards.

Inflation Must End

The economic instability caused by floating currency values will not be resolved until inflation is mastered. International currency fluctuations will not be brought under control until inflation is halted. Currency speculation, or all levels, will subside only when inflation is ended world-wide. Inflation will stop only when governments limit expenditures to within reasonable levels of taxation. Currently, most industrial Western countries take between 35 per cent and 45 per cent of personal income in taxes, and *even then cannot run a balanced budget at the national level.*

One of the most damned, least understood aspects of currency crises is that of speculation in and against various monetary units. Speculation is cast as both a villain and a cause. Overlooked is the fact that speculation is a legitimate function and a stabilizing force in world-wide money markets. If a government refuses to protect or stabilize the value of its own currency, why shouldn't the speculator guarantee a level, at price, in order to impart that stability to future business transac-

tions? And why deny business and trade the right to speculate for their own needs relative to future money dealings?

Economists who decry speculation overlook, conveniently, the fact that currencies rise and fall in relative value to one another because of governmental sponsorship of inflation. Eliminate inflation, and currency speculations will abate. Sadly, when some governments prove unable to master their own currency, not only do banks and businesses move to speculate against falling monetary units, but other *nations* holding the falling unit jump in to liquidate any weakening position.

We hear it said that gainers in monetary crises are the international money speculators who thrive on and create the crises. Gainers there are in speculative movements and crises, but it is not true that speculators and their actions *create* a monetary crisis. The monetary crisis is the child of inflation, born out of governmental muddling and national banking mismanagement of currency and credit. The seeds of crisis and destruction are sown in government's initial decision to remove *value* from the monetary unit. When gold and silver backings and convertibility are repudiated by government, money ceases to be a commodity in which citi-

zens can have faith. At that point the inflation begins, the crises are foreordained, and speculators ultimately will ply their trade.

Foremost economists of the day indicate that the solutions to international currency problems lie in national policies. How true. But which policies? Floating currency rates versus fixed rates have nothing to do with the problem or solution. Again, either a fixed or floating currency may be destroyed by governmental inflation. Neither can government policies in price and wage controls, union legislation, capital flow control, or increasing of tax levels be effective in the foray. Existing taxation levels are today taking over 43 per cent of personal income in the United States. Taxes on personal incomes and corporations are squeezing out all conventional sources of capital funding for the business community. The question is: Where will the investment money come from when earning levels are insufficient to provide? And at what interest cost on the borrowing?

Devaluation Is a Curse

The devaluation "solution" relieves the pressure and penalizes the consumer by increasing the costs of imported goods. But devaluation is a curse in itself. Government assumes this to be a cure

to the crisis and then, feeling the pressure reduction, begins inflating again, usually at a higher rate than took place before devaluing. Thus, the stage is set for the *next* currency crisis and a future devaluation. With inflation rampant in the Western nations we may indeed see an era of competitive international currency devaluations in response to repeated monetary crises — but only providing that the world somehow staggers on without major economic/monetary collapse. The international upheaval and its effects are increasing as inflationary rates rise across the globe.

The nonsense of the age is embodied in the statement that today no monetary solution exists. We are told that we must look to coordination of national economic policies for our salvation in the forming of stable, predictable exchange rates. But such coordination of policy is unlikely unless forced, and force is not a moral solution. Central banking monetary gyrations and manipulation by government, resulting in inflation, are at the root of the approaching catastrophe.

There *is* a monetary resolution now, just as there has been always. Any nation on earth can stand alone, relatively aloof from the world of monetary crisis, by returning to a monetary standard

backed by and convertible into gold and silver — and by living within its means of direct taxation. It will always be this simple, though a price would have to be paid to return to this position. That price is the liquidation of inflated values.

Sound Monetary Policy

In reality, everything depends upon monetary solutions. As a futile response to crisis, the United States has called for a world monetary system scrapping gold as a peg, with Special Drawing Rights based on “average value” of a cross section of currency values, the SDR to become the world-wide unit of financial accounting. This is a play at the creation of an international monetary house of cards based on the false premise that gold is no longer a realistic standard of value. Valueless monetary systems are doomed to fail.

On our own national level we don't even need a predictable *economic* policy. Rather we must have a fixed, predictable *monetary* policy which, by itself, will provide economic stability. Wage and price controls of either permanent or temporary nature will be, and are, self-destructive. Higher taxes will similarly destroy an economy by draining away capital availability in an inflation. Policies of public

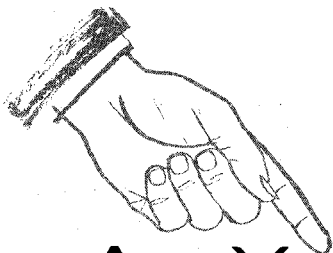
service employment to increase utilization of the unemployed, another proposed stabilizer, become merely one more element of instability and inflation; the public payrolls are now larger than we can afford to carry.

Rather than monetary "restraint," this nation will find ultimately there can be no stability without monetary restructuring on a basis of real value. Our house, monetarily, will be put in order for us if we choose not to do so voluntarily. Economic forces will at some point oblige the adjustment. There is the possibility of the Federal Reserve System precipitating the collapse by turning off the money/credit flow; this would be a repeat performance of actions taken in the latter part of 1928. Our inflation will have to end.

No so-called "cosmetic" surface paint job — continued demonetization of gold, patching up of Bretton Woods machinery, or Special Drawing Rights — will lead to other than continued economic chaos world-wide. Restraints on capital movements, whether instituted against individuals, banks, or multinational corporations, will also serve only to tie world economics and trade in knots. United States policy will be effective on the international scene only when our currency once again has "hard" value and we choose to

exist, nationally, within our means. At that point the rest of the world could follow the lead or not, nation by nation, to its own liking. At least, under these conditions, we would stand for something worthwhile in the international limelight: financial stability and responsibility.

For what does this country stand now? Our government sponsors our own self-destruction through inflation. This is the era of planned expansion of money and credit through the Federal Reserve System to support massive Federal deficits. The resultant inflation is destructive of all social, moral, and spiritual values. Historically, no national sense of unity has ever withstood the corrosive and erosive effects of inflation. In the end, the national brickwork crumbles, the nation's social fabric is ripped and torn apart. If a country's currency has no fixed value, then for those citizens, neither does anything else in life. Prosperity and economic stability can be achieved in any country on earth through the exercise of strict monetary control and the establishment of a hard currency which is convertible into gold or silver. Less than this will only produce more of the same: national and international crises, monetary upheaval, economic chaos, and moral decline. ●



Are You Concerned?

I STARED AGAIN at the bundle of nearly worthless paper money in my pay envelope and I wondered how many days it could carry my family into the dreaded month ahead.

Suddenly, in the midst of my despair, a flash of anger seized my mind as I recalled the scholarly analyses from academicians and economists asserting that the economy was basically healthy and vigorous. I could still hear their deep reassuring voices on radio and TV explaining that economic science was partly based on faith and mass psychology. And as I struggled to understand how a "science" could be based on faith, or how faith or psychology could help me pay my bills, I felt my anger bursting into rage.

For years in the past, some people called "progressive" economists had been preaching the political expediency of "deficit financing,"

"credit expansion," and the printing of paper money to "stimulate" progress, and "create funds" for a myriad of "popular" programs at home and abroad. They also preached that, since economics was based on faith, and currency was merely a symbol, it did not have to represent any real value. Consequently, the requirements of hard backing for the currency were legally abolished, and the remaining reserves spent in payments to shrewd foreign countries that refused to share our mystical economic beliefs. Coins containing silver were removed from circulation and replaced by worthless metal tokens of similar appearance.

I then recalled how inflation, a word I always associated with insolvent and backward countries, started to grow to alarming proportions. It seemed as if people, sensing the magnitude of the national swindle, were attempting to

even the score by demanding more and more for their goods and services.

The rise in prices provoked a holy wrath among the "high priests" of the economy. Their mystical incantations soon gave way to outright threats and invectives, until finally they stirred a public clamor for government controls in an effort to conceal their massive fraud by shifting the blame onto their victims; i.e. laborers and producers. Timely and cleverly contrived national "crises" provided the rationale for pushing government controls.

The establishment of initial controls made further controls necessary. Arbitrary price ceilings rendered production unprofitable. Businesses failed, or were nationalized "in the public interest." Unemployment increased rapidly. Fuel and other critical goods became scarce. Transportation was choked. Black markets developed despite heavy penalties. And meanwhile, international commerce dwindled as tariffs and quotas were imposed to improve the "balance of payments."

From Bad to Worse

Familiar events? Perhaps, but that was only the beginning. Inflation, and the inevitable loss of national credit, forced a devaluation of the currency in international

markets. And as the currency "floated" and sank deeper and deeper, the witch doctors of the "new economics," the "social sciences," and the "popular media" raised a cry for even stiffer controls to crush "profiteering," and called for a "sense of social responsibility," and a "spirit of sacrifice" to readjust to the "new lifestyles of a changing world."

The common citizen, like myself, felt as if caught between the jaws of a gigantic vise. On one side increasing taxes, inflation, scarcities, and unemployment; and on the other side the specter of total government control, advocated as "the only solution" to the disaster by those whose insane policies had caused it.

Public ignorance, confusion, and intimidation facilitated the imposition of an intricate machinery of socialist controls enforced by a vast parasitic bureaucracy endowed with police powers. "Emergency laws" were passed, and individual freedoms disappeared. All bank deposits were nationalized, and a "new currency" was issued. Electric power was rationed to only a few hours per day. The same was done with the water supply. Rationing booklets and food lines led to riots and widespread insurrections that were ruthlessly suppressed, and soon afterwards, the once prosperous nation plunged into the

abyss of a modern totalitarian tyranny.

The Place: Cuba

But, don't get any wrong ideas. I am not describing events in Nazi Germany or Fascist Italy. The place was Castro's Cuba in the beginnings of the socialist revolution that was to push the country backwards more than a century in just a few months.

An industrious and progressive people, the Cubans had risen from Spanish colonialism and in the short span of 50 years had become the third richest nation in per capita income in the Hemisphere without forgivable foreign aid programs. The Cuban currency was frequently quoted above the American dollar in world markets, while social and labor legislation were among the most advanced in the world. All that progress, verified by international records, was wiped out by Castro's messianic socialism in a flash of time. The enterprising Cubans had failed to learn that freedom demands eternal vigilance, and that government regulation of the economy is the surest road to serfdom.

Today, when I look back at the events responsible for the Cuban tragedy, I shudder to see the ominous similarities with those occurring in the United States at present. I see the same debauching of

the currency through the policies of "new economists" and scheming politicians striving to "create funds" for partisan and international programs. The same "galloping inflation" solely resulting from their fiscal insanity. The same accusations of "greed" and "social irresponsibility" leveled against laborers and producers by those who have swindled them. The same sanctimonious academicians pontificating cures for the "sick society" they have helped to poison. The same legions of parasitic bureaucrats busily engaged in "fighting inflation" by taxing and regulating the nation into paralysis. And the same confusion and despair in the hard-working American people who see their taxes increasing, their money devalued, and their jobs dwindling, while inflation soars and essential goods become scarce under asphyxiating regulations stemming from contrived "crises."


A Contrived Crisis

The latest and boldest endeavor of the crisis makers has been to engineer an "energy crisis" in the nation possessing the largest potential energy resources and the most advanced technology in the world. Public ignorance, and honest concern for the environment, were abused to the limit by groups of activist charlatans who saturat-

ed the country with pseudo-scientific information and frightening opinions about the ecology, provoking a flurry of hysterical legislation that stagnated fuel exploitation, refining capacity, and research. In addition to that, wasteful automotive emission controls, plus the ill-timed enforcement of the use of oil instead of low sulphur coal by power plants, severely increased the demand for petroleum products precisely at the time of legislatively obstructed supply. Nuclear energy, if ever mentioned, was equated by quacks to "an atom bomb in the backyard," and thus, misguided ecologists practically killed the cleanest form of energy available until the advent of solar energy. It is hardly surprising that we now face an "energy crisis" that not only has dealt a crushing blow to the American economy and to our military preparedness but will empower appointed officials to regulate even further the economic life of the nation.

To crown the present irrationality, our free enterprise system has now been conned into a debilitating collaboration with those whose only purpose is to destroy it, giving rise to the sad spectacle of a

powerful but groveling prey insanely nurturing its implacable foes. Logic and reason have been replaced by "popular" sophisticated fallacies that insult human intelligence. Yet, few Americans dare express their anger lest others consider them ignorant or maladjusted.

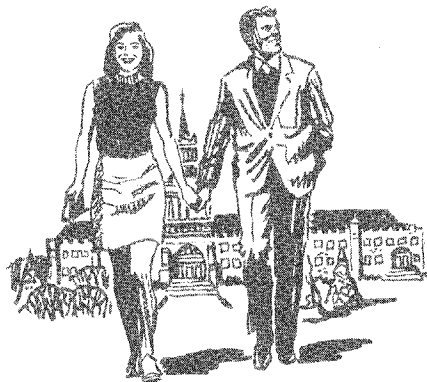
As a victim of the Cuban tragedy, I don't give a damn about "popular opinions" any more. I found those opinions to be a disastrous substitute for plain common sense. Perhaps I will be attacked and discredited by some of our "citizens above suspicion" for exposing their frauds, but it is high time that innocent Americans stop blaming one another and focus their indignation on those who through their sophistic manipulation of economic, social, and diplomatic falsehoods have precipitated our present plight. 

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The Great Objective of a Free People

HERBERT V. PROCHNOW



ONCE when I was visiting Asia, I received a cable from the Department of State asking if I would speak to an audience of business and professional people in Calcutta. This was an unusual opportunity to speak on what private enterprise had meant to the American economy. With political liberty and the incentives of private enterprise, our people have experienced a remarkable improvement in their economic well-being.

When I had finished speaking, a highly respected member of the audience arose and asked this question, "With the great economic progress the United States has had, do you believe that the people of your country are any happier than they were before?" This seemingly innocent question was almost certainly intended to

destroy the merit of the entire philosophy which I had expressed. If people are no happier, why is economic progress important? If the people of India would be no happier with higher standards of living, what difference does increased economic well-being make?

For a moment I was not certain how to answer this question briefly and convincingly. I do not believe that happiness is the real measure of a nation's progress. However, I decided to accept the test he had chosen.

I was in a country with widespread starvation and malnutrition, a country in which the life span is far less than in the United States. I was in a country in which a large percentage of the people are illiterate. Within the boundaries of that country, which is two-fifths as large as the continental United States and has over 500 million people, there is widespread

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poverty, starvation and illiteracy.

I then said, "You and I can agree that man does not live by bread alone. However, a nation with substantial economic progress creates wealth, and with wealth come grade schools, high schools, universities, and hospitals. With wealth and economic progress come public utilities which supply electricity, gas, sanitation facilities and pure drinking water." I then asked this member of the audience, "Do you think a father would be happier if he knew his children could have pure drinking water instead of their being ill repeatedly because of impure water? Do you think parents would be happier if they knew their children had schools and were not going to grow up illiterate? Do you think men and women would be happier if there were medical schools and doctors and hospitals so that their life expectancy might be greatly increased? Do you think men and women would be happier if tens of millions did not suffer from malnutrition and starvation?" I could have added, "Do you think that the people of this city would be happier if the thousands who slept on the sidewalks last night because they have no homes could find at least modest places for shelter?"

I do not know whether the questioner found this answer helpful.


However, I know that for the first time I saw more clearly what our people have sought to achieve with their economic progress. This is not, as the critics say, simply a money-grubbing nation, a raw, materialistic society. We make mistakes. We sometimes produce unwisely. We make products at times that serve little good. We consume some resources wastefully. But these are part of the price men and women in a society pay for freedom of choice. This is a small price to pay for such freedom.

Human Dignity Affirmed

I saw more clearly what the entire economic system is all about. I saw the meaning of a hundred million cars and trucks, tens of thousands of miles of railroads and pipelines, thousands of factories, stores, farms, banks, office buildings, airports, and utilities. As we produce and save and invest, we give man food and shelter. We give him hospitals for his health, and schools to free him from ignorance. We give him goods and services to improve his economic well-being. What we are really doing is to reaffirm our deep faith in the dignity of man and in his worth as a human being. We reaffirm that man was created by Providence.

In the humdrum of our daily ac-

tivities, we sometimes fail to recognize the spirituality of secular affairs. We are so involved in the day's work, in driving trucks, constructing buildings and highways, running freight trains, laying pipelines, operating computers, plowing fields, dictating letters, maintaining office records, and attending meetings that we lose

sight of the great objective of a society of free men and women. Reaffirming the dignity of man, his worth as a human being and as a creature of Providence — this is the noble purpose for which we strive. This is the deep underlying purpose that runs through our society. This is the foundation of a nation's greatness. 

The Price We Pay

THE OFTEN NEGLECTED aspect of the good intentions of the welfare state is the cost of all this subsidy and so-called security. Someone has to pay, and it requires an ever-expanding police force just to collect the taxes. The creative and productive members of society are the ones from whom the revenues of government have to be drawn; there is no other source of goods and services. But to recklessly tax the fruits of a person's labor is a disservice to that person. To take away the earnings from a business is to leave it unprofitable and unattractive and to set it up for another of the failures that the government will be importuned to bail out. The higher the rate of taxation upon the most productive, the less their incentive to keep on producing at an extraordinary pace. This is why growth becomes such an aggravating problem in the welfare state, and why it appears that government spending is the only way to achieve future growth and productivity. And this is why a welfare government can't stand to see any potential source of revenue leave the country for more attractive opportunities abroad.

IDEAS ON



LIBERTY

The Puritan Experiment with Sumptuary Legislation



GARY NORTH

SUMPTUARY LAWS, as defined by one dictionary, are "laws regulating extravagance in food, dress, etc. on religious or moral grounds." No other aspect of Puritan social legislation during the first half century of New England life better testifies to the fundamentally medieval orientation of that culture. Yet the grandsons of these men became the Yankees—the sharp traders, mobile entrepreneurs, and practical inventors whose outlook on life was that of Ben Franklin's creation, *Poor Richard's Almanack*. This astounding transformation from Puritan to Yankee has fascinated historians for many years, and the fate of the sumptuary legislation serves as a kind of touchstone in tracing that transformation.

Dr. North, economist, lecturer, author, currently is an associate of Chalcedon, an educational organization dedicated to Christian research and writing. His latest book is *An Introduction to Christian Economics*, Craig Press, 1973. He is the editor-publisher of the *Remnant Review*, a fortnightly economic newsletter.

The early Puritan communities were organic, tightly knit structures. The inhabitants were convinced that all men need direction in life. No single institution on earth was seen as possessing absolute sovereignty, of course; their intensely Protestant outlook forbade placing total trust in any human organization. Nevertheless, they believed that the various levels of the civil government did have basic responsibilities in regulating prices, the purchase of land, public utilities, and personal fashion. The ministers might advise the public officials on such matters, but it was the political authorities who were seen as being ultimately responsible for their enforcement.

The Question of Status

In the mid-nineteenth century, the British scholar, Sir Henry Maine, characterized the coming of the modern world in terms of the concept, "from status to contract." Seventeenth-century New

England fits this outline beautifully. Members of the first generation of Puritans (1630-60), as well as the second generation (1660-90), were deeply concerned about the threat posed by open, voluntary contracts to the received medieval world view. Considerations of status were paramount in their minds, and it became increasingly obvious to everyone concerned that the New World was not going to be a place in which inherited concepts of personal status were going to flourish. There was too much cheap land, too many economic alternatives, too many "callings" — occupations — for the survival of traditional status concepts.

The essence of the Puritan idea of status is found in the Larger Catechism of the Westminster Confession of Faith, that comprehensive body of theology hammered out by the Puritan scholars of Cromwell's England in the mid-1640's. The question of status was basic to the Puritans' interpretation of the Fifth Commandment, "honor thy father and thy mother."

By *father* and *mother*, in the fifth commandment, are meant not only natural parents, but all superiors in age and gifts; and especially such as, by God's ordinance, are over us in place of authority, whether in

family, church, or commonwealth The general scope of the fifth commandment is, the performance of those duties which we mutually owe in our several relations, as inferiors, superiors, or equals.¹

There is nothing innately reprehensible in the idea that men should observe distinctions among each other; "civility" and basic etiquette have always required as much. The idea that superiors ("parents") have duties to inferiors ("children"), and vice versa, is common enough. When the Soviet Union in the early years of its history attempted to tamper with this principle in family life and in military affairs, the whole fabric of Russian life was disrupted, and these short-lived experiments in supposedly non-status society were abandoned for the sake of survival. Society never really faces the question of "status or no status," but only questions of what kind of status and the locus of authority in the enforcement of status distinctions. It was here that Puritan New England encountered its difficulties.

The Larger Catechism summarized the accepted status ethic of Puritan culture. Both superiors and inferiors were given positive injunctions and negative warnings about respecting the duties and obligations of authority and sub-

mission. Leaders are to expect the following from inferiors: reverence, respect, prayer, obedience, love, and honor. Inferiors are not to neglect their duties, rebel, curse, or mock their superiors. Superiors, on the other hand, owe their inferiors the following: love, prayer, counsel, rewards, chastening, protection. The sins of superiors are also listed: "an inordinate seeking of themselves, their own glory, ease, profit, or pleasure," and "inordinate" is understandably but unfortunately left undefined. Superiors are not to command anything unlawful from their inferiors, or correct them unduly, or to lead them into temptation, "or any way dishonouring themselves, or lessening their authority, by an unjust, indiscreet, rigorous, or remiss behaviour."²

In a family, church, or voluntary society, these injunctions can be more easily applied. But the medieval perspective of the Puritans can be seen in their unwillingness to limit the locus of the term "family." They were intent upon transferring the status requirements of the family to the civil government.

The Familistic State

A family is a limited entity. Members are born into it and grow to maturity; eventually they die. Sons and daughters leave to form

new families, and this alters the relationship between parents and children. Parents grow old and sometimes feeble, so they have an incentive to rear children competently; their own future survival may depend upon the maturity and faithfulness of the children. The parents therefore have an incentive to avoid keeping offspring in perpetual childhood. The relationships are intensely *personal*, and therefore bounded by feelings of love, honor, loyalty, and directly threatened by feelings of jealousy, disrespect, or hatred.

The civil government, however, is a completely different institution, established for different ends, and governed by different rules. Its function is not to father children, rear them, promote their maturity, or care for them. The state's function is to protect men against violence, both domestic and foreign. Invasions are to be repelled; thieves and bullies are to be restrained. The state is to be ruled by formal laws that are predictable, applying to all members of society.³ By its very nature, it is an *impersonal* structure; it is not to respect persons in the administration of justice. Ideally, men are to be ruled by formal civil law, not by capricious men. Formal law is to restrain the activities of the state itself, limiting its arbitrariness.

A Hopeless Conflict of Interests and Lack of Harmony

In retrospect, it is not difficult for us to understand why the New England Puritans, no less than their English cousins, would find it difficult to assign limits to a familistic state. It is rather like children setting limits on fathers, especially when fathers confront their children not merely with the threat of violence, but also with the moral obligation of submission. Yet from the 1630's through the 1670's, this is precisely what Puritan leaders attempted to do. They wanted to permit godly men sufficient freedom to exercise their personal callings, for they well understood that if a man is personally responsible before God for his acts, he must be given wide latitude in exercising his personal talents without interference from other men, including leaders. Nevertheless, they also wanted to insure that the "family of God's people" would preserve its inherited status distinctions, and that peace and harmony would prevail as a testimony to the whole world. As the seventeenth century progressed, they were to find that the two goals were very frequently in opposition, and harmony was not maintained.

Modern commentators must be extremely careful not to read our contemporary views about status

back into the seventeenth century – or at least not back into the first three quarters. There was no public outcry from "oppressed" inferiors, no colony-wide movement to redress grievances. There is little, if any, evidence that the "inferior sort" and their elected representatives, the deputies, were in fundamental opposition to the medieval view of status obligations. Puritan society was in reality a society made up of people who in England would have been regarded as the "middling sort" – sons of the lesser gentry, yeoman farmers, craftsmen, and others who had sufficient capital to make the journey. There were servants, however, and these could wind up as members of a truly lower class, but masters were expected (and even compelled legally) to provide some capital, usually in the form of tools and training, to departing indentured servants (who could be kept in service no more than seven years). Still, in every society there are higher and lower, richer and poorer, and the sumptuary legislation codified these distinctions. For many years, the subordinate population was willing to acquiesce in what the Larger Catechism required, an acknowledgement of their superiors "according to their several ranks, and the nature of their places."

The Sumptuary Codes

The Puritan magistrates concluded, as had leaders in European society for centuries, that it is not always easy to identify members of various classes. In New England, for all intents and purposes, there were three levels — higher, middle, lower — but the law codes only recognized two. Puritan legislation borrowed a practice of the most familistic of all state structures, the military: uniforms. The Larger Catechism listed as one of the duties of inferiors the “imitation of their (superiors’) virtues and graces,” but no Puritan leader was so naive as to believe that such a requirement allowed the “inferior sort” to imitate their superiors’ tastes in fashion. Thus, in 1651, both the magistrates and deputies of Massachusetts agreed on the following piece of legislation, one that is unrivaled in American history for its sheer medievalism — comprehensive, authoritarian, and thoroughly hierarchical:

Although several declarations and orders have been made by this Court against excess in apparel, both of men and of women, which have not yet taken that effect which were to be desired, but on the contrary we cannot but to our grief take notice that intollerable excesses and bravery have crept in upon us, and especially amongst the people of mean

condition, to the dishonor of God, the scandal of our profession [i.e., profession of faith], the consumption of estates, and altogether we acknowledge it to be a matter of great difficulty, in regard to the blindness of men’s minds and the stubbornness of their wills, to set down exact rules to confine all sorts of persons, yet we cannot but account it our duty to commend unto all sorts of persons a sober and moderate use of those blessings which, beyond our expectation, the Lord has been pleased to afford unto us in this wilderness, and also declare our utter detestation and dislike that men or women of mean condition, educations, and callings should take upon them the garb of gentlemen, by the wearing of gold or silver lace, or buttons, or points at their knees, to walk in great boots; or women of the same rank to wear tiffany hoods or scarves, which though allowable to persons of greater estates, or more liberal education, yet we cannot but judge it intollerable in persons of such like condition. . . .⁴

Unless a citizen was of a good education, or a military officer, or a civil officer, he could not wear such clothing unless his estate could be valued at £200 or more, according to a “true and indifferent value.” For a violation of this statute, a ten shilling fine was imposed.

A similar, though shorter, statute had been passed by the Con-

necticut authorities a decade earlier.⁵ This should not be understood as an indication of Massachusetts' late arrival in the area of sumptuary legislation. The wearing of lace by social inferiors had been the subject of at least two pieces of Massachusetts legislation in the 1630's. It was only to be used as a small edging (presumably only by the upper classes), and lace in general was prohibited from being worn extensively on any garment.⁶ Special import taxes were placed on luxury items, "for preventing the immoderate expense of provisions brought from beyond the seas." Such goods as sugar, spice, wine, and tobacco were included. The tariff was 16% for direct purchasers, and 33% of the import price for retailers (thus making it more difficult for local retailers to compete in sales with the more distant, and presumably less compelling, London merchants).⁷

Tobacco consumption, which was regarded by Puritan leaders as another unnecessary excess, had been under fire [I couldn't resist] from some of the directors of the Massachusetts Bay Company right from its inception.⁸ All four of the Puritan commonwealths — Massachusetts, New Haven, Connecticut, and Plymouth — passed numerous provisions placing restric-

tions on the sale and consumption of the "noxious weed." These prohibitions were not really status oriented; they were motivated by a number of fears. One, understandably, was fire. Boston was forever burning down in the seventeenth century, as Carl Bridenbaugh's *Cities in the Wilderness* reports in some detail. At one stage, Massachusetts prohibited the buying and selling of tobacco entirely, although it was legal to import it for re-export later.⁹ They apparently thought it was all right to burn down other cities, if local merchants were to gain some profit in the transaction. Plymouth tried to ban its importation in 1641, but repealed the law six months later.¹⁰ Connecticut's ban is the most amusing in retrospect. It was directly tied to the issue of personal health, but in the exact opposite of today's concern: no one under the age of twenty who had not already addicted himself to tobacco was allowed to buy it, unless he had a physician's certificate "that it is useful to him," and he had to present the certificate to the Court in order to obtain a license to purchase the weed.¹¹

Time-Wasting

Taverns, brewers, and liquor retailers were under restrictions throughout the century. Indeed, some of these controls are as com-

mon today as they were in the New England colonies. Men were not to waste precious time in taverns, the magistrates believed, so they went to considerable lengths to protect men from their own weaknesses. Then, as now, *licensing* was the primary means of control, and it was equally a source of public revenue. The annual licensing of taverns, said the Massachusetts magistrates, is inescapable, "Seeing it is difficult to order and keep the houses of public entertainment in such conformity to the wholesome laws established by this Court as is necessary for the prevention of drunkenness, excessive drinking, vain expense of money, time, and the abuse of the creatures of God. . . ." ¹²

Although it seems incredible today, shuffleboard was regarded as a prime danger. There were not to be scenes of elderly men spending a leisurely afternoon in the park playing this Devil's game. Such games were a sign of idling — a waste of God's most precious resource, time — and they were especially prohibited in taverns and when practiced by servants and youths. The magistrates were willing to go to real extremes to stamp out games of chance and shuffleboard. ¹³ These regulations extended throughout the century, unlike virtually all other sumptuary laws, indicating a continuity

of opinion against "vain pursuits." (It might be said that at least in New England, shuffleboard was not to be an old man's pastime because old men were always regarded as fully productive until they grew feeble; if a man could work, he was expected to. If shuffleboard drew the wrath of Puritan magistrates, Leisure World or Sun City or retirement centers in Florida would have been regarded by them as nothing short of Satanic — the worst sort of wastefulness of men's productive capacities.)

As in so many other cases, one colony did not participate in the sumptuary mania: Rhode Island. ¹⁴ But Rhode Island was not a Puritan commonwealth. Its founder, Roger Williams, had argued for the separation of church and state — not primarily to protect the state, but to protect the church!

The Problem of Social Mobility

The Puritans' emphasis on personal responsibility, thrift, hard work, the moral righteousness of all lawful occupations, careful accounting (moral and financial), honest dealing, the fulfillment of contracts (covenants), and their concern with the future, both heavenly and (especially from 1630-60) earthly, all combined to provide an atmosphere conducive to economic growth and personal

wealth. Another important feature of Puritan thought that has seldom been recognized is the antipathy of Puritan preachers to the sin of envy. Samuel Willard, whose two decades of Sunday evening sermons on the Larger Catechism, *A Compleat Body of Divinity* (1726), stands as the *Summa* of Puritan theology, saw envy as a direct violation of the law of God. He set forth this standard to his congregation: they "ought not to envy, but to rejoice in the prosperity of their neighbors."¹⁵ Willard's lengthy attack on the sin of envy stood as one of the longest expositions on the subject in English until the publication, in 1969, of Prof. Helmut Schoeck's crucial study, *Envy: A Theory of Social Behavior*. Cotton Mather agreed entirely with Willard's analysis: "It will have no good aspect upon us, if it should be so, that a leveling spirit gets so much head among us, that no man shall be in anything superior to his neighbors, but his very superiority shall make him obnoxious to envious indignities. . . ."¹⁶

Envy, as Schoeck has argued so incisively, restricts the incentives for and impetus to economic development. First, it discourages the free discussion among members of a society of a basic fact of life: *time*. Men do not discuss their personal futures if their goal

is to *conceal* their aspirations, fortunes, and plans. Yet they must conceal such matters in a society motivated by feelings of envy. Second, under such restraints, innovations are unlikely, since no one wants to let his neighbors see how much better off a person is as a result of some advance.¹⁷ Cut off discussion of the future, compromise men's orientation toward the future, penalize advancement technologically and personally, and the society in question will show few signs of economic growth.¹⁸

Personal and Social Growth

Puritan preaching, therefore, served as a stimulus to both personal wealth in one's calling and economic development for the community. Men were to be moderate in all things, and they were not to pursue wealth for its own sake. This was made clear by a century of preaching, from John Cotton to Cotton Mather to Benjamin Franklin. Nevertheless, there was nothing innately wrong with wealth in the Puritan view, however much a spiritual snare and delusion great wealth might become. So when men began to follow the tenets of the Puritan faith, they found themselves steadily increasing in wealth, both personally and culturally. This was to raise an absolutely baffling dilemma: how was the fact of social mobility to

be reconciled with medieval categories of fixed status, implying defined place and function?

The Puritans were hardly the first people to face this dilemma. The millennium of institutional struggles over monastic reform in the Roman Catholic Church testifies to the traditional nature of the problem. From the day that St. Benedict set forth his eminently practical monastic rules — humility, hard work, thrift, patience, self-help, discipline — the monasteries that followed his guide faced the problem of economic growth. The monasteries had a tendency to get richer and richer. Then the original ideal of personal poverty was abandoned by certain abbots and monks, and pressures for reform came from the outside.¹⁹ This pattern prevailed right down into the sixteenth century, when Henry VIII confiscated monastic property in the name of a higher morality.

In 1632, it was one thing for Gov. John Winthrop to challenge Thomas Dudley with respect to the latter's ostentation in adorning his home with wainscoting (a wooden paneling on the walls of a house). He had more justification, given Puritan standards, for such an act, for it was, in his words, "the beginning of a plantation."²⁰ Even so, it is not hard to understand Dudley's anger

when Winthrop had the frame of his house removed. Dudley — who was to alternate with Winthrop as the Governor of Massachusetts Bay in the early years, and who regarded himself as the stricter Puritan of the two — objected, and Winthrop, in his own words, "acknowledged himself faulty" in taking this responsibility on himself without having consulted with other magistrates.²¹ But after half a century had elapsed, we find ministers using the same old "wilderness condition" argument in order to justify the intervention of the civil government in community fashions. Sermons delivered in the second generation of New England would dwell on the graciousness of God in making New England into a fruitful land, and a few pages later would revert to the older "wilderness" pattern. It is unlikely that any newly rich citizen of Boston or some optimistic social climber would conclude that his, or his wife's, style of dress in some mysterious way constituted a grave deviation from a hypothetical "wilderness standard" of clothing — not in 1680, at least.

Unprecedented Mobility

The very success of the Puritans in overcoming the limitations of a wilderness disrupted the received medieval tradition of fixed or semi-fixed status distinctions.

The rapidity of social change and the fluidity of social mobility baffled Puritan ministers. By medieval standards, the social mobility was unprecedented and incomprehensible. This was especially true of Boston, which was becoming the major port in the colonies. It was a society in which a former indentured servant could become a ship owner or a wealthy skilled craftsman. John Hull, one of the most respected men in New England, and surely one of the richest, had raised himself from very modest circumstances.²² How was a magistrate to determine someone's social status, except in cases of extreme poverty or wealth?

Social status became as much of a problem for the second generation as the administration of a "just price" had been for the first. It was an elusive quality, even as the just price had been an elusive quantity, which refused to be catalogued or defined in written legislation. Yet it seemed as though this very *elusiveness* hypnotized Puritan preachers. They were certain that a proper definition could be found, but the perverse changes going on in New England society kept it concealed. In their eyes, the evil lay with the overly fluid society and not with the lack of rigor in the definition of status. Changes in fashion, imitation by members of the lower

classes of their social superiors, the increase in affluence of the lower class as a class, this seemingly perverse unwillingness of men to keep in their original stations into which they had been born: here were signs of despair. Puritan commentators were convinced that New England society was in the process of dissolution; God was about to depart from the land.

Puritan Preaching Against Pride and Ambition

By 1674, Cotton Mather's father, Increase Mather, was convinced that the continual violation of the Fifth Commandment — the status commandment — was the chief sin of his generation. (That someone named Increase could take this position only serves to emphasize the irony.) Inferiors were rising up against superiors in the commonwealth — in families, schools, churches. It was not an uprising that he feared, but this incessant rising up. "If there be any prevailing iniquity in New England, this is it. . . . And mark what I say, if ever New England be destroyed, this very sin of disobedience to the fifth commandment will be the ruin of the land."²³ Samuel Willard agreed with Mather.²⁴

The problem, as the Puritan divines saw it, was that men were

not satisfied with their lot in life. Daniel Denison's last sermon, appended by another famous preacher of his day, William Hubbard, to Hubbard's funeral sermon for Denison, cites ambition as the curse of the land, along with envy: ". . . Ambition is restless, must raise commotions, that thereby it might have an opportunity of advancement, and employ envy to depress others, that they fancy may stand in their way. . . ."25 Such ambitious men are unwilling "to abide in the calling, wherein they are set; they cannot stay for the blessing, nor believe when God hath need of their service, he will find them an employment, whatever stands in the way of their design, must give place. . . ."26

The clergy's practical problem was obvious: assigning explicit guidelines that would help the magistrate to decide in any given case whether a man's ambition was of the "restless" sort, or whether the individual was simply exercising newly discovered personal talents in some new calling. To argue, as Denison did, that a fixed calling is basic to God's plan of salvation for each saint, involved him in a form of feudalism-manorialism that was unlikely to survive the acids of the competitive market mechanism, with its concept of voluntary free labor, the right of private contract, and

profit in terms of an impersonal price mechanism.

The Boston Synod of 1679 listed pride in apparel and the unwarranted imitation by servants of the dress of their superiors as early entries in its catalogue of over a dozen social evils that had brought miseries to New England.²⁷ Five years earlier, Increase Mather himself had announced the difficulty of distinguishing the dress of the regenerate from that of the unregenerate. It is a dark day when "professors of religion fashion themselves according to the world."²⁸ But given the inescapable and undeniable existence of human sin, what could be done to correct this problem? What *are* the standards of legitimate fashion for a godly society? Are they subject to change? Like the standards of economic oppression, the just price, and usurious interest, the standards of godly fashion were elusive.

Strange Apparel

Rev. Urian Oakes struggled mightily with this difficulty. He was convinced that human pride expresses itself in outward garb, "in affected trimmings and adornings of the outward man, that body of clay that is going to the dust and worms." Strange apparel is going to be punished, he said, citing Zephaniah 1:8 as proof. Yet

some rich and lovely garments are all right (II Samuel 1:24):

Nor am I so severe, or morose, as to exclaim against this or that fashion, provided it carry nothing of immodesty in it, or contrarily to the rules of moral honesty. The civil custom of the place where we live is that which we must regulate in this case. But when persons spend more time in trimming their bodies than their souls . . . When they go beyond what their state and condition will allow, that they are necessitated to run into debt, and neglect the works of mercy and charity, or exact upon others in their dealings, that they may maintain their port and garb; or when they exceed their rank and degree (whereas one end of apparel is to distinguish and put a difference between persons according to their places and conditions) and when the sons and daughters of Zion are proud and haughty in their carriage and attire in an humbling time, when the church is brought low, Jerusalem and Judah are in a ruinous condition, and the Lord calls to deep humiliation: This is very displeasing to God, and both Scripture and Reason condemn it.²⁹

Oakes was preaching to the magistrates of the colony, in a 1673 election sermon, that annual ritual that helped to bridge the gap between church and state. But he did not go into specific details concerning the nature of the required legislation — election ser-

mons almost never did — and so nothing was put into operation.

Oakes had put most of the Puritan theologians' opposition to the flux of modern life into one lengthy exposition. Excessive social change breaks down familiar communal standards, which in turn are supposed to help preserve members of differing classes in traditional occupations and in dress reflecting those occupations. The hierarchy of medieval life — a hierarchy reflecting a great chain of being from God to Satan — was being shattered by the winds of change. Men and women were increasingly unwilling in the late seventeenth century to accept the limitations of such arbitrary status concepts on the exercise of their property rights. What was "civil custom"? In a society which had grown from a tiny, rural colony in an uncharted wilderness to a thriving and productive component of a newly developed English trade system, civil custom was indeed the question. Customs were anything but fixed or universal. And after 1680, clerical opinion no longer carried as much weight in establishing or maintaining older customs. The very fluidity of fashion, where new styles could sweep through the community, reflected the lack of fixed standards, and this fact dismayed the preachers.

Conclusion


Status distinctions were supposed to be respected by members of a Holy Commonwealth; this meant that each status required its appropriate fashions, manners, customs. The problem which the first generation had never been willing to consider was to make itself felt in the 1670's. In a society in which men are not only free to increase their estates, but in fact have a moral obligation to do so, should men not be allowed to improve their social statuses? If Puritan frugality, the rational use of time and resources, systematic accounting, personal responsibility, and a future-oriented view of the world are allowed to combine into an ethos favoring both individual and aggregate economic growth, then social mobility, upward or downward, should be characteristic of that society. Yet the Puritan theologians of the second generation did not reach such a conclusion. Therefore, given their unwillingness to accept the legitimacy of social mobility on such a scale, they had an obligation to spell out the nature of specific legislation, both ecclesiastical and civil, that would define the relationship between status and wealth, and between status and fashion. This was the great stumbling stone for the Puritan oligarchs. The ministers

were never able to agree on such rules. The sumptuary laws went unenforced, relics of the first generation's confidence in status legislation. Fashions continued to degenerate, and finally, to the horror of many of the pastors, Puritan saints began wearing wigs! As far as the sermons of the 1670's are concerned, Worthington C. Ford's description holds good: "Massachusetts Bay was becoming degenerate, the older generation said. It is always becoming degenerate."³⁰ By the 1680's, the civil magistrates had abandoned the attempt to maintain medieval concepts of social status in an increasingly modern culture.

The older Puritan standards of social propriety had become the victims, not of Enlightenment rationalism or philosophical skepticism, but of operational Puritanism. Like the medieval monasteries, the Puritan commonwealth had prospered as a direct result of Puritan teachings. But unlike the monasteries, the society of late-seventeenth-century New England did not heed the call to reform itself. Indeed, the cries for reform were so vague, especially after the defeat of the Indians in King Philip's War (1675-76), that had any magistrate wanted to listen, he would have had nothing to hear in the way of specific reforms.

The saints in the churches were as unwilling to abide by the older standards of dress and social status as those outside the churches who had neglected to "own the covenant" of church membership. Puritan sermons had warned of God's wrath in the face of hardheartedness, but when judgment came — in the shape of an Indian uprising — the Puritan military forces were victorious. Success was the one thing that the pessimistic jeremiad sermons of the second generation simply could not deal with successfully.

Religious pietism was sweeping the Western world after 1660, in England, the Continent, and the Puritan colonies. The former confidence in the future about the possibilities for the expansion of God's external kingdom — cultural, social, and political — had faded. Louis XIV, Charles II, and other secular monarchs were no longer interested in the expansion of the kingdom of God, but rather with their own political kingdoms.³¹ A religious pessimism concerning the external affairs of the world set in for the next eight decades in New England, from 1640 until the Great Awakening of the 1740's, and by 1680, Puritan theologians and preachers knew that in all likelihood, their hopes concerning the Holy Commonwealth were not going to be realized.

Cultural and economic Puritanism, however, still operated, but on a private level. Individual saints saved, planned, built for the future. The Holy Commonwealth, while not so holy as it had been in 1630, was more mature. It had freed men from many of the shackles that had bound them for a thousand years. A new land was ready for the application of Puritan hard work and thrift. Political institutions, built as they were on the doctrine of the priesthood of all believers and the validity of covenants, provided the democratic mechanism for orderly transfers of political power. Economic institutions, built in terms of individual responsibility before God, now helped to release the energies of a diligent community of citizens. The old Puritan mistrust of concentrated political power, when coupled with the old medieval tradition of localism, created a hitherto unheard of economic freedom. What was socially inoperative in Puritanism had been largely scrapped by a later generation of Puritans. What remained was to stand as part of the foundation of the American republic. 

• FOOTNOTES •

¹ *Larger Catechism* (1647), answers 124, 126. I am using the standard edition published by the Free Presbyterian Church of Scotland (1970).

² *Ibid.*, ans. 127-30. Direct quote from #130.

³ F. A. Hayek, *The Constitution of Liberty* (University of Chicago, 1960).

⁴ Nathaniel B. Shurtleff (ed.), *Records of the Governor and Company of the Massachusetts Bay in New England* (Boston: State Printer, 1853), III, p. 243. I have cited the version approved by the more democratic deputies; the version approved by the full General Court is almost identical: *ibid.*, IV, pt. I, pp. 61-62. [Cited hereafter as *MCR*.]

⁵ J. Hammond Trumbull and Charles Hoadly (eds.), *The Public Records of the Colony of Connecticut* (New York: AMS Press, [1850-90] 1968), I (1641), p. 64. [Cited hereafter as *CCR*.]

⁶ *MCR*, I (1635), p. 183; (1639), pp. 274-75.

⁷ *MCR*, I (1636), p. 186.

⁸ *MCR*, I, pp. 387-89, 403.

⁹ *MCR*, I (1635), p. 136; (1635), p. 180.

¹⁰ Nathaniel B. Shurtleff (ed.), *Records of the Colony of New Plymouth* (New York: AMS Press, [1855] 1968), XI, p. 38.

¹¹ *CCR*, I (1647), p. 153.

¹² *MCR*, IV, pt. I (1654), p. 287.

¹³ *MCR*, II, pp. 180, 195; III, p. 102; IV, pt. I, p. 20; *CCR*, I, p. 289; *PCR*, XI, p. 66.

¹⁴ On Rhode Island's absence of sumptuary legislation, see William B. Weeden, *Economic and Social History of New England, 1620-1789* (1890), I, p. 290. Weeden provides a summary of the various sumptuary statutes: pp. 226ff.

¹⁵ Samuel Willard, *A Compleat Body of Divinity* (New York: Johnson Reprints, [1726] 1969), p. 644. This was the largest book ever published in the colonies in its day — close to one million words.

¹⁶ Cotton Mather, *Concio ad Populum* (1719), p. 18.

¹⁷ Helmut Schoeck, *Envy: A Theory of Social Behavior* (New York: Harcourt, Brace & World, 1969), pp. 46-50.

¹⁸ On the importance of future-orientation to economic and cultural life, see Edward C. Banfield, *The Unheavenly City: The Nature and Future of Our Urban Crisis* (Boston: Little, Brown & Co., 1969).

¹⁹ Cf. Dom Cuthbert Butler, *Benedictine Monachism* (2nd ed.; London: Longmans, Green & Co., 1924), pp. 150-55. St. Benedict was totally opposed to private ownership among the monks: *The Rule of St. Benedict* (Westminster, Md.: Newman Press, 1952), pp. 85, 87, 127.

²⁰ James K. Hosmer (ed.), *Winthrop's Journal: "History of New England," 1630-1649* (New York: Barnes & Noble, [1908] 1966), I, p. 77.

²¹ *Ibid.*, I, pp. 84-85.

²² Samuel Eliot Morison, *Builders of the Bay Company* (Boston: Houghton Mifflin, 1930), ch. 5.

²³ Increase Mather, *The Wicked Man's Portion* (1675), p. 17. Preached in 1674.

²⁴ Samuel Willard, *Useful Instructions for a professing People in Times of great Security and Degeneracy* (1673), p. 75.

²⁵ Daniel Denison, *Irenicon*, attached to William Hubbard, *The Benefit of a well-ordered Conversation* (1684), p. 195.

²⁶ *Ibid.*, p. 196.

²⁷ Boston Synod, *The Necessity of Reformation* (1679), pp. 2-3.

²⁸ Increase Mather, *The Day of Trouble is Near* (1674), p. 22.

²⁹ Urian Oakes, *New-England Pleaded with* (1673), p. 34. An election sermon delivered in Boston in May, 1673.

³⁰ Worthington C. Ford, "Sewall and Noyes on Wigs," *Publications of the Colonial Society of Massachusetts*, XX (1917-19), p. 112.

³¹ William M. Lamont, *Godly Rule: Politics and Religion, 1603-60* (London: Macmillan, 1969).

Socialism Seeks Its Own

Level

MELVIN D. BARGER

SOME MONTHS AGO, a popular news magazine featured on its cover a cartoon drawing of a shivering and bewildered Uncle Sam holding an empty Horn of Plenty. The picture told the story so well that the explanatory heading was hardly needed. It said, "Running Out of Everything."

It is certainly a fact that the United States has been running out of lots of things in recent months. There are growing shortages of energy, plastics, clothing, canned food, paper, furniture — well, you name it. In 1973, without experiencing a major war or a disastrous farm failure, the long-time Land of Plenty was suddenly transformed into the Land of Not Enough — and the problem was getting a lot of attention.

But it wasn't getting the kind of attention that is likely to solve the problem of growing shortages.

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Few of the experts who commented on the shortages were willing to put the blame on government intervention or to suggest that the plans for the planned economy weren't working out so well in practice. The distinguished economist Paul Samuelson, for example, said that the "reason for these shortages is the brute fact that (plant) capacity wasn't added on." He also noted that "industries like shortages because it's a seller's market." (One hopes that Mr. Samuelson knows that industries are usually buyers as well as sellers and thus face problems in any kind of a market.)

There are, of course, a number of secondary causes behind our present shortages. But the primary cause of the trouble is that the United States has finally passed a major turning point in its journey toward socialism. The government's role in the economy has become so extensive and so de-

cisive that the country is beginning to experience the typical problems of other countries that have adopted socialism. Britain has had such troubles for years and continues to stagnate and to decline in world influence. It is not difficult to demonstrate that other countries have had similar difficulties under socialist governments.

Are We an Exception?

But what about a country such as the United States, which rose to great heights under a system that was largely capitalistic, and continued to experience great growth even after the government brought business and industry under fairly tight regulations and control? Why can't the United States maintain its present level of production and prosperity even while converting into a largely socialist system? Even if the rate of growth is slowed down or stopped altogether, why can't the present standard of living be maintained, with perhaps a few adjustments such as a decrease in the size of automobiles and a reduction in some food supplies?

The problem with this kind of wishful reasoning is that socialism tends to establish certain levels of output that have nothing to do with the individual goals and preferences of citizens. In most

cases, socialism has the effect of lowering output and destroying the balances between production and consumption. At the same time, it must restrict liberty either by direct threats or by persuading individuals to forsake their freedom as a means of "promoting the common good." If socialism is adopted in a country that has previously had a relatively free market place, the economy will gradually tend to sink to a level somewhat close to what it would have reached had the country been socialistic from the very start. At the same time, the government will begin to use various means to curb liberty, so that individuals will eventually think and act in the manner of people who have grown up under socialism. To put it bluntly, socialism always seeks its own level, and our present difficulties are probably just a sneak preview of much more trouble to come.

In socialism's early years, its devotees insisted that their program would bring greater efficiencies in production and distribution. Early socialists often deplored the seeming duplication of facilities under capitalism; why have two stores across the street from each other when one outlet could be slightly enlarged to handle the needs of the entire community? It was also alleged that many people performed un-

necessary and worthless tasks under capitalism, but that under socialism, each person would be assigned duties that fitted his personality and interests. At long last, it was said, people would work for the common good rather than for the narrow interests of capitalistic owners.

Production Low, but Other Benefits Claimed

But socialism in practice turned out to be far less productive than privately-owned enterprises. This did not, however, cause socialists to re-examine their entire philosophy; instead, they went on to claim benefits other than efficiency for socialism. Socialists such as George Bernard Shaw thought that socialism would provide complete equality of incomes, while long-time Presidential candidate Norman Thomas believed it would bring social justice and a more equitable use of natural resources such as petroleum and minerals. In recent years, socialists have tended to deplore the emphasis on high industrial productivity; they like to say that we have now solved our production problems and should be devoting our resources and energies to the solutions of urgent social problems.

One of the major difficulties with socialism, however, is that it immediately becomes embroiled

in practical dilemmas when it takes steps toward establishing its program. In the United States and other Western nations, the electorate is never likely to give socialist-leaning candidates a sweeping mandate to completely convert the country to socialism in a few months or a few years. This fact of life has given the socialists no choice but to seek piecemeal changes, to create a "mixed" economy but not a completely socialist one. These interventionist changes have been introduced in the United States over the past 40 years under a number of names.

Every change, however, has brought problems that socialists would prefer to ignore. One major problem has been caused by attempts to tinker with the price system. Socialists have always hated the idea of free market pricing and have fervently clung to the belief that a managed system of prices and wages would result in a more just economy and a more balanced distribution of resources. They have argued, quite convincingly, that monopolies and oligopolies actually make arbitrary price administration decisions, while labor unions and companies combine to set wage levels. How much better to bring these processes under social control by authorizing the government to estab-

lish wage and price levels in an orderly manner.

But the market place has a way of overlooking such arguments. If the government-administered price is too low, there is a rise in consumption and a drop in production (or at least a temporary withholding of goods from the market). If the price is too high, there is a decline in consumption and an increase in production. In either case, the behavior of the market is predictable. There is, in fact, almost no economics textbook worthy of the name that would dispute this. This basic, predictable characteristic of the market place can be observed in the marketing of everything from eggs to used cars.

Shifting the Blame

Unfortunately, the failures of price and wage control do not seem to sway a single socialist from his course. Quite often, the blame for the evil consequences is transferred to businessmen; the energy shortage, for example, has been blamed on the oil companies who seek higher profits and also want to drive out the independents. Another characteristic excuse of socialists is that additional controls are needed to make the price control system work properly. In most cases, the interventionists are really saying that nothing will work very well until

they have an almost totalitarian control over the entire economy.

Why won't the socialists concede that a free market price system is necessary and that they should modify their own program to include it? This concession would undermine many tenets of the socialist faith. The socialists have long contended that the free market place is unfair and results in an inequitable distribution of goods and services.

The advocates of free enterprise, on the other hand, have insisted that the price system allocates goods and services through very complex exchanges based on consumers' choices and priorities. They also argue that any other method is bound to result in either surpluses or shortages, usually the latter. Socialism's bureaucratic price control and goods allocation system tends to reduce the total amount of goods and services; it must also restrict liberty in the long run. In other words, the public must do with less material well-being and personal liberty if it chooses the permanent price and wage controls that socialists desire.

Malinvestment

Another tendency of socialism is to channel investment funds into ill-advised projects that do not add to the productive capacity of

the total economy. Malinvestments occur in any kind of economy, of course, but the privately-owned business system has a built-in way of limiting bad investments. A private company usually can raise funds only through stock issues, earnings, or borrowings. If these funds are subsequently spent on losing ventures, the management is likely to be replaced or the creditors will step in and take control. Thus, the managers of private business are under constant pressure to make profitable investments and capital improvements that will increase their firm's productive capacities. This process benefits the workers by increasing their productivity and real earning power, and it benefits customers by giving them better goods at lower prices.

But it doesn't work that way in the so-called public sector. Billions of dollars have been spent on projects that have simply disappeared into thin air. Additional billions have been spent on ventures that benefit only a limited number of people, and do not increase the number of productive jobs. Public funds have been spent on high-rise apartment buildings that had to be torn down in a few years, moon trips that have now fallen into disfavor, urban renewal projects that leveled whole sections of cities, and subsidized industries

that continued to decline. It is argued that these ventures "put money in circulation," but this dubious objective could have been met simply by passing out currency on any street corner. A healthy, productive economy needs much more than merely "putting money in circulation." The money must also be spent on ventures that add to the total wealth and productivity of the country.

The Market, Or Else . . .

The conclusion to be drawn is that socialism and misdirected capital investments apparently go hand in hand. It is unlikely that a completely socialistic government will be able to provide sufficient investment funds for industry or to allocate them in the proper way. In the past, for example, Congress starved the United States Post Office of investment funds while spending billions on other projects of an irrelevant nature. This myopic policy, if applied to the entire economy, would result in a drastic decline in productivity in a very short time.

There is little evidence, however, that socialism is being discredited by its failures to work effectively in the American economy. If anything, the failures of socialist interventionism seem to provide the basis for new rounds of interventions. The delusion still

persists that the Government can solve our economic and social problems by appointing a "czar" to supervise an ailing industry or by providing funds to support a certain cause. It is still not seen that the effect of this intervention must be to lower output and to inhibit the very market forces that can bring efficiency and order into our economic affairs. Neither is it understood that socialism cannot maintain the high standard of living and freedom that was developed by past generations in America. The price we must pay, in this new world of socialist intervention, is very high in terms of lost liberty and lowered productivity.

The eminent Ludwig von Mises saw the problem with astonishing clarity:

The conflict between capitalism and socialism is not a contest between two groups of claimants concerning the size of the portions to be allotted to each of them out of a definite supply of goods. It is a dispute concerning what system of social organiza-

tion best serves human welfare . . .

In this conflict of opinions everybody must make up his mind and take a definite stand. Everybody must side either with the advocates of economic freedom or with those of totalitarian socialism. One cannot evade this dilemma by adopting an allegedly middle-of-the-road position, namely, interventionism. For interventionism is neither a middle way nor a compromise between capitalism and socialism. It is a third system. It is a system the absurdity and futility of which is agreed upon not only by all economists but even by the Marxians . . .

Men must choose between the market economy and socialism. The state can preserve the market economy in protecting life, health and private property against violent or fraudulent aggressions; or it can itself control the conduct of all production activities. Some agency must determine what should be produced. If it is not the consumers by means of demand and supply on the market, it must be the government by compulsion.*

*Mises, Ludwig von, *Socialism*, Yale University Press, New Haven, New Edition, 1959 and 1962, pp. 542-543.

The Test

IDEAS ON



LIBERTY

THE TEST for any theory of economics is whether it begins with the fact, or ends facing the fact, that what is not produced cannot be consumed.

It is The Test that will determine if any economic system can succeed or will fail.

Another Case History of a Government Failure

BERNARD H. SIEGAN

WHY would anyone want to invest in a losing venture? This is a question that should be considered by the proponents of national land use legislation who are willing to have the federal government spend \$100 million annually to obtain "better" land use. The government has a uniquely bad record in accomplishing its programs; still Congressmen continually propose new and more costly ones.

Washington is usually unable to do in domestic affairs what its leaders want it to and say it will. Some of this is obviously due to corruption and incompetence, but probably most is attributable to the nature of the beast. One of the many difficulties is that, except perhaps in emergencies, representative government must necessarily respond to the continual and varied pressures and demands of its citizens, and these can alter considerably the course of its programs.

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Unlike corporate stockholders whose influence is limited to the extent of their stock ownership, individual citizens of the country can have vastly more power over its affairs. By participating and getting involved in local matters, individuals or groups constituting small minorities can exert substantial influences, even impeding plans and efforts of the highest elected officials.

An excellent case history of the exercise of such powers, and the ensuing problems presented government, is contained in a short book published last year by the Urban Institute of Washington, D. C., entitled *New Towns Intown*. It was written by Dr. Martha Derthick, a senior fellow at the Brookings Institution. The book describes the efforts of President Johnson beginning in the summer of 1967 to build housing developments for the poor in various metropolitan areas on Federal surplus land.

The government owned the land, and the legislative authority for funding and development was then in existence. At the helm was a

president personally committed to carrying out the program and willing to commit the full powers of his office toward that end. He appeared certain of success and well he might be, given the circumstances at hand.

New Community Proposals — No Positive Results

Nevertheless, four years after the program began, it was almost a complete failure. Of seven announced proposals for new communities, three were dead and the future of the others was then in great doubt. In only one instance was a small amount of construction proceeding.

The record of each of the seven proposals is basically the same. Private citizens and organizations, together with officials at various levels of government responding to the pressures of their constituents, were able to prevail over the will of the administration. Another major problem was the conflict between the different government agencies involved in planning the program and using surplus lands.

One of the sites was a 335-acre tract, located a few miles from the White House in Northeast Washington, which the administration initially sought to develop with 4500 units, all but 800 intended for public and subsidized housing. It was to be a showcase

development in the nation's capital, evidencing the country's concern for its less fortunate citizenry.

Presumably, in the Federal city, the administration would have maximum influence and impact. But its powers did not extend over local officials and citizens. Strong opposition soon arose, both from neighboring residents who wanted only middle class housing, and various other persons and organizations elsewhere in the city who demanded a host of changes in the plans.

A lawsuit was filed to obtain "meaningful" citizen participation. Virtually from the moment the program was announced, it went straight downhill; even a new school proposed for the community became the subject of controversy as to whether it should be "conventional" or "new and relevant"; and there were of course many opinions on that issue.


Dr. Derthick does not suggest that in any of the seven situations there were any "bad guys" seeking personal monetary gain; almost everyone involved ostensibly desired the best use of the land, but this generally meant adopting only his own preferred plan. Basically, the forces that blocked the program reflected the national concerns of that period.

Perhaps in certain places some of those particular pressures may have receded over time, but they have been or will be replaced by others; comparable ones will always be with us, as well they should in a representative and participatory society.

Recognize the scenario? It is a preview of what can be expected to occur upon passage of a national land use bill. This legislation will involve much more planning, regulation and commitment at all levels of government, local, state and Federal. In addition, unlike the case of surplus land, the land that will be the subject of the lobbying, jockeying and maneuvering will be that of private citizens,

not government owned. And infinitely more land will be involved than just seven sites.

Among other things, this situation does not bode well for the right of private ownership, since the owner will be just one of many, many divergent interests attempting to dictate its use.

Government clearly has limitations in carrying out its programs. Certainly legislators should take this into account in proposing new programs. There is absolutely no point in entering a milkhorse in the Kentucky derby. As Dr. Dertthick states in her introduction: "The more government tried to do, the plainer became its inability to do very much." 

Shifting the Slums

THE BASIC PREMISE on which the program [urban renewal] was started and the one which maintains its intellectual momentum is that urban renewal eliminates slums, prevents the spread of blight, and revitalizes cities. It is much more likely that the federal urban renewal program shifts slums instead of removing them, and, in so doing, may actually encourage the spread of slums and blight. The people who move from the urban renewal area are not really helped by the operation of the program. Some receive payments for moving expenses and advice in finding new homes. But after they move, they still have the same incomes, the same social characteristics, and the same skin color. The only basic change is that they are now living in some other part of the city.

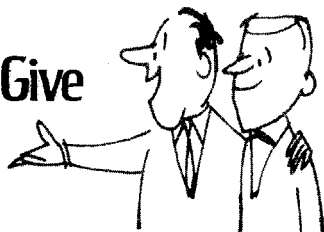
IDEAS ON



LIBERTY

Give Thought How You Give

JAMES C. PATRICK



AMERICANS give away more every year than the gross national product of Austria or Greece or Norway. We give more to our churches alone than the gross national product of Chile or Egypt or Israel.

You will notice that I have not named the most poverty-stricken nations of the world. Gross national product is often referred to as GNP and it includes everything that the people of a nation extract from the ground and sell to others, such as coal or iron ore or diamonds or limestone or oil. It includes all that the people produce through cultivating the soil, such as corn or soybeans or bananas or flax or pineapples or rice. It includes all the services that people perform for each other and collect a payment, such as writing a will or filing a tax return or filling a cavity in a tooth or acting in a television show or giving a manicure or repairing a flat tire or preaching a sermon.

Some useful human activities are not included in GNP because there is no direct compensation for them that would make it possible to measure their value. The services performed by a housewife are an example. Long ago I learned something about how important the work is that is done by a homemaker and I am inclined to rank only a few other careers on the same plane with the homemaker. Possibly a physician qualifies, but only if he is a good one. A person who can sew a button on a shirt, and have the toast pop out of the toaster when the eggs are ready, and make a little girl's hair look nice when it is time to go to school, and bind up a man's ego when he has been chewed out by his foreman or had a contract cancelled by an important customer, is certainly part artist and part magician and part angel. And those are only a few of the things accomplished every day by millions of women in America and other countries, year after year. But normally there is no direct compensation for such artistry so it

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is not counted in the gross national product. The same kind of work performed by a hired housekeeper would be part of GNP.

Preparing and delivering sermons is normally considered a useful human activity, although some sermons hardly meet that test. But, useful or not, a "free" sermon like this one does not become a part of GNP.

The point is that, while not all human activity enters into gross national product, the part that does is formidable in size. And we Americans give away more than the entire GNP of quite a number of the well-known nations of the world—some of them very prosperous nations like Austria and Norway and Israel.

American Philanthropy

We have been a generous people throughout most of our history. In 1960 the University of Chicago Press published a book entitled *American Philanthropy*, by Robert H. Bremner, who found evidence that in the last century there was more giving to the poor than was thought at the time to be good for them. "The principle of voluntary association accorded so well with American political and economic theories that as early as 1820 the larger cities had an embarrassment of benevolent organizations."

During the Civil War there was

apparently an overabundance of relief to the families of service men, on the part of both voluntary associations and governments. Mr. Bremner wrote that "oft-repeated warnings of the dangers of unwise giving were forgotten for the moment as community and statewide relief organizations solicited contributions."

Up to the middle of the last century the greater portion of American schools and colleges were established by private philanthropy. Many were founded and operated by churches but, at the same time, establishing schools for poor children without religious affiliations became a favorite charity for public-spirited citizens. So many colleges were founded that the number exceeded the demand and over seven hundred passed out of existence before 1860.

Americans also gave voluntary foreign aid. During the 1820's voluntary committees collected and sent assistance to the Greeks and many Greek war orphans were brought to this country for adoption.

Mr. Bremner relates that "In the autumn of 1832, when the starving people of Cape Verde Islands rowed out to a ship hoping to buy food, they were astonished to learn that the vessel had been sent from the United States for the express purpose of relieving

their necessities. Individuals and churches in New England, Philadelphia, and New York had heard of their need and had raised thousands of dollars for their assistance."

Voluntary Support

In the United States we have no direct government aid for churches. It is true, of course, that churches benefit by the exemption of their religious and educational facilities from property tax. They also gain by the fact that contributions to churches are deductible for income tax purposes. But essentially, churches have to get along on the gifts that come from their members and others who sympathize with the work the churches do. In colonial days the churches in a few of the colonies did receive government assistance, to be sure, but the period of remarkable church growth followed the ending of all established churches and the cutting loose of all government ties.

Throughout the world there are more than 985,000,000 members of Christian churches. It has been said that since the birth of Christ churches have been built at a rate that exceeds one a day. In Decatur there is one church for every 750 people. If that average is about right for the entire nation, then there must be more than 275,000

churches in the United States. Approximately 134,000 days have passed since the first permanent settlers landed in Virginia and established what became the Jamestown colony, so in this country we have created more than two churches a day by our voluntary gifts.

We do, indeed, seem to have heeded the admonition in II Corinthians 9:7 that the Lord loves a cheerful giver. To be sure, it is sometimes difficult to raise funds for purposes that some people consider highly important. But time after time, when a need has been dramatized so that people could understand it in terms of human suffering and want, they have responded generously.

Responsible Giving

Generosity can be helpful but it can also be harmful. We should give thought how we give. Children who are showered with toys and other presents sometimes end up frustrated and bored, taking for granted the bounty they enjoy, not interested in any of their possessions, not appreciating the generosity of the givers, and unable to understand that such plenty is uncommon in the world and that many of the world's people are in need. For need has been the common condition of mankind throughout history and still dogs

the footsteps of hundreds of millions of the people on earth. Only a minority of the world's population has struggled free of the grip of poverty.¹

We can help our children and we can help other people too much. We can help them to their own detriment. Not long ago a letter to Ann Landers discussed in the newspaper the training of boys to make household repairs. The writer emphasized that a father should teach his sons how to make minor repairs around the house — to lubricate appliances, change a washer in a leaky faucet, and the like. Many times, the writer said, it would be easier and quicker for the father to do the job himself rather than watch impatiently while his son fumbles and blunders at the job. But unless the son has the opportunity to perform the task himself, under the father's guidance, he acquires no experience and gains no skill.

The ability to spell rather well came to me early in life. Many times my own children have asked me how to spell a word and I have had to stifle the impulse to spell it for them and say, instead, "Well, now, let's hear you try it." Handled that way, most of the

time they come fairly close to spelling the word correctly. At other times I have said to them, "Let's look it up in the dictionary," and then I let them find the word, with a little guidance, if necessary.

Self-Help Is Best

We do our fellow man no favor if we deprive him of initiative and creativity and deny him the opportunity to develop his self-reliance. The person who earnestly desires to help the poor "must recognize and respect as an individual the one he would love — which means to encourage him but in no way to interfere with that person's capacity, will, and effort to help himself."² The best help is that help that enables a person in need to provide for himself.

A few years ago one of our committees in the Chamber of Commerce was considering ways to help the underprivileged young black people in our community. One member proposed giving them some recreational equipment and a black man in our group promptly exclaimed, "Oh, no, don't *give* it to them. That injures their self-respect and they will not appreciate it as they will if they pay something for it."

¹ Henry Grady Weaver, *The Main-spring of Human Progress* (Irvington, N. Y.: Foundation for Economic Education, 1953) pp. 11, 12.

² Leonard E. Read, *Who's Listening?* (Irvington, N. Y.: Foundation for Economic Education, 1973) p. 52.

As I thought about the matter afterward I remembered how my mother dealt with the hoboes who used to come to our door during the depression years of the 1930's begging for food. She would never give them a handout until they had done some small odd job to earn it. I have come to understand her wisdom.

Emerson said, "It is a low benefit to give me something; it is a high benefit to enable me to do somewhat of myself."

A Chinese proverb says, "Give a man a fish and he will eat today. Teach him how to catch fish and he will eat for a lifetime."

Everybody is better off when the person in need can provide for his own wants. William Graham Sumner, the celebrated churchman, sociologist, and educator of the last century, pointed out that a human society needs the active cooperation and productive energy of every person in it. "A man who is present as a consumer, yet who does not contribute either by land, labor, or capital to the work of society, is a burden."³

"Every man and woman in society has one big duty," Sumner wrote. "That is, to take care of his or her own self. This is a social duty."

The person who fails in this duty throws burdens on others. He does not thereby acquire rights against others. On the contrary, he only accumulates obligations toward them.

But people who are helped unwisely come to assume that they have a right to what others have earned and produced. The history of the human race is one long story of attempts by certain persons and classes to obtain control of the power of the State, so that they can live out of the earnings of others. And when they do that, they commit an act of plunder, even if they have passed laws to make it legal. Not every legal action is a right action. Right is not determined by a head count. Like truth, it is often recognized and advocated at first by only a minority — sometimes, in the beginning, a minority of one.

Perhaps our greatest error in the field of charity or philanthropy has been to relinquish to governmental agencies this great responsibility, which is at the same time a great opportunity. And possibly one of the serious errors of the churches has been to support that action. Government is the organized force of society. There is Christian merit in giving voluntarily to help those in need. What Christian merit is there in voting to compel everybody, in-

³ *What Social Classes Owe to Each Other* (Caldwell, Idaho: Caxton, 1963) p. 19.


cluding the unwilling, to pay taxes to help the needy? In the process we have created what is commonly called today's "welfare mess" and have developed a welfare syndrome with generation after generation living off the productivity of others and contributing little, if anything, to the general good.

So we should give thought how we give. Giving can create a class of beggars. Recall the streets of Jerusalem in the time of Jesus. Streets in many cities of the world are still populated by beggars, and panhandlers are fairly common even in American cities. During the summer of 1973 young Walter Reppenhagen spent the summer in Haiti as a Missions Volunteer working at the Baptist Seminary and the Baptist Hospital. Walt is the son of the pastor of Decatur's First Baptist Church and had just graduated from Millikin University. He wrote a letter back to the members of the church because they had made his trip possible. This passage reveals unusual perceptivity for a person of his youth: "One of the frustrations that all Americans face is not being able to really help the people as we would like. Giving money away is what many tourists have done. Unfortunately, this has caused an even greater problem in Haiti. Now, it is almost impossible to find a non-Christian Haitian

who wants to be friends, just for the sake of friendship. So many have ulterior motives. They want money. They beg, con and plead for it. This factor alone is causing many Haitian ministers to leave their country."

So we must give thought how we give. It is vital, however, that we give. And let me say a word about the one who receives our gifts. You may recall that, in Acts 20:35 the Apostle Paul appealed to the elders of the church at Ephesus to remember the words of the Lord Jesus, how he said, "It is more blessed to give than to receive."

The act of giving implies that there is to be somebody to receive the gift. What Jesus said was that is is *more* blessed to give than to receive, not that it is blessed to give and not blessed to receive. There is no reason to attach a stigma to receiving a gift if the motives of the giver and the receiver of the gift are right.

The right kind of giving is good for the one who receives and for the one who gives. Just be sure your gift helps rather than harms the one who receives it. Emerson said "You will always find those who think they know what is your duty better than you know it." Do not heed them. Think for yourself. Give thought how you give. 

Tradition and Reform in Education

THE ESSAYS in Stephen Tonsor's *Tradition and Reform in Education* (Open Court, \$8.95) were written during the several years of the student rebellion that was spawned at Berkeley, California, in the mid-Sixties, and they tend to vary considerably in the amount of passion that sustains them. Some of them seethe with a righteous anger; others are coolly argued. The four concluding essays concentrate on the special problems of Catholic and Christian education, but Professor Tonsor is no special pleader.

In most of the earlier essays in the book he extols a diversity that would allow his philosophical enemies to speak their pieces provided, of course, that a balance of Left, Right and Center makes room for alternative points of view. Tonsor does not fear cul-

tural pluralism; he wants to promote a society in which children will be able to choose from a wide variety of schools and educational objectives. He does, however, insist on cultivating the idea of excellence—and this is what unifies the many disparate sections of the book.

Like William Buckley's *Four Reforms*, Tonsor's essays accentuate the procedural. The big basic reform that he advocates would concentrate on returning choice to our educational system, or systems. Far from being a pure libertarian or anti-Statist, Tonsor would permit the spirit of Horace Mann, the philosopher of the public school, to linger with us for a while. He is no ideological enemy of Federal or state support of school systems. Moreover, he champions a uniform system of

testing elementary and secondary school pupils in both public and private schools to establish academic performance. This means that politicians must still keep an advantage which, in times of controversy, might confuse excellence with conformity.

But, with public education systems persisting everywhere, it is, with Tonsor, a matter of making some new beginnings. He wants to see the public school forced into competition with private schools and privately-marketed educational services. So, like William Buckley, Milton Friedman and Stan Evans, he is led to the voucher system. This would make pluralism, the widening of choice, an immediate possibility — and, as new private schools come into existence, the fight to keep the politicians from imposing their idea of a good uniform testing system on all types of school could be left to the future.

Full-Cost Education

Another procedural reform that enlists Tonsor's enthusiasm would be to establish full-cost education. This would tend to weed out the malingerers, the good-time Charlies and the dilettantes who now regard the campus life as a four-year vacation. To enable the talented and ambitious poor boy to avail himself of a college educa-

tion, Tonsor would make loans available that could be paid off once the recipient had achieved a certain salary level after his graduation. Tonsor does not propose to discuss the "how" of financing the loans — he thinks this question would resolve itself once his principle has been accepted by university administrations throughout the country.

Along with vouchers and full-cost tuition Tonsor would insist on new procedures in adding to faculties. Ever since the New Deal, when young professors went "liberal" and Statist in droves, our faculties have tended to make acceptance of the new Leftist orthodoxies the first requirement for being hired. In the course of time nine out of ten faculty members in almost any university could be counted on to assume that there can be no limits to government intervention, that "society" must always take precedence over individual rights, that centralization in Washington is to be desired, that big business is organized robbery, and even that one must be a Democrat with a big D if one is to be trusted with the writing of history.

Unrepresented Minorities

Speaking of his own University of Michigan, Tonsor remarks in one essay that out of sixty-nine

full-time members of its history department "we do not have a single professor whose primary study has been the field of religion in America." As for the economics department, it "does not have a single non-Keynesian among its tenured members." In such an atmosphere, so Tonsor asks, "is it really possible for either the student or the professor to arrive at the truth?"

Tonsor is not clear about the ways and means of compelling faculties to replace the homogeneity of the new collectivist orthodoxy with an across-the-board variety of doctrine. He does say, however, that the university does not belong either to the faculty, or to the students, or to any special pressure group in society. Since the "whole of society" owns the big state university, and since trustees are responsible for the private university, the implication of what Tonsor is saying is that boards of regents or university corporations should step in to compel the representation of all points of view in the composition of faculty departments. This is easier said than done, but if, in the case of the private university, rich or even medium-well-heeled donors were to insist, say, on balancing a John Kenneth Galbraith with a Hayek or a Milton Friedman in an economics department, we

would be making a beginning at re-establishing pluralism.

Universities as Dumping Grounds

Tonsor, in his preface to his book, identifies himself with the Hoover Institution at Stanford. But when he was at the University of Michigan he spoke his piece with a passionate disregard of what the administrative overseers of the institution might think of him. During the period of the campus riots he accused Michigan of being led by men without vision or a sense of America's future. The University "rewards felons and penalizes the orderly." Its benefits were granted on the basis, "not of ability, not even on the basis of a color-blind equality, but on the basis of an irrationally conceived demand on public largesse." Broadening his criticism to include the college scene as a whole, Tonsor remarked that "for twenty years now our universities have become the dumping grounds for all our unsolved educational, social and political problems and university administrations have welcomed the development of this concept of the university as a public dump."

"Do you have an urban problem?," Tonsor asks. Then "take it to the university." "Do you have a psychopathic son or daughter?" Your solution is to "send him to

the university." "Do you have a felon on probation?" If so, the "university is just the place for him."

The university, in short, has been a place for trying to solve every problem but the problem of teaching. In paying out immense sums for the Federal support of education, the American people have been had. Maybe the first procedural change should be to let the whole higher education shebang collapse by withdrawing public support. This would force a new breed of university president to rely on full-cost tuition payments, and we would soon have a new dispensation on the campuses, one that would be prepared to stick to teaching in order to attract the really serious students.

► **WALTER KNOTT, KEEPER OF THE FLAME** by Helen Kooiman (Fullerton, California: Plycon Press, 1973), 236 pages, \$7.95.

Reviewed by Robert G. Anderson

THE SPIRIT of individual enterprise which is so much a part of our American heritage has never been more eloquently demonstrated than by the creation of Knott's Berry

Farm. The Boysenberry, chicken dinners, and ghost town of Knott's Berry Farm represent a twentieth century family accomplishment unmatched by anything in this era.

Walter Knott, Keeper of the Flame, by Helen Kooiman is one of the most moving stories this reviewer has ever read. It is hard to judge greatness amongst those in our midst, but unquestionably Walter Knott fits the mold. This biography cannot help but give inspiration and faith to all who value individual liberty, and the potential for individual accomplishment that emerges from a heritage of freedom.

The final chapter asks, "What Makes Walter Knott Tick?" His accomplishments as a farmer, entrepreneur, builder, patriot, and philanthropist are legion. But certainly among his greatest satisfactions must be his success as a father. His only son summarizes, "I consider my Dad a great man, but for reasons other than what the general public would consider. He had one purpose and this great motivation. Money doesn't mean anything to him, but being a great builder did and does, . . ."

Walter Knott has certainly been a builder. If ever a man began with few of life's material goods, it was this man. As a fast maturing youngster — his father died

when the lad was six — Walter Knott entered the business world selling produce from his gardening ventures. His love of farming led him into homesteading in the Mojave desert, sharecropping for a rancher in San Luis Obispo County, and finally to a partnership in berry farming at Buena Park, California.

The family worked together, Walter, Cordelia, and their four children, and the story of their achievements is one of the most remarkable testimonials to the free economy ever told. It will surely remain as a classic testimonial of what can be achieved by individuals within a free enterprise, private property society.

Perhaps the most fascinating theme of the book is Walter Knott's recognition of his debt to our heritage of political and economic freedom. Few men have provided a more enduring witness to this obligation than this man. His construction of an exact replica of Independence Hall, and the Liberty Bell which it houses, is detailed fully in the book — monuments to remind Americans for years to come of our heritage of free institutions.

Walter Knott understands the importance of a free enterprise society, and he also recognizes that such a society is being eroded away. The chapter entitled "The

Farmer Makes A Speech," is reason alone for the purchase of this book. It provides an insight into the man as a brilliant philosopher, historian, and devotee of freedom.

When so much is written today of a critical nature about our country and its people, this book stands out as a refreshing change. To know what one man and his family have accomplished when free, gives hope to others, and more reason than ever to preserve the system that made it all possible.

Copies of **Walter Knott: Keeper of the Flame** are available at \$7.95 from the Foundation for Economic Education, Irvington-on-Hudson, N. Y. 10533.

- ▶ **AUGUST 1914** by Alexander Solzhenitsyn, translated by Michael Glenny (New York: Farrar, Straus & Giroux, 1972) 662 pp., \$10.00.

Reviewer: Martha Treichler

IT IS the underlying message of this book that, for a country to be free, everyone in it must accept moral responsibility not only for what he does himself, but also for what those around him do. This demands an individualism of the sort rarely

encouraged by Russian religion and culture.

The state church taught the Russian people to accept and endure rather than to question and to blame; consequently, they had no faith in the power of their own actions to affect their own lives. Religious superstition was resorted to by everyone from the peasants to the aristocracy as a way of avoiding unpalatable facts. One could always say, "We must submit to God's will," instead of placing blame where it belonged or accepting personal responsibility.

Then there was the political octopus. Bureaucracy makes people inefficient and negligent because it is inherently unwieldy and subject to corruption and incompetence. As one character says, "Intelligent, practical men don't govern — they create and transform. . . ."

Solzhenitsyn makes the reader sense the rumblings and awakenings of the revolution. There is, in the university, the optimism, altruism and naivete of those who felt that getting rid of the Tsar would cure everything. A student declares that "all we need today is an analysis of the contemporary social environment and material conditions" An older teacher responds, pointing out that this "would be so if the life of the individual were really determined by his material environment." The

teacher explains, "the environment is always at fault, so all you have to do is change it . . . But there is more than environment, and therefore each individual has, perhaps in spite of his environment, a personal responsibility for what he does and for what other people around him do."

The social planners of the time were sure they could make Russia a Utopia if only they had power to put their reforms into effect. But Solzhenitsyn has one of his characters say, "The best social order is not susceptible to being arbitrarily constructed . . . the laws of the perfect human society can be found only in the total order of things. In the purpose of the universe. In the destiny of man." Therefore, "above all, each one of us is called upon to perfect the development of his own soul."

Social planners and revolutionists believe otherwise and are, therefore, ineffective. "No revolution ever strengthens a country," says a father to his radical young daughter. "A reasonable man cannot be in favor of revolution because revolution is a long and insane process of destruction."

There are somber battle scenes, and the author has high praise for the courage of the Russian soldiers who suffered so horribly and died in such great numbers because of the incompetence of their

leaders. But he sees "their passive endurance" as a reason for their not having better rulers. "Russia is doomed to be governed by fools."

This book, too late for Russia, is still in time for us if we heed its warning. And if we cannot reverse the trend of corrupt bureaucracy by taking personal responsibility, why then, like Russia, we too are "doomed to be governed by fools."

► **HOFFER'S AMERICA** by James D. Koerner (LaSalle, Illinois: Open Court Publishing Company, 1973), 137 pages, \$5.95.

Reviewed by Allan C. Brownfeld

WHEN *The True Believer* was published in 1951, the name of its author, Eric Hoffer, was unknown. Readers of the book recognized, however, that a powerful and original talent had made its appearance and were even more astonished to learn that Hoffer was a common laborer who had been blind in childhood, who had then recovered his eyesight and had proceeded to educate himself entirely by his own efforts.

Now, twenty years later, after six additional books, Hoffer is recognized as a brilliant aphorist and a provocative commentator upon men and events. In this new book,

one of Hoffer's close friends, James D. Koerner, himself a distinguished author, attempts to satisfy the curiosity of Hoffer's readers as to his current opinion of things — and to stimulate the interest of those who have not yet encountered him. In both of these attempts he is notably successful.

Why, for example, have we not heard more from Eric Hoffer in recent years? The reason relates to the income tax laws and to Hoffer's feeling that the conduct of the Internal Revenue Service is inherently unjust and tends to stifle all initiative.

Hoffer still remembers with some bitterness how much of the income he earned in his best year, \$180,000, went to the government. He states that, "I make more money when I don't write than when I do." At the end of that year he had about \$11,000 left and he proposed to make it a clean sweep and give the rest to the University of California to establish an essay prize. Now he tries to shield his estate and his family from taxes by limiting his publication to a book every other year. As he puts it, "I am supposed to lay a tiny little egg every two years. I laid one in 1971, so the next one is now 1973."

Hoffer's is a firm voice for individualism and for freedom from coercion by the state. As he sees the American past, it was personal

liberty — and the heavy burden of work that it imposes on each man — that gave the ordinary American the scope he needed to excel. Whether he used that freedom to build a giant fortune, join a hundred organizations, cut himself off from much of society, or pursue whatever else he had set his mind on, it was the combination of freedom and responsibility that, in Hoffer's view, made the American achievement possible.

For Hoffer, the freedom to be left alone, to be free of coercion by the state or society, has always been critical. When he first traveled from New York to California as a young man, he "looked around," as he puts it, "and I liked what I saw. This was a country in which you could be left alone . . . This country was made largely by people who wanted to be left alone. Those who couldn't thrive when left to themselves never felt at ease in America."

According to Hoffer's theory, the problem of coping with personal freedom is particularly severe in America because personal freedom is so complete. The burden of freedom, and the ways in which people try to cope with it, is a central theme through all of his writings.

Hoffer laments the decline of the work ethic and sees this decline in such phenomena as featherbedding by labor unions, in books full of

misprints, in the surliness of clerks. "If we lose the sense of work and purpose," he says, "we will become a weak nation, a poor nation, and we will cease to be a fighting nation and that will be the end of us."

The increase in violent crime in the U.S. is, Hoffer believes, the direct consequence of a disabling fear that has overtaken most Americans. He believes that a stable society, like a stable individual, is the product of an equilibrium in which a tendency to crime and violence is held firmly in check by a more dominant force. Weaken or remove that force and evil will reign. In a free society that force is represented by the readiness of the majority to resist and punish the minority who are violent and who want to exploit any sign of timidity or weakness.

Hoffer cites the cliché, poverty causes crime, then comments: "That is what they are always shoving down our throats . . . Poverty does *not* cause crime. If it did we would have been buried in crime for most of our history and so would every other nation on earth." He observes that he has lived for most of his life with poor people who did not commit crimes. "Criminals cause crime," he declares, "And the minute we let them get away with it, we are going to have lots more."

Hoffer recalls the occasion when

he was a member of the National Commission on the Causes and Prevention of Violence and a black spokesman appeared as a witness and said such things as, "We are full of rage" and he replied: "Mister, it is easy to be full of rage. It is not so easy to go to work and build something." When a militant white student would appear to complain about the administration's abridgement of the right of students to dissent, he would heatedly reply, "It is people like you who destroy everybody else's right to dissent. We have more democracy on the waterfront than radicals allow on the Berkeley campus."

To those who ask preferential quotas for minorities he responds that to treat anyone "more equal than equal" is to treat him as an inferior. He finds it astonishing that minorities demanding special attention fail to grasp the elementary truth that they are demanding to be patronized.

The arrogance of American "intellectuals" is a subject which brings forth a vigorous response from Eric Hoffer. To Hoffer, the touchstone of the intellectual is not a passion for truth but a passion for power, especially power over people. The sine qua non of the Hoffer intellectual is his conviction that he belongs to an educated minority whose duty it is to instruct the rest of mankind and if

necessary compel them to be better than they are. According to Hoffer, one need not be particularly intelligent to be an "intellectual." He notes that, "In their hearts American intellectuals have always hated the ordinary man . . . They have never been able to accept the fact that the riffraff of Europe were able to tame the American continent and build the world's best and greatest nation largely without the guidance of intellectuals."

That, of course, is just a tiny bit of Eric Hoffer. His book is certainly a dose of good medicine for America.

- ▶ **HOW TO TEACH CHILDREN TWICE AS MUCH** by Allan E. Harrison (New Rochelle, N. Y.: Arlington House, 1973), 153 pp., \$6.95.
- ▶ **HOW TO TUTOR** by Samuel L. Blumenfeld (New Rochelle, N.Y.: Arlington House, 1973), 298 pp., \$9.95.

Reviewed by Melvin D. Barger

IT'S NOT HARD to build a case proving that the teaching efficiency of the public school system is low. Some of the system's most outspoken critics have been teachers, although teachers' remedies

usually turn out to be a self-serving mixture of higher pay for themselves, increased Federal aid, lower teacher-pupil ratios, and an expansion of teacher certification programs. The hard-pressed taxpayer is becoming skeptical about these nostrums — or at least fed up because so many educational resources are producing so little in the way of results.

Allan E. Harrison is a maverick, a lone teacher who apparently thinks that present teaching resources would be more than adequate if properly used. He was almost forced out of the profession by the boredom and tension he found during his first few days in the classroom. Almost as a means of self-preservation, he improvised a teaching method using capitalistic principles in the classroom. It was to get him in hot water with his superiors later on, but he accomplished three things that have eluded other teachers in today's heavily certificated systems. Classroom discipline problems became minimal, teachers and students both came to enjoy the classroom work, and students made amazing academic progress that was measurable by improvements in standard achievement tests.

Harrison launched the system by organizing the class as a miniature economic community. His class created a monetary system, with each

student being "paid" for academic performance and also fined for breaking classroom laws and for other acts of negligence. The students formed companies to offer the specialized services needed in the classroom. A bright student in arithmetic, for example, was the proprietor of the academic company in that subject, and could earn money by coaching the slower pupils. Other students became bankers, clean-up inspectors, school supply vendors, and class time schedulers. The system became so detailed that even trips to the restrooms and drinking fountains were scheduled on a commercial basis.

Although a few students balked at first, the Harrison system brought an almost magic transformation in the classroom. For the first time, Harrison's sixth graders were part of the action, with responsibilities of their own for the way the class was conducted. They made their own laws and determined fines for infractions; thus, violations became crimes against the entire class rather than games to outwit the teacher. Each student could move ahead at his own learning pace, and could wheel and deal in companies in much the same manner as traders in the commercial world. Some of them soared ahead to become junior tycoons.

Harrison used every problem as an opportunity to teach students

something about the larger society. He permitted individuals the luxury of going into bankruptcy, but stipulated that they lost rights and privileges in the process. There were penalties for cheating and stealing. When students became destitute, a nonprofit foundation was formed to dispense welfare. Later on, the "indigent" students were subsidized with monies raised by a graduated income tax. This paved the way for a discussion about the competence of government to solve social problems, with the students finally deciding that individual responsibility was best in the long run. Then the class bully was permitted to become a Communist dictator. He promptly froze all bank accounts, confiscated property, and abolished the voting franchise. He was soon ousted in a bloodless coup.

Convinced that his system was working, Harrison obtained enthusiastic endorsements from his students' parents and a few professional colleagues. But he encountered resistance from superiors and others in the schools. It seemed that practical, workable ideas are not always acceptable in the public system. Instead, professional educators prefer innovations which offer "a lot of smoke and no fire." Here and there, however, a few teachers used Harrison's system and reported remarkable improve-

ments in classroom morale and learning achievements.

Harrison has other ideas that go against the tide; for example, he doubts that low teacher-pupil ratios have much to do with teaching efficiency. He would introduce a merit system that would actually encourage larger class sizes.

The key to Harrison's system and educational philosophy is the rediscovery and teaching of self-reliance, and he obviously believes that every child already has a large capacity for learning that can be released under the right conditions. Harrison's system and the emphasis on self-reliance are not likely to win many converts among educators, but it's something that parents and other laymen can keep in mind when educational problems are being discussed. The most neglected teaching resource in every school is the students' own desires to learn and to shoulder individual responsibilities. This priceless resource has been there right along, and can be used whenever somebody has the courage to give children adult responsibilities. Harrison developed a system that does this, and there are probably other methods that also work. The question is, Does anybody in the public school system except Harrison and a few other mavericks really care about developing genuine self-reliance in children?

HOW TO TUTOR is a related book, in the sense that it deals with further remedies for the educational deficiencies of the public school system. The book is a detailed guide for tutors to follow in teaching children the Three R's. A large part of the book consists of lessons that must be learned in an orderly manner. The tutor is given practical instructions for the teaching of each subject, and is reminded of the importance of learning basic rules and other fundamentals that are being neglected in current instruction books. Blumenfeld believes that the new teaching methods harm the child by not giving him a good foundation in the alphabet, simple arithmetic, and cursive writing. He points out, for example, that arithmetic has become submerged in the teaching of math; yet it is arithmetic, not higher mathematics, that most people will need throughout their lives.

According to Blumenfeld, the important ingredients of good tutoring are patience, an understanding of the young mind, and a knowledge of the subject you are teaching. He believes that parents with only a high school education can become good tutors if they are willing and able to follow his instructional materials. Any community has large numbers of persons who could serve as competent tutors,

even without formal teaching experience.

But Blumenfeld believes that faulty teaching methods in the public schools are causing children to learn some bad habits. He says that children who cannot learn via the deficient instructions in school classrooms tend to blame themselves for not learning; they are in no position to question the instructional methods being used by their teachers. Thus, if they fail to learn, they blame themselves, and the schools reinforce this view by insisting that the fault lies with the child, not the teaching methods. But almost any child can be motivated to learn once he is outside the classroom with its attendant fear of failure, boredom, and confusion. With good tutoring, the child no longer has the fear of being thought stupid, and he is not forced to move on to the next lesson.

Blumenfeld's book is well-organized and presents a logical sequence of instruction in all three general subjects. It will be a valuable guidebook for the inexperienced person who wants to become a part-time tutor. Persons who read the book should get a copy of *The New Illiterates*, also by Mr. Blumenfeld, in order to understand the shortcomings the author finds in present instructional methods. Some teachers may feel that Mr. Blumenfeld's criticisms of the public schools go

a bit too far. But every elementary school student should master the basic lessons covered in Mr. Blumenfeld's book. If children aren't learning this fundamental material in the classroom, something is wrong, and it is ironic that private remedies such as tutoring are needed to make up for costly deficiencies in the public school system.

► **OUR ENEMY, THE STATE** by Albert Jay Nock (New York: Free Life Editions, 1973, \$2.95 paper).

Reviewer: Edmund A. Opitz

WHEN ALBERT JAY NOCK wrote *Our Enemy, The State*, in 1935, he was bucking the tide, and he entertained no false hope that his words would have any immediate effect on the course of human events. But his devotion was to the truth, and he was used to being out of step. So, with clinical detachment he dissected the drift away from social power toward state power, fully aware of his thankless task. Why, then, the painful effort of writing a book? For two reasons, Nock replied.

The general reason is that when in any department of thought a person has, or thinks he has, a view of the plain intelligible order of things, it is proper that he should record that view

publicly, with no thought whatever of the practical consequences, or lack of consequences, likely to ensue upon his so doing. He might indeed be thought bound to do this as a matter of abstract duty; not to crusade or propagandize for his view or seek to impose it upon anyone — far from that! — not to concern himself at all with either its acceptance or its disallowance; but merely to record it. This, I say, might be thought his duty to the natural truth of things, but it is at all events his right; it is admissible.

The special reason has to do with the fact that in every civilization, however generally prosaic, however addicted to the short-time point of view on human affairs, there are always certain alien spirits who, while outwardly conforming to the requirements of the civilization around them, still keep a disinterested regard for the plain intelligible law of things, irrespective of any practical end. They have an intellectual curiosity, sometimes touched with emotion, concerning the august order of nature; they are impressed by the contemplation of it, and like to know as much about it as they can, even in circumstances where its operation is ever so manifestly unfavourable to their best hopes and wishes. For these, a work like this, however in the current sense impractical, is not quite useless; and those of them it reaches will be aware that for such as themselves, and such only, it was written.


There are two political institu-

tions, Nock held, government and the State. Government is an agency of society limited to negative interventions aimed at protecting individuals against force and fraud; governments are established to secure persons in their rights and to punish any trespass on them. The State, on the other hand, intervenes positively in society; it dragoons people into the chase after various national goals, wars on poverty, provides welfare, pays out subsidies, offers cradle to grave security, and so on.

Nock was opposed to the State system, whatever name it assumes, but he was not an anarchist. He had no naive opinion of human nature and would have never subscribed to the view that men and women, free of all law and law enforcement, would settle down to live happily ever after in some latter-day Garden of Eden. Keeping government strictly limited and decentralized, he believed, is the way to preserve our liberties.

The State being what it is, it matters little who holds office and wields its inordinate powers. This truth is dawning on some persons

today; but the general public, however disillusioned with politicians, still has faith in politics as the means of curing all the ills of society and improving the quality of life. Hopefully, people will someday realize that what counts is the overextension of State power, not who holds public office. The important thing is to refute statist ideas, whatever their guise, and Nock's book is a big gun in our arsenal.

Those for whom this book was written are scattered amongst us in sufficient numbers to warrant this excellent reprinting in paper of *Our Enemy, The State*. It was eleven years after the first appearance of this book that Caxton republished it. Arno Press brought out an edition in 1972; and now a group of young people embarked on a fresh publishing venture chose this as their first title. They have added an index and include a Nock essay, "On Doing the Right Thing." The book has an Introduction and a Bibliographical Essay by Walter E. Grinder; somewhat tendentious, but spirited. On the whole, a neat package. 

the Freeman

VOL. 24, NO. 7 • JULY 1974

- You Cannot Trust Governments with Your Money** Henry Hazlitt 387
The political problem of inflation could be broken by allowing private trading in gold.
- Business and Its Image** V. Orval Watts 393
The more government intervenes, the more it strives to blame business enterprise for the consequences.
- For the Sake of the Poor** Paul L. Poirot 409
Poverty serves a purpose, for those who feel pain and react appropriately.
- Inflation: By-Product of Ideologies in Collision** Wesley H. Hillendahl 413
Concerning the monetary crises which come when government forces individuals out of the market.
- The Rare Moment** Leonard E. Read 426
The problem is to see a better idea, and then pursue it with integrity.
- There's No Such Thing as a Free Lunch** Earl L. Butz 431
The common sense of producing and marketing farm products by a noted economist.
- Yielding to Temptation** John C. Sparks 436
A letter to a pastor about an evil of universal concern.
- No More Repeat Performances** Bernard H. Siegan 438
The repeal, not the revision, of zoning laws is the way to sound land use.
- Book Reviews:** 441
"We Don't Know How: An Independent Audit of What They Call Success in Foreign Assistance"
by William and Elizabeth Paddock
"Leftism (From De Sade and Marx to Hitler and Marcuse)"
by Erik von Kuehnelt-Leddihn

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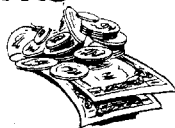
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You Cannot Trust Governments with Your Money



SOMETHING is happening today that has never happened before in human history. Every country is inflating. In each of them prices of practically everything have been rising every year.

This is another way of saying that the buying power of the currency of each of these countries has been falling every year. As each country has been inflating at a different rate, the buying power of its currency has been falling at a different rate.

According to a recent compilation by the First National City

Bank of New York, in the 10 years from 1962 to 1972 the American dollar lost 28 per cent of its purchasing power, the German mark 27 per cent, the French franc 35 per cent, the British pound 38 per cent, the Japanese yen 43 per cent.

When we turn to what happened in some of the less-developed countries, the case is much worse. In the same 10-year period the Peruvian currency lost 60 per cent of its purchasing power, the Argentinian 90 per cent, the Brazilian 96 per cent.

If we carry the comparisons back 25 years instead of 10, the loss of purchasing power is even greater. In the 24 years between 1948 and 1972, the American dollar lost 43 per cent of its buying power. And this was one of the best records of any currency in the world. In the same period the

Mr. Hazlitt was a member of the editorial staff of the *New York Times* from 1934 to 1946, and the "Business Tides" columnist for *Newsweek* from 1946 to 1966. He is the author of 15 books, including *Economics in One Lesson*, *The Failure of the New Economics*, *The Foundations of Morality*, *What You Should Know About Inflation* and *The Conquest of Poverty*.

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currencies of Argentina, Brazil, Uruguay and Chile all lost more than 99 per cent of their buying power. In other words, they all bought considerably less than 1 per cent of what they bought in 1948.

If we carry our comparisons forward instead of back, we find no cause for rejoicing. In the period 1948 to 1972 the median rate of depreciation of 24 leading currencies was 4 per cent a year. In 1973 this median rate almost exactly doubled, to about 8 per cent. Consumer prices in the United States in the 12 months ending February rose 10 per cent, the first "double digit" inflation here since the Korean War 23 years ago.

Savings Depleted

I leave it to the reader to translate these figures into the deprivations and tragedies they have meant for millions of families throughout the world whose income has not yet begun to keep pace with these soaring prices.

Included in this total, of course, are the millions of the aged, the buying power of whose pensions and savings in many countries has been reduced to a vanishing point. Briefly and bluntly, practically every government in the world has been progressively swindling the majority of its own citizens.

What is more alarming is that a great section of the press and even many so-called economic experts are beginning to talk as if inflation were nobody's fault, but some mysterious and perhaps incurable disease.

Time magazine, in a long cover-story on world inflation (April 8), compares it to "some medieval plague." It speaks of "the uncomfortable feeling that no one quite knows what to do about inflation." "The experts themselves," it goes on, "are not immune from this despair. In the U.S. John Dunlop, head of the Cost of Living Council, asserts: 'I don't believe it is clear that mankind today knows how to control inflation.'"

Defeatist Attitude of Trying to Live with Inflation

One could cite much more "expert" opinion to the same effect. A few weeks ago Prof. Henry Wallich, the new appointee to the Federal Reserve Board, declared that inflation is very complex and has many causes, and therefore the measures to be taken are at best difficult. Even Prof. Milton Friedman, who in the past has written some excellent articles on inflation, now seems ready to throw in the sponge. He proposes in effect that if we can't lick inflation, let's join it.

On a recent trip, Prof. Fried-

man was impressed to find that Brazil has introduced escalating clauses into wage contracts, interest rate agreements, and so on, and yet has been able to reduce the inflation rate from about 30 per cent in 1967 to about 15 per cent now, and "without inhibiting rapid growth." So why shouldn't we try the same thing?

I find it astonishing that the U.S. should be asked to take lessons in reducing inflation from a country whose average rate of currency depreciation over 24 years was 56 per cent *a year*, a country at a low stage of development, where the wage level is about one-eighth that in the U.S., and where the government is a military dictatorship.

A revolutionary innovation of this nature should hardly be based on an impressionistic snap judgment. Ronald A. Krieger, professor of economics at Goucher College, who has made a careful study of Brazil for the First National City Bank, is more than skeptical of the advantages of the plan. When Brazil introduced 100 per cent "indexing" in 1967, he says, the inflation rate began to fall much more slowly than it had before.

Putting aside debate about the exact details of what has happened in Brazil, the most likely effect of truly protecting everyone from in-

flation, if we could do it, would be to remove the pressure on the government to halt inflation or to slow it down. Certainly the first effect would be to accelerate inflation.

How Escalators Work

Let us take a hypothetical case. Suppose in a given year both prices and wages in Ruritania have gone up an average of 10 per cent. Assume for simplicity that the average wage rise was distributed about as follows: the wages of 5 per cent of the workers have gone up 1 per cent, the wages of the next 5 per cent segment have gone up 2 per cent, and so on up to the highest 5 per cent whose wages have gone up 20 per cent.

The over-all average rise is then about 10 per cent, but the wages of half the workers have only gone up an average of 5 per cent, while those of the upper half have gone up an average of 15 per cent. It is then decreed that the wages of the lower half shall all be raised to the over-all average rise of 10 per cent. But when this has been done the over-all average wage rise becomes 12.5 per cent. In order to make this increase payable, the money supply must be pumped up further. The same arithmetic applies to any other element of cost.

The U.S. already has such escalator provisions to a certain ex-

tent; but they are more to be deplored than applauded. They exist in some union contracts, in Social Security payments, in government pensions, and in food-stamp benefits. Their effect in each case is to reduce the opposition to inflation.

Still another result is to throw index numbers into politics. The U.S. Labor Department wants to increase the number of items in the Consumer Price Index, but union leaders are fighting a broadened index because it "might tend to show less inflation than the present one," and hence mean smaller automatic wage increases under their contracts.

In brief, insofar as such an escalation scheme is applied, it must increase both the political and economic pressure for inflation. If, for example, wages are to be forced up by a fixed percentage, which, however, can be easily passed on in increased prices, then employers no longer have either the power or the incentive to hold down costs, and workers lose the incentive to increase productivity.

It is in fact impossible to apply such "indexing" universally. It cannot be applied to the money in people's pockets, or in their checking or savings accounts, or retroactively to private pensions. The chief victims of inflation, the old and retired, will be more victimized than ever.

Coercive Economy

The only way of trying to universalize the system is by government ukase, a coercive command economy compared to which ordinary wage-and-price controls look almost like economic freedom. No true believer in the free market could seriously contemplate such a system. It could be prevented from disrupting production only by making sure that wages were consistently raised less than prices — a proposal which, once candidly stated, would be unlikely to find acceptance in a democracy.

Finally, such a totalitarian scheme is altogether needless. There is no mystery whatever about how to halt an inflation. The cure is for the government to stop increasing the supply of money. Period.

The real problem is not that governments don't know how to stop inflation, but that they don't want to. Their excuse is everywhere the same. If they stop printing money, they say, they will plunge their country into a recession or even a depression, and into an "unacceptable" degree of unemployment.

And we cannot say that they are wrong. For the level of prices and activity at any given moment is not determined by the existing supply of money, but by what speculators and businessmen ex-

pect it to be in the future. Their expectations are usually built upon the past rate of inflation or even its past rate of acceleration. And when these expectations are disappointed by a halt in the increase of the money supply, or even a slowdown in the rate of increase, there will be a fall in some prices and a fall in some branches of activity.

But there is no way in which this consequence can be avoided. It can be postponed, of course, but only by building up to a far greater ultimate disaster.

And the decision to plunge ahead acceleratively is the one that politicians everywhere have decided to take. *Après nous, le déluge*. But let's leave the deluge to our successors. Let's prolong our own tenure in office as long as we can, by keeping this thing going. Let's express our heartfelt sympathy with the victims, of course, but profess our inability to do anything about it.

The mistake is not to stop inflation, but to have started it in the first place. The politicians (and, alas, the majority of the rest of us) have kept it going because of the false theory that monetary inflation is necessary to secure and maintain full employment. What we have not realized is that once we embark upon this course, the inflation must be accelerated ex-

ponentially in order to have the same stimulating effect. The inflation must always exceed expectations, whatever they are.

The ultimate result can only be a smash-up.

Full employment can only be maintained by a proper coordination, brought about by free markets, between prices and wages. This means between specific prices and specific wage rates. We have prevented this by wage laws and labor laws which force individual employers to pay excessive wage rates. Then we try to cure the damage we have done by the mass remedy of chronic inflation.

To repeat: There is no problem at all about how to stop an inflation. The government must merely stop adding to the money supply.

The real problem is not economic but political. It is how to get the government to stop. There are few if any cases on record of a government for very long refraining from the issuance of more currency when it was not under the necessity of making that currency convertible into gold. (Or silver, or at least something else that cannot be increased by government fiat.) Therefore the present writer has been among those who have believed that inflation will never be permanently stopped without a return to the full gold standard.

But in view of political developments of recent years, above all of the cancerous growth in practically every country of the leviathan Welfare State, even gold-standard advocates are now forced to ask themselves: Will even this be enough?

Suppose we could succeed in having the gold standard restored? How long, given present ideologies, would the government keep it? England abandoned the gold standard in 1914, and again in 1931. The U.S. abandoned it in the Civil War, again in 1933, and still again, even though we had it in a very diluted form, in 1971. Governments everywhere have now broken faith too often. It may be a long, long time before people again have confidence in any of their monetary pledges whatever.

Right to Own Gold


But the situation is not hopeless. There is one small reform that could do a great deal to restore monetary confidence and order. This would be simply for governments (and specifically our own) to restore to their own citizens the right to hold gold, to buy and sell gold, and to make contracts in gold.

Such a simple reform—the mere removal of a 40-year-old prohibition—would accomplish several things at a stroke. It would pro-

vide a medium by which our citizens could protect themselves to some extent against the further ravages of inflation.

If private citizens had the right to make contracts in gold, gold would then become a *de facto* money, in both domestic and international trade, whether legally “monetized” or not. It would not necessarily follow that gold itself would be used in every such transaction. Contracts might merely provide that a due date payment could be made in paper dollars or in any other currency, but in terms of the market price for gold on the day of settlement.

Such a private currency would be an enormously better protection against inflation than any set of arbitrary indexes or escalator clauses. It would be a step toward freedom, instead of still more government coercion.

It would have still another advantage. As inflation continued, the various paper currencies would go to a greater and greater discount against the new private gold currency. This would daily emphasize that continually rising paper-money prices were not the result of greater and greater greed on the part of sellers and producers, but merely of the increasing worthlessness of the money. That might be the real beginning of reform. 

BUSINESS AND ITS IMAGE

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FORTUNATELY, Americans seldom think and act from day to day as they often vote at election time. The votes are sufficiently serious in their effects. Cast in great numbers, again and again, they give political power to would-be Robin Hoods and Dragon Slayers who denounce businessmen, especially successful, "big" businessmen, as "princes of privilege," indifferent to the welfare of their fellow men and interested only in quick, personal gains, no matter how obtained.

On non-election days, however, Americans show amazing confidence in business, even — or perhaps especially — in big business. They buy from the shops and stores, including the biggest, eagerly and happily; and they display great indignation if a purchase fails to perform according to the businessman's promises, as though this were so unusual that the seller must "make it right" — as he usually does. Similarly, they apply for jobs and appear to be particularly pleased and proud when they get a job in a big concern. They entrust their savings to banks, insurance companies, and many other kinds of businesses; and in this, too, they appear to prefer to deal with the bigger concerns.

In short, most Americans — like the people of other countries with

certain capitalistic traditions and large remnants of business freedom — know from experience that business enterprises help them get a large and essential part of what they want in life. They know it as humans knew, long before the apple fell on Isaac Newton's head, about the effects of gravity.

Still lacking, however, is sufficient understanding of business operations in free markets to protect them from political witch doctors who cause worse maladies than they promise to cure.

What "Business" Means

We use the term "business" in many ways. It may mean any type of work, occupation, or profession. But when we speak of a business-course or business college, or refer to the business office of a factory or university, we use the word in a much narrower sense; and it is in this restricted sense that business is "controversial."

In this narrow meaning of the word, business means buying and selling — the marketing of commodities and services. In this sense of the term, little Sally engages in a business transaction when she gives her dime to the store clerk in exchange for a candy bar. When we say that the successful American farmer must be a good businessman as well as a good farmer, we mean that he

must know his markets; he must watch his costs and prices as well as soils and fertilizers; and he must adapt his operations to changes in market conditions as he does to changes in weather or new invasions of bugs and bacteria.

As a specialized occupation distinct from farming or industry, education or politics, business carries on the marketing operations: advertising, selling, banking and credit management, speculation, and accounting.

The specialization is seldom, if ever, complete. A merchant, for example, may carry on the work of transportation by employing truckers and delivery men; and trucking companies must help market their services by advertising. Similarly, every mechanic, engineer, teacher and scientist must engage to some extent in business — in buying and selling.

Buying and selling, of course, are merely two ways of looking at the same transaction, and as we shift from one side to the other, we complete our exchanges of goods for goods. These exchanges are the aim, or purpose of all commerce, or business. A wage earner sells his services for money; then he uses the money somewhere else to buy commodities and services from grocers, shoe stores, dentists, or the teach-

ers of his children. By using money we can split every exchange of goods into two stages, and we can complete the second stage (buying the goods we want for our work) in places far removed from the place of the first stage (selling our own services or products), and we can complete that second stage with many different producers or their commercial agents.

By using money, therefore, and learning to buy and sell, we increase enormously our opportunities for completing exchanges conveniently and economically.

Essential For Peace and Progress

In fact, without money and the "money-making" specialists we call "businessmen," the high costs of exchanges by barter, trading goods for goods, would make division of labor and exchange impossible except in very simple forms within a small group, such as a family or clan. For this reason, communities whose members do not learn to buy and sell for money remain small, isolated, and poor, holding lands which commercial groups do not want or grant them for a time for charitable reasons.

Conversely, as people learn to buy and sell, and to respect one another's rights to conduct their business transactions free of molestation, they can obtain the ap-

parently unlimited advantages of the division of labor.

Now, division of labor (specialization) and exchange of the products are two aspects of cooperation. They are as inseparable as two sides of a coin. We can't have one without the other.

And cooperation is generally supposed to be the way of peace and progress.

Why, then, are the business specialists, who promote the exchanges necessary for cooperation so often held in less esteem than the farmers, engineers, industrialists, doctors, and politicians whom they serve?

Sometimes, it is true, requests for cooperation turn out to be proposals for someone to give or serve without return. Such a one-sided arrangement is an operation, not cooperation.

Cooperation means working together, a pooling of effort for mutual benefit. In this sense of the term, cooperation is necessary for human progress.

But if we are to cooperate, we must bring together and distribute our products and services. We should suppose, therefore, that those who specialize in promoting and arranging this pooling and distribution — the businessmen — would stand high in public esteem as promoters of human progress.

Consider some of the leading

activities of the business world:

1. *Market study.* Businessmen study what buyers want, what they may want in the future, what may be useful to other persons, what producers can supply, and how producers may supply at the least cost what buyers most want.

2. *Promotion and investment.* Businessmen persuade producers to exert effort; they persuade savers to supply capital; and they guarantee payments as inducements.

3. *Selling.* They inform potential buyers (most of whom are producers in one way or another, or dependents of producers) as to what is available for purchase, and tell them how the goods may be enjoyable, useful, and beneficial.

4. *Accounting.* They keep records of their operations in terms of money as a means of comparing costs and selling prices, and they use these records to help them plan their future operations.

In performing these operations, individuals find unlimited opportunities to use and develop any and every human talent — talents for research, invention, and discovery, talents for knowing and explaining, talents for speaking and writing, talents for understanding, appraising, and persuad-

ing other persons, talents for solving problems and making difficult decisions.

Honesty Pays in Free Markets

To win the cooperation of others, as business enterprisers must do, the first trait required is that of integrity: keeping one's promises, punctuality, paying one's debts, and speaking the truth. For cooperation continues only where there is mutual trust, and trust requires that individuals be trustworthy as well as trusting.

Business success also requires fairness, ability to do justice; and the greater the individual's success in winning promotion or building his own business, the more important becomes this sense of justice and the strength of character necessary to act justly. This requires intelligence and understanding, for the just man must perceive the indirect and long-run effects of his decisions and acts, so that he will not give a favor to one person at the expense of less than justice to another.

Opportunities for success, of course, provide equal opportunities for failure; and individual failures to understand and take advantage of the opportunities and rewards for right conduct exist wherever we find human beings. Fraud, weakness, and injustice appear in business as they

do in education, politics, family life, and church activities. But in freedom, the failures are penalized; weaklings and the unjust are held accountable as customers, creditors, suppliers, associates, and employees are free to withdraw their cooperation and form new business relationships with the more efficient, prudent, and wise.

Business enterprise in arranging, stimulating, and guiding cooperation through exchanges in free markets has been therefore, the foundation or wellspring of human progress in every conceivable way. Humans rise from animal levels, in character and ways of living, as they abandon violence as a means of getting what they want from their fellows and turn to the ways of peaceful, voluntary exchange. And these are the ways of business.

Why, then, should the specialized activities we call business be a principal target for attack by intellectuals and politicians in all eras and nations?

No one can supply the final defense for any social institution, however, necessary or useful it may be. Humans will continue to doubt and challenge because they seek to know, understand, and learn. Skepticism helps keep within tolerable limits the useless and uneconomic experiments of curi-

ous, fallible humans. Every human advance brings also new problems, new abuses of opportunities, and new deficiencies of understanding; and these problems, abuses, and gaps in our knowledge give rise to denunciations even of progress itself and the ways it comes about.

Business institutions and practices are no exception. They must always be subject to continuing study and criticism to correct abuses of new opportunities so that the way may be cleared for new advances.

Therefore, I shall list only a few of what appear to me to be the more dangerous and enduring misconceptions concerning business in general, and suggest answers that may warrant special attention.

(1) *The Technological Concept and its Implications*

Technicians with little understanding of economics and business tend to look upon the production and distribution of goods as a variety of mechanical techniques which experts can teach and direct in terms of hours of robot effort, types of machines, and processes for shaping and transporting specified numbers and kinds of commodities and services to specified users and consumers.

Knowing the technical advantages of certain materials, meth-

ods, and products, they may resent the restraints of business managers who must think in terms of costs and selling prices, and who know that a business must make a profit to survive and grow.

Thorstein Veblen expounded the technologist's point of view in his little book, *The Engineers and the Price System*,¹ written shortly after World War I. In this and in his earlier writings he argued that profit-seeking businessmen were holding back industrial progress in order to keep goods scarce and high-priced, and he tried to explain why engineers, not owners and investors, should control production and distribution.

His work helped to inspire the "Technocrats," an organization of engineers and others who campaigned for this idea in the 1930s. These, along with Stuart Chase and other antibusiness writers have had much to do with the denigration of business in the past 40 years and more.

This technological concept of economic activities is essentially that of Karl Marx and other socialists. It is the view that Lenin, Stalin, and the Chinese Communists have tried to put in practice, with disastrous results.

In this view, the experts in physiology and psychology can

¹ New York: Viking Press, 1921.

even provide stronger incentives for the general run of producers than those of the price system. These experts can know better than the layman what work he can do best and with greatest satisfaction; and they know better than the average person what he needs in the way of food, clothing, shelter, and even entertainment to keep him healthy, happy, and industrious.

In an economy of trusting, cooperative producers, directed by scientists and expert technicians, there would be no need for wages, rents, interest rates, fees, profits, or other prices to guide and motivate producers. There would be no need for advertisers, salesmen, peddlers, promoters, brokers, speculators, merchants, or bankers. Producers would deliver everything consumers might need, either in the right proportions or in such abundance that no one would suffer from shortages.

The abundance would result from shifting to productive pursuits the useless workers who, in capitalism, are employed in commerce and finance. And, supposedly, any mistakes which experts might make would be less costly than the continuing costs of advertising and selling in free markets, the wastes of duplication of effort by competing firms, and the losses in output resulting from

the desires of business owners to keep goods scarce and high-priced.

Why Experts Grow Less Competent to Dictate

As many scientists and technicians know, the socialist's faith in the "expert" fails to take into account the countless differences between human beings in regard to their abilities, tastes, and interests.

These differences in human capacities and interests, moreover, become greater and more significant as humans progress in knowledge and control of their environment; and they increase, not in proportion to the progress of science and technologies, but far more than in proportion. These differences make more and more difficult the task of the specialist who tries to manipulate other persons without their active cooperation.

For this reason, if for no other, each individual must more and more learn to govern himself in a progressive society — to choose his vocations, to pursue self-selected goals, and to choose the means to achieve those goals. The further humans progress, the less competent the "experts" will become in deciding what others should or must do to develop their human qualities. In other words, slavery is profitable, if ever, only when

the victims are reduced to a near-animal level of understanding. But a citizenry of such a character can build no "great society."

Attempts at central planning and direction, therefore, become more costly as the economy progresses, as individuals gain in knowledge and opportunity, as they engage in more varied and complicated activities, and as their exchanges of services become more numerous and roundabout.

Humans are worth little, if not actually a menace, to masters who try to treat them as sheep or cattle, as if their imaginations and ingenuity were of little importance. One person becomes useful in cooperating with others in proportion as he is eager to invent better ways of doing what they want done. Then he provides services which they did not know they wanted or needed, and which they could not possibly describe or order. What master could have told his slaves a century ago how to make an automobile or airplane, a radio or television set? Even today, no individual can tell others all of the steps necessary to make even such simple things as a pencil, pen, or pocketknife.²

Producers must make number-

² Cf. Leonard E. Read, *Anything That's Peaceful* (Irvington, New York: The Foundation for Economic Education, 1964), ch. 11. "Only God Can Make a Tree — Or a Pencil."

less adjustments every day in their work in order merely to maintain output, let alone increase it. These adjustments call for countless decisions. In freedom, these decisions and adjustments affect the supplies and kinds of goods offered in the markets; prices offered and asked respond to these changes in output but they respond also to changes in the humans themselves. Producers and consumers, sellers and buyers, in turn respond to the price changes and thereby react to the decisions of other members of the economy with little or no need to know or understand the numberless factors which entered into the making of those decisions.

Among their other activities, businessmen watch and anticipate these price changes, publicize them, and help to speed the adjustments. A rising price in free markets is a call to increase output or to find substitutes; a falling price has the opposite effect.

This economic organization of actions and reactions is now complex beyond any imagining, and it is neither mechanical nor automatic. The price system is not merely a computer, and it cannot be manipulated like a computer. It is a system only insofar as individuals choose to cooperate and respond to one another's suggestions, inducements, and state-

ments; and attempts to manipulate it by force or fraud are self-defeating and destructive.

Experience with central planning in Russia and Red China shows that market prices are essential for economic coordination, and the Communist planners get a modicum of economic cooperation only as they permit individuals to profit from their enterprise in adjusting their techniques to price changes that respond to changes in the informed choices of other producers and consumers.

(2) Intolerance For Other People's Tastes

Similar to the socialist's notion that technical experts should dictate to the general run of producers and consumers is the contention that freedom for profit-seeking businessmen wastes "society's" resources by pandering to the vulgar tastes of the ignorant masses. The intellectual who likes to attend symphony concerts, or play chess, or read the writings of Plato, Kant, or Hegel, may scorn the tastes of baseball fans, bowlers, or movie goers. He may propose, therefore, that government take from them money which people use to gratify such low tastes and spend it for the intellectual's better purposes.

Businessmen know that they do not have the power often attribut-

ed to them to compel consumers to spend their money in any particular way. Nor are all of them without scruple in their choices of goods which they offer for sale. And we may ask, with Professor Stigler, whether it is any more reasonable to blame businessmen for the tastes of their customers than to blame the waiter who serves a meal to an overweight customer.³

We should recognize, however, that free markets do actually provide incentives for business and industry to cater to tastes for wholesome rather than demoralizing products. Consequently, we find tastes rising in eras and nations notable for the people's freedom to buy and sell for profit.

Profit-seeking enterprise in free markets tends to increase more rapidly the output of more wholesome goods because the more efficient and industrious producers in a capitalistic society are better customers, generally speaking, than the less efficient and less industrious. And these producers do not become more efficient and industrious by indulging tastes for what is base and demoralizing.

If we consider all lines of industry in the United States, for

³ George J. Stigler, "The Intellectual and the Market Place," *Selected Papers, No. 3* (Graduate School of Business, University of Chicago, 1965).

example, we find that by far the greater part of the business carried on in private markets with self-supporting producers is in commodities and services designed to maintain and improve the health, vigor, knowledge, and productivity of the more industrious and prudent persons and their families. Among such items are food, clothing, and shelter, tools, machinery, and equipment, textbooks, scientific works, the endless number of "how to" books, informative periodicals, newspapers, and services of doctors, dentists, and teachers.

When we find a disproportionate growth of occupations catering to less wholesome tastes, such as for gambling and excessive consumption of alcohol, we are likely to find that governmental policies are restricting freedom of enterprise in more productive directions by taxes, wage-hour laws, regulations, and government-protected monopolies, and that welfare-state policies are encouraging idleness. As the "bread and circuses" provided by the emperors of ancient Rome helped debase popular tastes for entertainment in that era, so governments in other ages debase tastes or retard improvement as they restrict individual freedom to invest, produce, and exchange services, and as they tax the productive and

prudent to support the idle and improvident.

(3) Exaggeration of Business Costs and Profits

Surveys of opinion have often shown that most persons in all nations believe that business profits are several times as large as is actually the case.

First, they often confuse gross mark-up of a merchant's goods with his net profit. The gross mark-up, of course, must cover the costs of operating his business. Net profit, however measured, is a much smaller figure.

Second, statistical estimates of the total expenditures on advertising, an activity most subject to attack by critics of business, generally involve double counting. For example, figures for total costs of advertising often include most of the costs of publishing newspapers and magazines, and the costs of maintaining the television and radio industries and providing the programs of information and entertainment. Similarly, the socialist's estimates of the amount of duplicated effort among competing firms and of excess capacities greatly exaggerate the facts.

Third, the figures of the United States Treasury exaggerate the amount of business profits.

(a) Nearly half of the total profits reported for corpo-

rations consists of taxes paid to the United States Government, and another slice of considerable size is paid by dividend receivers as taxes on personal income.

- (b) By requiring producers to use original cost rather than replacement cost in calculating the costs of replacing worn-out equipment, the Treasury forces business owners, in times of rising prices, to report as profits and pay in taxes receipts which are necessary to cover costs and which should not be counted as profits.

Fourth, from one-third to one-half of business profits remaining after taxes is reinvested in the business which earns them, and stockholders reinvest part of the remainder, which is paid to them as dividends.

When we allow for taxes and reinvested profits, we find that owners of corporations, which conduct most of the business done in this country, keep considerably less than one-third of their reported profits for personal consumption. If we may assume that they pay 20 per cent of their dividends in personal taxes, their incomes from their stocks has ranged between 2 and 3 per cent

of the total national income during the past 20 years. Much of this they return to business by investing in new stock issues.

Yet demagogues can easily arouse covetousness and direct it toward suicidal attacks on business as long as people fail to understand the difference between business capital and wealth available for personal use, and as long as they fail to understand the difference between the way in which a businessman regards his profits and the manner in which wage earners and salaried workers generally look upon their own incomes.

(4) *Misunderstanding of Capital*

Business capital has value only to the extent that it produces goods for the market or can be used to produce such goods. Seldom is it in a form which the owner can use for personal enjoyment and consumption.

Furthermore, the capital has value only insofar as it can be used to produce goods at a profit.

Ignorant and unthinking persons, noting the stocks of merchandise and handsome buildings, may envy the supposed riches of the merchant who owns it. They may conclude, since most others in the community have little wealth, that the merchant has done little for his neighbors, or that he has

somehow gained his supposedly great wealth at their expense.

Such envy may be misdirected, and the suspicions are generally unjust. Some of the capital may be borrowed from creditors, perhaps from creditors who live in a foreign land. Another part of the capital may belong to partners or stockholders.

But a man may be the sole owner of an imposing establishment and be free of debt, yet have no more than his poorest neighbors if the business cannot operate at a profit. The equipment of a losing business may not be worth the cost of scrapping it, and the building not worth the cost of demolishing it, so that neither the equipment nor the building has a sales value.

In any case, business capital must serve mainly persons other than the owner if it is to have sales value; and it is a possible source of personal income to the owner only to the extent that it supplies other persons with goods worth more than the cost of producing them. When, for any of many possible reasons, it ceases to earn a profit, the owner is generally unable to use much of it for his own subsistence.

Inability to understand these facts about business capital is a principal barrier to the economic progress of the so-called "under-

privileged," or "underdeveloped" nations. The successful merchant's neighbors or the politicians think to enrich themselves by seizing his capital, only to find that it vanishes as they reach for it.

And they equally eat into capital as they tax profits. The misunderstanding of the peculiar nature and function of business earnings, which gives rise to discriminatory taxes universally levied upon them, is a principal obstacle to economic progress even in the most capitalistic countries.

(5) *Misunderstanding of Profits*

The notion that profits serve mainly as a personal incentive for business efficiency and enterprise not only supports uneconomic tax policies but is a handicap to any businessman who entertains it or whose partners, stockholders, or family persuade him to act upon it.

Consider the effect of this idea upon the thinking of a wage earner, clergyman, or school teacher who hears that the profits of a particular businessman or small group of stockholders amount to many millions of dollars per year. "No one needs so much income," the teacher or clergyman is likely to think, "to induce him to do his best in work such as that of business management."

As a result, politicians find widespread support as they take

half or more of profits and dividends for "public" use, or when their tax policies compel business owners to make huge donations for nonbusiness purpose ("philanthropies") so that their heirs may retain control of a going concern, or when unions stage a mass hold-up to force a profitable company to pay more than free market rates for labor.

The individual businessman who uses his profits as most employees use their wages, mainly to buy goods for the personal use of himself and his family, achieves little business success. His business does not grow, his profits remain modest or small, and his enterprise is likely to exist but for a brief time in a progressive economy.

The flourishing and enduring businesses are those whose owners make use of their profits primarily as a *measure* of business efficiency, a *guide* for business policy, and a *source* of the equity capital necessary for growth and stability.

Profits are the earnings which remain after deducting the owners' salaries for their own managerial efforts, costs of replacing worn-out equipment, payments into reserve funds to pay for probable losses, and such interest as their capital might earn in risk-free investments, or loans.

Most businesses actually return

little to the owners beyond salaries for their personal services and a modest rate of interest on their investment. In fact, many owners continue in business only by taking out of it for their personal use less than they could earn as salaried employees in some other firm, and they get no return for interest on their invested capital. These businesses operate at a loss, and the owners make up the deficits out of their own wages and other income.

These are the kinds of businesses that are typical of poor countries. Governments of these so-called backward countries permit few really profitable businesses to exist. By taxes, costly regulations, license restrictions, or outright confiscation, they prevent businessmen from earning or reinvesting profits, and thereby prevent the growth of business capital. This is why these countries remain "underdeveloped."

Businesses grow only as the invested capital grows. The owner's capital is sometimes called "equity capital" to distinguish it from the "loan capital" which he may borrow from nonowners by selling bonds or notes.

Growth of the owner's equity is necessary for business expansion, not merely in the form of new buildings and equipment, but to guarantee payments to the grow-

ing numbers of employees and suppliers with whom he contracts to pay fixed wages and prices before he sells the products. He needs equity capital also to guarantee repayment of borrowed funds in case the investments financed in this way prove to be unprofitable.

In freedom, such as the people of the United States enjoyed prior to the great increase in tax burdens after 1930, business capital grew at unprecedented rates. As a result, the wages and other incomes in this country rose more rapidly than in any other country.

How Business Grows

This rapid growth of capital came about mainly in the form of reinvested profits⁴. The Ford Motor Company, for example, reinvested profits at the rate of nearly 70 per cent, compounded annually, in its first 20 years. In this way the original capital of \$28,000 increased to approximately \$1 billion. If the founder had paid out in dividends to himself and other stockholders one-half of these profits each year as they were earned, and invested only the remaining 35 per cent, his total capital from this source at the end of 20 years would have been only a little over one per cent as great — approximately \$11,000,000 in-

stead of \$1 billion. For the 20-year period the total dividends also would have been approximately \$11,000,000, only a small fraction of the several hundreds of millions of dollars now paid in dividends to Ford Company stockholders every year. And, of course, the Company could have produced little more than one per cent as many cars.

If present tax rates had prevailed from the beginning, they would have cut off nearly 99 per cent of the Company's growth. Yet the total tax receipts from the Company for the 20-year period would have been only \$11,000,000, instead of the hundreds of millions (more than \$600,000,000 in 1965) which the Government now rakes in every year from this one concern.

When we examine the history of other leading businesses in this country, we find that they were similarly built mainly out of profits reinvested by management as they were earned or by stockholders who used part of their dividends to buy new issues of stocks.

Anyone who looks for these reinvested profits finds only a small part in the form of currency in vaults or bank deposits. As forms of wealth, he would find them mainly in the buildings, machinery, and equipment, materials in process of production, and research laboratories — capital goods

⁴ Cf. Carl Snyder, *Capitalism the Creator* (N. Y.: Macmillan, 1940).

used to produce commodities and services for persons other than the owners.

True, owners of successful businesses and their heirs generally use part of their incomes for personal consumption: mansions, yachts, costly cars, travel, and entertainment. But their expenditures for such purposes have been generally but a small fraction of their profits. Often the amounts were no greater than the salaries they might have earned as managers for other employers. In other cases they spent part of the interest on their investments. Those who spent for personal consumption total sums comparable to the reinvested profits generally had to surrender control of the business.

Successful businessmen are no more motivated by desire for profits than skillful surgeons by desire for fees. Men like Henry Ford, Andrew Carnegie, John D. Rockefeller, James J. Hill, Wanamaker, Filene, as well as the lesser business leaders, had the motives of great achievers in art, music, religion, and education — the motives of the builder, the architect, the organizer, the mountain climber. They used the profits as indexes of the wants, tastes, interests, and capacities of customers, associates, investors, employees, and suppliers. They used them as

efforts to maximize value at least cost. And as they managed more efficiently, their rising profits provided increased means for further increases in productive capacity and business security.

Therefore, policies which compel distribution of business profits to consumers — whether to wage earners, to the families of stockholders, or to governments — may have little effect in reducing the intensity of effort put forth by business leaders, but they do reduce their capacity to do their job.

(6) *Statism vs. Business*

Every increase in the size and cost of government relative to private enterprise increases the temptation for officials and politicians to foster antibusiness sentiment among the people at large.

The cause of the rise in scope and costs of government may be war or threat of war. A natural disaster may cause some mechanical or economic breakdown and provide an opportunity for government to expand its powers and functions. An organized clique may gain office and grant themselves political privileges — governmental subsidies or restraints on competitors — before taxpayers know or understand what is going on.

Whatever the cause may be, every rise in government costs

prompts politicians to impose new taxes on places where money is easiest to find. These places are likely to be where individual streams of money converge: the centers of buying and selling, the places of business.

To win popular support for these new raids on business income, politicians pose as heroic Robin Hoods seeking only to restore to the poor the ill-gotten gains of the rich. To produce in the public mind the appropriate images of themselves and of those whom they propose to tax, they hire speech writers and pay subsidies to publicists and pedants.

As the special privileges or wars and rising taxes increase business costs and prices, trade declines. Producers learn to make things for themselves or to do without. As they lose the advantages of specialization and trade, their output declines, unemployment rises, and pauperism spreads.

Tax receipts fall, but the greater the decline, the more strenuously a powerful government may strive to maintain its income by new taxes and higher tax rates. At the

same time, it intensifies its efforts to make business enterprise the scapegoat for the mischief wrought by its own policies.

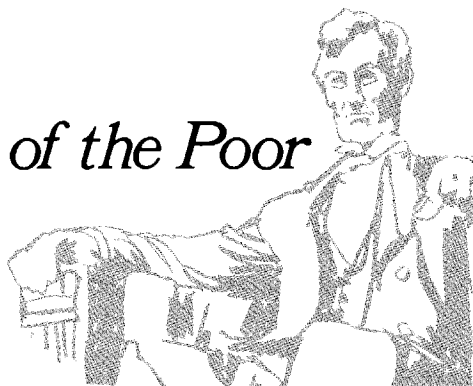
During the past half-century, these antibusiness policies have produced famine and every other form of human misery in Soviet Russia and Red China. The same results, to a somewhat lesser degree, followed similar policies enforced with less determination in Egypt, Algeria, Bolivia, Cuba, socialist India, and other countries.

But for a far longer period, we now have authenticated, detailed records of the retreat toward savagery which followed similar conquests by statists and paternalistic despots during the 2,000 years preceding the modern era. In particular, we should know of the long period of economic disintegration, recurring famines and plagues, and brutalized tastes and manners that, over much of the western world, followed the long war against business from the time of Plato to the rise of new, business-oriented, city states at the beginning of the modern era. ☉

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For the Sake of the Poor

PAUL L. POIROT



"That some should be rich," observed President Lincoln, "shows that others may become rich and hence is just encouragement to industry and enterprise." Four years earlier, shortly before he gained the Republican nomination, he had similarly testified about the desirability of property: "I don't believe in a law to prevent a man from getting rich; it would do more harm than good." And he might well have said the same about a law to prevent a man from being poor: it would do more harm than good.

Abraham Lincoln had known abject poverty and would rise above it to the Presidency. It is not the only way, of course; some of the children of some wealthy parents also have lived worthy lives. And whether it is easier to grow out of poverty or to emerge successfully from a condition of

affluence is a moot question. The point is that poverty serves a purpose. It is painful to a sensitive individual and stimulates him to take corrective action, much as a sense of pain activates one to remove his hand from a hot stove. However great the pain, it would be far worse to be burned without feeling it. Almost as deadly, for most of us, would be to find comfort—to experience no pain or uneasiness—in a condition of poverty.

What's the point of all this? The point is that American citizens are being burned to death, and we don't seem to know it. We are letting ourselves be persuaded that the only way to get a scarce item is to stand in line waiting for it. And why should we do that? For the sake of the poor, of course! What are we waiting for? Yesterday a roast of beef, today

a tank of gas, tomorrow a carton of milk or eggs or cereal, a bag of onions or potatoes or apples, or who knows what then will be the object of greatest intervention for the sake of the poor!

If an individual is allowed to respond to his senses, he need not be a genius to deduce that waiting in line is unproductive; it produces poverty rather than more of the goods and services he'd like to have. No man, unless he be one of the least productive among us, could afford to stand in line for a subsidy of less than \$3.00 an hour; he could make more than that by working. If necessary, he could pay double the subsidized price of gas and still be ahead on the deal if he didn't have to wait to be served. And the saddest part is that no such price increase as that would be necessary to clear the market immediately.

Government in Business

When the man with the gun, the one whom we collectively empower to defend life and property and to keep the peace, interferes with market pricing — artificially depressing the price of gasoline to curb the profits of sellers — the excuse is that the underpricing is for the sake of the poor. What it amounts to, strictly in terms of price, is a subsidy to the consumer of gasoline, which means that some

of the pain of poverty, some of the penalty of failure, has been killed or diminished. The law of the land says that it is 2 cents or 5 cents a gallon less painful to be poor than says the law of supply and demand. Production and consumption of gasoline is thereby removed from the world of reality, and instead of gasoline enough to satisfy the demand at the free market price, the artificially depressed money price creates a real shortage of gasoline and a high extra cost of waiting in line for an unsatisfying combination of gas and subsidy.

Ask yourself the next time you're waiting in line, or check the faces and the behavior of those in the next line you see: Is this the picture of a peaceful and friendly society? It is not. It is a picture of anger and hatred and violence barely suppressed — a situation closely patrolled and supervised by armed policemen. Why the policemen? Why, to enforce the law that was enacted to help the poor, the law enacted by the agency of force that was constituted to *preserve* the peace — not to *disturb* it.

Seeds of War

Personal liberty and private property are results of peaceful production and trade rather than coercive practices. You have life

and liberty because I respect you and what is yours. I respect you and yours because I believe you respect me and mine. And out of such a chain of respect comes freedom and a peaceful and progressive society. But let one person break the pattern, bring coercion to bear against one or more other peaceful persons, and there will be a chain reaction of ensuing disrespect and violence.

Is it a sign of respect for an individual to forcibly prevent his being as poor as he chooses? Not that he chooses necessarily to be poor, but that he chooses to avoid various actions or efforts that could alleviate his condition of poverty. Is he to be denied the freedom to make such a choice and to assume responsibility for the consequences? How is a person to develop a sense of self-responsibility if he is not permitted to experience the results of his actions? How is it possible to relieve some persons or groups of the burden of their failures, by the process of governmental subsidy, without at the same time taxing from others some or all of the earnings derived from proper or successful action? By what process can we relieve the poor of their own responsibilities without forcing the producers and savers to be equally irresponsible?

Let us bear constantly in mind

that we are not so much concerned here with the possession and use of pieces of paper money or other currency. Our concern, rather, is with the possession and use of scarce and valuable goods and services. In whose hands, under whose management, would such scarce resources be used least wastefully, most efficiently?

Dividing Wealth Does Not Increase the Supply


We tell one another that man does not live by bread alone, but are we sure we know what we mean? We see clearly that a loaf of bread may help to sustain life if it is available for consumption. Do we see as clearly that some of the wheat must be saved and used as seed, along with other productive resources, if there is to be a continuing and ample supply of wheat and bread? So, we do care — as much as any socialist cares — who has bread enough to eat; and if we care enough, we will do everything in our power to see that the ownership of wheat is concentrated primarily in the control of those individuals who waste it least and use it most productively and efficiently. It is no service to the poor to forcibly confiscate private property and redistribute it among the least productive persons in society. For once they consume it today, who will bother

—or have the means—to feed them tomorrow?

Still, there tends to be a feeling of resentment against those who earn their living producing the goods and services consumed by the poor. Some of those producers are rich! Sometimes it is highly profitable to have correctly anticipated consumer demand and to be among the first to supply in quantity what they want. But profits are ephemeral and tend to disappear or merge into losses under competitive pressure. And in any event, entrepreneurial profit is never something that is added on to the price which consumers pay for an item. Rather, it is taken out of costs, and goes to the most efficient producers of that item. The least efficient producers barely break even, may even suffer losses for their efforts to supply goods and services consumers want.

The point is that the property accumulated in the hands of the so-called rich through the market or business process (as distinguished from the opulence of political rulers and kings) is not necessarily and probably not primarily a result of profit-taking. Savings may originate in many ways. A man may save some of what he earns as wages. Studies of industrial production indicate that in-

dustries on the average in the United States pay out in wages, directly or indirectly, about 85 cents of every dollar received from sales. So, if wage earners want to save, theirs is the biggest chunk of the pie from which to draw. The next largest chunk goes to creditors, savers who lend the resources needed to provide the buildings, tools, and other capital required to carry on the business. Creditors earn interest — not profit — on the capital they lend. Hopefully, the owners or stockholders may earn some profit for the entrepreneurial risks they assume; but many of them lose their investment, too, or fail to earn as much as if they had put that amount in a savings bank at interest.

So, some of the property of some of the rich may represent an accumulation of profits earned. But it is far more likely that most of the property of the rich will have come about from saving and wisely investing or lending what had been earned in wages. And surely that must have been the formula Abraham Lincoln had in mind when he cautioned against “a law to prevent a man from getting rich.” He was a friend of the poor. 

INFLATION:

By-Product of Ideologies in Collision

WESLEY H. HILLEND AHL

THE FACT that man has endured ideological conflict since his beginning on earth is the central theme of the great scribes of all civilizations that have left records of their existence. While the predominant focus has been on moral philosophy, these ideological conflicts have ranged far and wide. They have pervaded the formal institutions of the church, government, commerce, finance, agriculture, education as well as culture and the arts. In the present age the struggle centers on the law, the rules by which contemporary civilizations are ordered and under which individuals conduct

their daily affairs with each other.

Whether man will be free to pursue his life and God-given destiny in an orderly environment in which government plays the domestic role of impartial umpire, or whether his life will be controlled in every detail by the dictums of an omnipotent materialistic bureaucracy is the central theme of today's conflict. Indeed, this is the essence of the catastrophic collision of economic thought of the 19th and 20th centuries. Upon the outcome of this collision will depend man's way of life for generations to come. In simple economic terms, will the market place exist to serve the individual according to his choice, or will the market and the individual be under the control of the state?

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Ideological Roots of the Free Market Economy

It is doubtful that a totally free market economy ever existed — one that is completely free of state intervention of one sort or another. And only in a few brief periods of recorded history has man been sufficiently motivated to assert himself to the degree required to grasp control of the market place from the hands of the rulers.¹ Such an event occurred in 1776 in America, but it was far from spontaneous. The spirit of '76 had been brewing for centuries in Europe. Its unique significance may be brought into focus by a brief review of several historical events. In this review, the essential distinction between the legal framework and the economic system must be kept in mind. It is all too easy to confuse the economic activities of a people with the legal framework under which they live, particularly today as government becomes increasingly involved in the economic affairs of its citizens.

The first of these historical incidents occurred on June 15, 1215 A.D. One recalls that King John of England was an oppressive tyrant. English noblemen and freemen became so incensed at the king's disregard for their rights that they pursued him to Runnymede where he was "convinced" to sign a document called the Magna Carta. This

summit meeting produced a document which provided the concept of trial by jury, no taxation without representation, and the Writ of Habeas Corpus. It provided the fundamental restraint on government in the form of written law known throughout much of the world today.²

By 1628, the British King's disregard of individual rights won 400 years earlier became so insufferable that Parliament refused to vote any money to run the kingdom, and King Charles I was forced to sign the Petition of Right. This document provided the essential ingredients of personal security by restricting conditions relating to the levy of taxes, boarding of troops, declaration of martial law, trial by jury, and arbitrary imprisonment; without these rights, an individual cannot enjoy personal security.

In 1689, Parliament rebelled against King James II's tyrannical belief in absolute monarchy. Out of this action came the British Bill of Rights. Political liberty had triumphed in England, and with it a degree of economic freedom unknown before.

The profound significance to Americans of these early limitations on government is easily recognized, for in the first eight amendments to the Constitution of the United States, we find the in-

fluence of the Magna Carta, Petition of Right and the English Bill of Rights.

It was George Mason, the Virginian,³ more than any other individual who forged the basic structure of limited and divided powers of government found in the United States Constitution and Bill of Rights. These are restrictive documents in the sense that they place more constraints on government than had ever prevailed in the past. The intent was to fragment political power, and to provide major obstacles to the reassembly of that power. In the wake of the centuries of tyranny, and the sacrifices of untold thousands of individuals in their struggle for freedom in England and Europe, the founders of the Republic were hardly likely to construct a government which could be centralized easily at the expense of individual liberty. The principle of separation or subdivision of powers, as championed by men such as Mason, is still history's most effective stumbling block for tyrants. However, the Constitution was not perfect, and it was George Mason who foresaw the fatal flaws introduced by compromise that ultimately became the avenues by which much of it has been struck down.

In 1850, a French statesman, economist and author, Frederic

Bastiat, espoused the theme of limited government at a time when France was turning to Socialism or total bureaucracy, following the French Revolution in 1848 which had coincided with the release of Marx's Manifesto. Bastiat emphasized the essential spiritual antecedents in the framework of economic freedom. He commenced his book, *The Law*, with the following: "We hold from God the gift which includes all others. This gift is life — physical, intellectual, and moral life. . . . Life, liberty, and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty, and property existed beforehand that caused men to make laws in the first place."⁴

It is all but forgotten by many today that the State is not the source of liberty and property; these are inalienable rights that come from God.

Bastiat expressed the issue clearly: "What, then, is law? It is the collective organization of the individual right to lawful defense. Each of us has a natural right — from God — to defend his person, his liberty, and his property; and by extension it follows that a group of men have the right to organize and support a common force to protect these rights constantly."

He concluded, ". . . since an in-

dividual cannot lawfully use force against the person, liberty or property of another individual, then the common force—for the same reason—cannot lawfully be used to destroy the person, liberty, or property of individuals or groups.” In Bastiat’s eyes, any form of state intervention in the affairs of the individual is not only illegal, it is immoral and contrary to God’s law.

Thus did Bastiat so eloquently summarize what had evolved over hundreds of years—the legal framework of the constraints on government that make it possible for each of us to order his own life, and to offer his service in the manner called “free enterprise.”

Here then are the moral and spiritual antecedents of the American system as codified in the law forming the framework of the free market economy. Being all but forgotten today under the pressure of the conflict, these principles are restated here because they constitute the *raison d’être* for any meaningful monetary and economic reform.

Accomplishments of the Free Market

Having established a Republic under the legal framework of limited government, what could man accomplish in the free market?

In the beginning the focus was mainly on the family, the commu-

nity, and the job of survival. By 1840, 70 per cent of the people in the United States still lived on farms, while more than 90 per cent grew their own food. Not satisfied with devoting most of his energies to the drudgery of survival, the free individual American possessed of a drive to better himself undertook an unprecedented change in his way of life.

The age-old concept that man’s material wealth is limited, which had arisen out of the fact that human energy had never been effectively augmented, gave way to the principle that material wealth could be expanded to an almost unlimited extent by multiplying limited natural resources and limited human energy by tools using non-human energy.⁵

During the 1800’s, a massive reconstruction of the application of labor was brought about through the invention of a host of machines which permitted the augmentation of human effort by non-human energy. Initially, wood and whale oil were the principal sources of energy. These gave way in time to petroleum products, the use of which doubled decade after decade until early in the 20th century.

In agriculture, the first significant invention, the steel-bladed plow, occurred in 1841. In rapid succession came the power reaper,

the steam thrasher, and the haying machine. Then in 1884, the first combine and the first tractor appeared. All of the things which we take for granted today were marvelous inventions in those days. Can you visualize yourself pitching hay or performing some other type of hand labor on a farm before being rescued by these marvelous machines?

After the turn of the century, a whole succession of specialized tools and machines were developed which bring food all the way from the farm to the home refrigerator. As a consequence of these labor-saving inventions, the 70 per cent of people on farms in 1840 had been reduced by one-half by the turn of the century. Continuing advancement to World War II brought the proportion of people on farms to 18 per cent. Today, only about 5 per cent of the population live on farms, and farm labor accounts for only 4 per cent of the nation's labor force. At no time in history nor in any other country has there been such extensive productive application of man's inventive genius; and the process seems endless.

Economic freedom has, by similar processes, provided an enormous expansion of physical and mental productivity, and offered the incentive to develop the vast array of items that have become

the underpinning of our standard of living. We've had the incentive to solve disease and sanitation problems, provide housing for the entire population, develop great centers for preserving and transmitting our accumulated learning, and transfer goods via a vast production, distribution and marketing mechanism unknown in history.

The Roots of the Controlled Economy

At the heart of the notion that the economy must be controlled by the government are several well recognized themes: (1) the concept that society is made up of two classes, the oppressed and the oppressors, the "class struggle", (2) the concept of "exploitation" of man by man, and (3) the concept that the controlled order is inevitable as the consequence of the inexorable increase in impoverishment caused by the development of capitalism.

Hence, by revolution as advocated by some, such as the secret League of Just Men who had commissioned Marx to write their *Manifesto*, or by evolution as advocated by the British Fabian Society or the ADA, "... It is necessary to emancipate society at large from exploitation, oppression, class distinctions, and class struggles."

The economic and political meas-

ures by which collectivists intend to convert society generally include:⁶

1. Abolition of private property and the rental thereof to individuals by the state.
2. A heavily progressive income tax.
3. Abolition of all right of inheritance.
4. Government control of credit by means of a monopolistic central bank.
5. Government control of communications, transportation, and means of production.
6. Abolition of distinctions between urban and rural areas by redistribution of population.
7. Free government schooling.

These features of the welfare state, Socialism, the planned economy — call it what you will — are recited, not as we recited the roots of the free market which are all but forgotten, but because they are so conspicuous in today's economy that we are inclined to overlook what they really are — the legal framework for the very antithesis of the free market which this country's founding fathers envisioned.

Ideologies in Collision

Both Marx and Bastiat expressed concern for the common man under the tyranny which had prevailed for centuries in Europe and England. But Marx advocated as

a substitute for the monarchy a new form of tyranny — a bureaucracy supported by a synthetic majority rule; whereas Bastiat and his English counterparts correctly envisioned that only by placing all forms of tyranny in the chains of restrictive law could man arise out of repression.

Hence, the industrial revolution in America, operating under the aegis of a Constitutional Republic providing maximum freedom for the individual and a minimum of exploitation, bore fruit as nowhere else in the world. Instead of the exploitation and oppression, anticipated by Marx, has come the emancipation of the masses seen in the visions of the founding fathers.

However, while vast economic changes were occurring throughout the western world and in America in particular over the last century, government was also undergoing a transformation of major proportions. From an inconsequential power over economic affairs during the 19th century, the Federal Government today has become the most powerful bureaucracy on earth, and has regressed into a massive engine for control and redistribution of people and wealth, largely as Marx and his colleagues had advocated.

Much of what government has undertaken domestically falls with-

in the prescribed limits of the role of referee. However, the main thrust of government activity in recent years has gone far beyond the prescribed limits. F. A. Hayek, in *The Constitution of Liberty*,⁷ foretold the consequences of practices which have developed under persistent pressure to do away with those limitations on government which were erected for the protection of individual liberty.

"This conflict between the ideal of freedom and the desire to 'correct' the distribution of incomes so as to make it more 'just' is usually not clearly recognized. . . . But the ultimate result . . . will necessarily be, not a modification of the existing order, but its complete abandonment and its replacement by an altogether different system — the command economy."

Hayek is one of the few writers who correctly recognized the mixed economy for what it is — an unstable transitional condition between the free market economy and the bureaucratically controlled society.

Inflation in the Transitional Period

While those who champion the sanctity of individual liberty and the ideal of the free market deplore the transition, socialist scholars are inclined to want to get on with the work of erecting the bureaucracy and eradicating

all vestiges of their boggy man, "laissez faire" enterprise. Be that as it may, it is the contemporary status of this transition that invites our closer examination. Specifically, our concern is the phenomenon of inflation in the mixed economy as a manifestation of the transition.

Because many qualified economists have demonstrated the essential monetary nature of inflation, we need not restate here the distinction between money and credit expansion and the resultant rise in wages and prices, nor go into the fine points of monetizing debt.

There is a prevailing notion that in the transition period during which functions performed by the private sector of the economy are transferred to government, inflation will persist as long as the still strong private sector and the growing public sector fight for the limited amount of capital.

However, many economists seem only recently to be grasping the fact that as the transition progresses, so must monetary inflation proceed at an accelerated rate. The long-standing argument that the manner in which government debt is funded is a determining factor in inflation, seems inadequate to explain the evident fact that inflation is accelerating.

The problem is that too much

attention has been devoted to national income analysis while ignoring the nation's balance sheet. An examination of practically all measures of balance sheet liquidity or cash reserves reveals that the private sector of the economy is being progressively starved of funds by rising taxes and increasing costs of nonproductive overhead caused by governmental interventions.

Expanding Government

Empirically, the record in the United States shows that so long as all governments combined took in direct and indirect taxes less than 25 per cent of personal income, some discretion existed as to what rate of monetary inflation could be undertaken at any given time. However, once government expanded beyond the range, as it did years ago, the economy embarked on a one-way street; and as government grows progressively larger at the expense of the private sector, so must inflation proceed apace to accommodate the credit requirements of the economy.⁸

Government spending having expanded to more than 43 per cent of personal income, this progressive expansion of credit is necessary to avoid collapse as the level of borrowing must also accelerate in lieu of diminishing residual profits and retained earnings.

Ultimately, as government pro-

ceeds progressively to confiscate all earnings, one might expect monetary inflation to reach proportions experienced in France in the 1790's, Germany in the 1920's, Russia immediately after the so-called revolution, and Hungary in 1946.

However, before hyperinflation of such proportions would be generated, it is more likely that an attempt toward the conversion to a totally controlled economy will be undertaken under the guise of some combination of "emergencies." Many of the mechanisms to achieve such a conversion have been on the books for many years.⁹ And Congress delegates additional "emergency powers" to the bureaucracy as each new "crisis" is engineered.

Meanwhile, unforeseen developments such as the projection of the Middle East conflict into the otherwise inevitable domestic oil shortage may produce profound and undefinable effects on the future timing and nature of the conversion, not only in the United States, but worldwide. It is clear that the Arab nations have administered the *coup de grace* to the faltering International Monetary Fund, and that the role of gold is about to achieve a significance in world monetary affairs virtually inconceivable in the United States only a few years ago.

Inflation in the Controlled Economy

It is not our purpose here to enter into a theoretical discussion of inflation under Socialism, but rather to suggest two thoughts. First, utopian goals of inflation-free prosperity for all, as envisioned by the planners of the multinational political economy, may be quite unrealistic.

The end product of the transition from the free market to Socialism even in America may well produce vastly different results than expected. Simply stated, a bureaucratically controlled economy is incapable of maintaining a level of production adequate to sustain itself. In the absence of the profit motive, people will not produce at their capacity, and in the absence of a mechanism to retain and utilize savings, the machinery of production will either run down or wear out. Even more significant is the underlying moral issue. Let us heed Garet Garrett's words:¹⁰

When in the conquest of power and for political ends a government deliberately engineers inflation . . . the people will lose control of [government] . . . and finally, the revelry of public money, which for a while seems to cost nobody anything, brings to pass a state of moral obliquity throughout society. The monetary debacle is relatively unimportant. The moral debacle is cancerous and possibly incurable.

Who, then, under the controlled economy will have the incentive to continue to produce the economic abundance from which has been drawn the hundreds of billions of dollars of foreign aid designed to prop up untold socialist experiments in a hundred or more countries, the numerous unsupportable and uneconomic public infrastructures,* the vast non-productive, self-defeating bureaucracies set up in many so-called developing nations to divide the free loot?

Can Russia Survive?

But of even greater significance, what will be the fate of the USSR, the greatest socialist experiment of all time? This question may sound strange in the context that the USSR is presented to us as an economy based on such a highly advanced technology that it poses a vast military threat to which we must respond by spending over \$80 billion annually on armaments.

Under the Czar, Russia was well advanced into the industrial revolution, and at the turn of the century, was the world's leading

* All too frequently American taxpayers' dollars have been used to provide infrastructures which to date have done little to improve the status of the average citizen of developing nations; instead, the benefits have accrued largely to the profits of multinational corporations which have located plants in these low-cost labor markets.

oil exporter. But such prerevolutionary developments are portrayed as insignificant in terms of the Soviet's achievements of the past 50 years.

However, the record shows that present day Soviet technology is synthetic—it has all been imported. Based on ten years of research into official documents, Antony C. Sutton, research fellow at the Hoover Institution on War, Revolution and Peace, developed grounds for his widely quoted testimony before the Republican Party National Convention in 1972.

In Sutton's words: "There is no such thing as Soviet technology. Almost all—perhaps 90-95 per cent—came directly or indirectly from the United States and its allies. In effect, the United States and the NATO countries have built the Soviet Union. Its industrial *and* its military capabilities. This massive construction job has taken 50 years, since the revolution in 1917. It has been carried out through trade and the sale of plants, equipment and technical assistance."¹¹

Sutton also quoted Ambassador Harriman: "Stalin paid tribute to the assistance rendered by the United States to Soviet industry before and during the War. Stalin said that about two-thirds of all large industrial enterprises in the

Soviet Union has been built with the United States' help or technical assistance."

The West Helps Russia

In his three volume work, *Western Technology and Soviet Economic Development*¹² covering 1917 to 1965, Sutton demonstrates on an industry-by-industry basis that the West has contributed under contract essentially all the plants and technology which comprise the Soviet military-industrial complex today.

Of great significance is his statement that it has been shown Russia has never suffered from a dearth of competent technical and scientific personnel, rather the bureaucracy is incapable of translating the endeavors of individuals into productive results.

The power of his statement is that it is not theoretical, but is based on the observed record. Its significance lies in the application of Garrett's observation regarding the cancerous moral debacle which occurs under bureaucratic control. In basic English: People cannot be forced to produce effectively without personal incentives to do so. And Socialism demonstrably fails to provide these essential incentives.

In my opinion, the death of the free market in the United States would come not as a sudden de-

pression, but rather a gradual sinking into stagnation in activity characteristic of controlled economies. The drying up of that enormous production by which much of the so-called free world is subsidized would also cause the stagnation to extend abroad. Finally, the stream of technology upon which the Iron Curtain countries have relied for 50 years would dry up, and the Soviets, for the first time in their existence, would be cast free to sink or swim on their own.

Socialism Precludes Inflation?

The second thought I wish to examine more carefully is the notion that inflation is a product of sound monetary practices, irrespective of the type of economy or political framework. Let us not forget that one of Napoleon's first acts was to restore the gold standard in France.

As to the alleged freedom from inflation in a world under Socialism, we may turn to economist Benjamin Anderson:¹³

By 1921, Lenin had reached the conclusion that pure communism would not work, and the New Economic Policy announced by Lenin in 1921, frankly acknowledged a partial return to capitalism. The reestablishment of capitalism in Russia involved the redevelopment of a money held as closely as possible at a parity with

gold. In the years that followed, Russia had repeated slumps in the value of its currency, but always resisted them, and finally turned decisively toward heavy gold production, recognizing the need of gold both for international use and as an element of strength in the domestic currency situation.... Russia could never make its paper money a "thing in itself" created by the state and held fixed by the state's fiat.

Currently, the Soviet Union holds gold in such high esteem that the first of four nuclear power plants was recently activated to power gold dredges and other mining machinery at the Soviets' principal gold mining center of Bilibino in Siberia.

Hence, it would appear that in the totally socialized world, civilization would descend into stagnation for an untold period of time. If such economy as remains in the world is to be free of inflation, it could be accomplished only by recourse to that perennial barbarian, gold.

The Solution — A Moral Issue

Although we are far down the road, this dismal outcome of the ideological collision need not occur — indeed, we must not permit it to occur. However, mere monetary constraint will no longer provide an effective answer because of the balance sheet liquidity prob-

lem. Restoration of a sound gold convertible currency is a move in the right direction; but if Anderson's observations regarding the Soviet Union are valid, such a move will not, in itself, eradicate the bureaucracy. Only by attacking the ideological roots of Socialism can the tide be turned in practice. This means checking the growth of government and the spawn of monopoly industries which through the centuries have always fed on centralized power. This means returning government to its constitutionally authorized role and restoring true competition to the market place.

In the final analysis, the issue is a moral one: Are enough people willing to exercise sufficient individual initiative, responsibility and integrity to do the job?

In the abstract, this seems to be a reasonable challenge. But in practice, how many businessmen who espouse free enterprise for their own businesses will give up the practice of using their influence with their legislators to limit competition or otherwise gain economic advantage through the legislative process?

How many businessmen will sacrifice profits in a genuine compassion for their fellow man by giving up their lucrative business with the bureaucrats of countries who have sent millions of their

citizens to their death in slave labor camps?

How many businessmen will voluntarily undertake the necessary expenditures to control their factory effluents in the interest of cleaning up genuine environmental health hazards, or will do the same for their employees by minimizing work hazards?

How many labor union leaders will acknowledge that they can obtain more jobs and better working conditions for the rank and file union members by allowing companies to make higher profits for capital formation rather than by extracting maximum wage and fringe benefits at the bargaining table?

How many able-bodied people who are racketeering on welfare will voluntarily go back to work?

How many legislators will stand in the face of the pressures of those bent on selfish gains and stop the legal plunder? And of equal importance, how many legislators will stand for election on constitutional principles instead of offering even more legal plunder?

How many government bureaucrats will voluntarily husband public funds, trim dead wood from their departments, and phase out unnecessary operations?

These are examples of individual human actions. Ludwig von

Mises, who was acknowledged to be the greatest contemporary champion of the free market, has shown that economics is the aggregate of individual human action. Whether a society is basically moral or immoral in total depends on the degree of morality of the actions of each individual in it. Inflation is the aggregate result of legal plunder — as such, it represents the epitome of immorality.

In a totalitarian society, the problem of inflation, like any other, can be controlled at any time

by government decree, but only at an unmeasurable cost in loss of personal liberty. In a free society, control over inflation can be accomplished only when its underlying causes are held in check by the predominance of individuals motivated by moral principles and acting with economic responsibility.

Only when sufficient people recognize the moral nature of the problem and are willing to act accordingly will the surge toward the command economy be reversed.



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The Rare Moment _____

LEONARD E. READ

The rare moment is not the moment when there is something worth looking at, but the moment when we are capable of seeing.

— Joseph Wood Krutch

WHEN IS THERE "something worth looking at"? Any time! There are good things to see at all times, in all places, and by all individuals. It's a matter of personal choice; and how varied are these value judgments of individuals! For instance, there are many who are more attracted to the labor-saving device known as thievery than to anything else. They think stealing is a procedure "worth looking at."

Pause here for a moment. Some of us think of thievery — whether carried out by individuals or practiced collectively "from each according to ability, to each according to need" — as very low on the scale of values. Why? Simply because our judgments differ from, and are presumed to be at a higher level than, those of the thief. But we must be careful in condemning persons whose value judgments are, in our opinion, lower than our own. For implicit in such an attitude is the claim that we are superior.

After all, who is any of us but an imperfect mortal! If we demand that others see things as we do, we are opening the door to the possibility that we should be forced to look at only what a governing majority of others believe to be worth looking at. And bear in mind that no two of us have the same judgments; indeed, one's own values change from one day to the next. So, we need the flexibility to cope with constant changes. I would let each decide for himself what's worth looking at and suffer the penalties of his errors or the blessings of his righteousness.

Man's ideas as to what's worth looking at range from pornography to sunsets, from Picasso to Raphael; from the Pyramids to the Jungfrau; from ancient ruins to the Taj Mahal; from *Soviet Life* to the Holy Bible; from atoms to galaxies; from Bach to rock. Ideas and ambitions range from state socialism to individual

liberty; from a square meal to an elaborate symphony; from quiet repose to strenuous executive activity; from a decent burial to a voyage of exploration over unchartered seas; from the cheapest fiction to the purest science or philosophy; from thinking for self to imitating others — you name it!

Krutch is right. The rare moment is not the moment when there is something worth looking at. What could be more common? Every moment of one's life affords that opportunity.

Beyond the Flash

The rare moment is when we are capable of seeing — that rare glimpse into the mystery of that which is observed. Most people only look at a flash of lightning; they see nothing of its miraculous nature. While no one knows what it is, there have been a few who see beyond what meets the eye; they have seen enough to generate and harness electricity to our use. This kind of seeing — insight — occurs only in the rarest of moments.

Many of us look at a sunset and are overcome by its beauty. How few of us, even today, perceive that the sun does not set? Many see no more than was seen by the first man on earth. How many, before or since Copernicus, have understood that the setting of the

sun is an illusion, rather that the earth is rotating? Rare moments, indeed.

Another example of a rare moment: Ever since man first set foot in Switzerland, that majestic mountain, the Jungfrau, has ranked high among the beauties of nature, truly worth looking at. People by untold thousands have stood at its base looking up in awe. Around the turn of the century an entrepreneur had a vision, a moment of seeing: Why not multiply what's worth looking at? Make it possible for the thousands to go atop the Jungfrau that they might see the beauty from that vantage point! Some twelve miles of tunnel was bored through the rock, a cog railroad installed, and a wonderful hostelry built within the mountain near the top. Private enterprise! No government subsidy! Just one of those rare moments of seeing which is more in evidence when man is free and self-responsible.

Near the top of the list of things thought to be worth looking at is wealth — material affluence. The aggregate of the moments spent in seeking wealth staggers the imagination. But note how rare the moments when individuals are capable of seeing the preconditions for gaining affluence, a society of free and self-responsible individuals with

government limited to codifying and inhibiting destructive actions. If government thus performs, people are free to act creatively as they please. And there is no other way to material well-being.

Not seeing for themselves, the masses listen to false prophets, persons who promise that we can spend ourselves rich, that prosperity derives from dictatorial control over wages, hours of labor, exchanges, prices, and so on. They hear the promises but cannot foresee the consequences of the methods to be used. Wrote Ralph Barton Perry: "Ignorance deprives men of freedom because they do not know what alternatives there are." An affluent society cannot prevail unless individuals see that their economic well-being stems from the general practice of the principles of private ownership, the free market, and limited government.

In Search of Power

Perhaps the power to run the lives of others tops the list of things a majority believe to be worth looking at. Rare, indeed, are the moments when these individuals are capable of seeing the futility of their way. Were I the wisest philosopher or politician who ever lived, there is not one of these meddlers who believes I

could run his life better than he. But he, unwise, has no doubt about his powers to run your life and mine. Why unwise? The very first step in wisdom is an awareness of how little one knows. Nor do such people see that power corrupts them!

Most of us doubtless have the potential to see ever so much more than we customarily perceive. We rarely see more than we wish to see. As unique individuals, we tend to specialize, to focus on the details from a particular point of view. Such focusing gives us more intimate knowledge of the tree, the trunk, the root, the twig, the leaf, the miracle within the single cell. I have my special interest, you yours, things we see more clearly, while neglecting many other possible vistas. The danger of too narrow a specialization is that we can't see the forest for the trees.

The "forest" worth looking at which most intrigues me is a viable society, one featured by harmonious relationships, one in which the individual may proceed, unobstructed by others, toward a realization of his creative aptitudes and potentialities. If a person fails to overcome his own obstacles — frustrations, superstitions, imperfections, ignorance, no will to strive — that's his problem. But if the obstacles are put there

by others — if the individual is compelled to live as others dictate — that is everyone's problem. Freedom is everyone's business!

**We Need Freedom Because
We Are Interdependent**

Why is freedom everyone's business? It is because my freedom depends on yours and vice versa. There is but faint appreciation of the high degree of specialization in contemporary society, of how dependent each of us is on the others. In short, we are now interdependent beyond recall; there is no turning back. This is to say that we, in our age, are at once *social* and individualistic beings. And if we fail or refuse to recognize this fact, all will fall together.

Of course, the individualistic side of this coin — being one's best self — is a problem of the first magnitude. Each of us must wrestle with this personally. Many, I suspect, see this. It is the social side of the coin they fail to see. How can ordinary mortals, such as you and I, fulfill this aspect of life? The formula is simple. Never do unto others that which you would not have them do unto you. If you wouldn't have others control your life, then never try to control anyone else. If you wouldn't have others hinder you from producing, freely exchange-

ing, owning the fruits of your own labor, competing, traveling, then don't inhibit these practices among your fellowmen. This is all one has to do to fulfill his role as a social being. Merely heed the oldest, wisest, and simplest maxim ever written!

Finally, is there a prescription for removing our blindfolds? Is there a mode of conduct or discipline which would open up new vistas, permitting you and me to see more than we now do? I am just beginning to see that the answer is *integrity*.

For years, I have been defining integrity as the accurate reflection in *word* and *deed* of whatever one's highest conscience dictates as right. This may not in fact be right but it is as close to righteousness as one can get.

My definition stands; but I see now that my preachments — words — have been better arranged than my practice — deeds. It is my practice of integrity that must be improved.

To illustrate this failing on my part: I have written that each of us should await discovery, that if there is anything in our garden worth looking at, it will be detected by others.¹ Do I heed this?

¹ See the chapter, "Await Discovery," in *Having My Way* (Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc., 1974) pp. 40-44.

Only with the greatest difficulty! Impatience tends to govern me, more or less. I can hardly wait till others find out how good I think I am at this or that. This nagging urge is a common trait and accounts, in no small measure, for the urge to reform that plagues humanity. Out of such a garden grows nothing but weeds. When I cannot believe and abide by my own admonitions, am I to expect better of others! Seeing and doing must become one and the same. To see the right without doing it is to live without integrity.

How Integrity Helps

Why is it that integrity removes the blindfolds, improves seeing? Some of the reasons are apparent.

I repeat, while one's accurate reflections in word and deed may not in fact be truth, they are as close to truth as one can get. Even though we err, our devotion to

integrity leads toward that which is right; this is the only road to truth.

Those truth seekers who practice integrity themselves are drawn to integrity in others. This virtue has a magnetic quality. Are not the persons to whom you listen those who manifest integrity?

When others are being drawn toward your honest reflections, your light tends to brighten. Their attention is an encouragement, a stimulant, to put your best foot forward. In a word, integrity works its attractions back and forth among us; and the rare moment becomes a more common experience. Wrote Charles Simmons:

Integrity is the first step to true greatness. Men love to praise [it], but are slow to practice it. To maintain it in high places costs self-denial; in all places it is liable to opposition; but its end is glorious, and the universe will yet do it homage. ☉

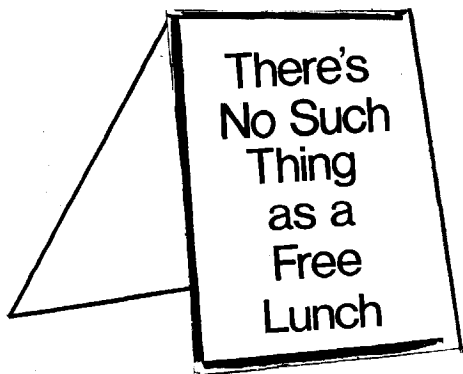
To Find Meaning

SUCH MEANING as there is to life on this earth is found in tending our own plot of ground, in tasting the fruits of our own labors, in developing our own skills and perceptions, in sharing with others freely, in doing that which is appropriate to our talents, in striving to fulfill our ideals for ourselves, in the pleasure of a job well done, in the company of friends we have chosen and who have chosen us, in bringing up our own children, in short, in sitting under our own vine and fig tree.

IDEAS ON



LIBERTY



EARL L. BUTZ

IN THE OLD DAYS the king called in his three wise men to tell them he'd become interested in economics. "But," he said, "it sounds confusing and complicated. I want you to go out and boil it down for me in a way that I can understand."

Nine months later they came back and reported they had completed the job. They said they had condensed all of economics into a single book of 200 pages. The king said, "That's too long. I don't have time to read that much."

He had the chairman beheaded, and told the other two: "Now I want it boiled down."

They came back in 30 days and said they had economics boiled

down into a single chapter of 20 pages. The king said, "That's too long. I don't have time for it."

He had the chairman beheaded, and turned to the remaining wise man: "You know your job. Now, boil it down."

"Yes sir, Mr. King!"

This wise man came back in three days: "Mr. King, I think I have it. I have boiled down the entire subject of economics into a single sentence of eight words."

The king said, "That's fine. I have time for that. What is it?"

"There's no such thing as a free lunch."

I tell that story because I think those eight words sum it up pretty well. Economics is a description of what you and I, and others like us, do in order to get our share of the things that are in the real life around us.

Unfortunately, there are a lot

Dr. Earl L. Butz is Secretary of Agriculture of the United States. This article is reprinted by permission from the March 1974 issue of *The American Farmer*. Copyright American Farm Bureau Federation, 1974. All rights reserved.

of people around — you know them and I know them — who think that there *is* such a thing as a free lunch.

Take the role of the Federal government — Uncle Sam, if you will. Some people look on him as a kind, benevolent old gentleman who hands out free gifts. They look on him as a child might look at a grandfather.

Take most any state or local project. If there's work or money involved, it's easy to say: "Let's have the Federal government do it." You see this happening all the time. Maybe it's a new courthouse in the county seat, or a sewage plant, or just one of many things: "Let Washington do it."

There's only one way the government can do anything — that's with your money. The government is not a form of voluntary giving; it is a form of compulsory giving. You lose your home or your land if you don't pay your taxes. There's nothing benevolent about old Uncle Sam when it comes to you paying the tax bill. *There's no such thing as a free lunch.*

The next time you see a headline saying that the Congress has voted a \$1 billion project, just figure that on the average this is about \$5 out of your pocket and out of the pocket of every other member of your family.

"But," somebody says, "we're

just talking about our own little community project. If we don't get that Federal money, somebody else will use the money. This project costs only a few thousand dollars. That's a drop in the bucket compared with what the Federal government spends on other things."

You've heard that, or something like that, many times, I'm sure.

Fact is, most everything the government does is, of itself, a drop in the bucket. However, when you add up all the little drops, it makes quite a bucketful. And the bucket is spilling over.

We're already spending about 34 per cent of our gross national product for government — Federal, state or local. That means that we have given to the government one-third of the decision-making power over how our money is spent.

A Drop at a Time Builds to a Flood

There are many things that we want and need to have the government do. The problem develops when it seems so painless and easy to add "just one more." That's how we got the 34 per cent — by adding "just one more." We have direct control over the dollars that we spend individually; however, we lose direct control over our dollars when we pay them out as taxes. The control then becomes diffused and political and hard for

any one of us as an individual to do very much about.

If you don't think so, pick up the newspaper almost any day. Chances are you can read one to several stories about this or that proposal to launch a government project of some kind. Each one is a proposal to spend more of your money. Some are worthy causes, but how much "say" do you have in deciding whether you want to pay more for each of these projects?

The farther away from your local government the decision gets, the harder it is for you to exercise control. That's why the Federal budget has been balanced only 4 of the past 20 years. That's why inflation is eating us up. That's why we ought to reverse the trend in this country and return more government to local decision-making. That's why we should ask about every public project, "Is it worth what it costs if we had to pay for it directly?"

Even then there are problems. If your local government is making a capital improvement of some kind, you'll probably find you can't save tax dollars in the budget ahead of time and pay cash. You'll probably have to borrow, float bonds, build up a debt and pay for the project twice through interest payments. *There's no such thing as a free lunch.*

When the Rich Are Gone

All right, but we run out of the rich pretty quick. The great bulk of the tax load comes out of the pockets of ordinary people. There's no other way. If we held every rich guy by his heels and shook out all his money, it would still be a drop in the bucket.

Tax the corporations? When you tax them, they have to get the money somewhere, since it is strictly illegal for them to manufacture money. When the corporation is taxed, the corporation tacks the cost onto the price of the article you buy. When you buy Corporation X,Y,Z's handy dandy little gizmo, you pay the corporation's tax.

A corporation, then, is a tax collection agent for Uncle Sam. That kind, benevolent old gentleman is a wily old cuss who has his hand in your pocket in a way and at times when you don't suspect it. *There's no such thing as a free lunch.*

Take ceilings on prices. We've heard a lot about them in the last few months. Inflation has been chasing prices of many things up the trees. It happened on food last summer. Housewives not only complained; some of them became activists and picketed. They demanded that "something be done."

Well, the government is also a listening post. When somebody in

political office hears the chant loud and clear from back home, he figures he'd better do something or he won't be around to hear the chant the next time. The urge for personal survival in Washington is a powerful instinct. It's the primary political instinct, you might say.

Last summer, in response to the cry from back home, controls were put on food. All of a sudden, the market was telling farmers not to produce as much. The market after all is nothing more than a sounding board for the desires of people. You might call it an echo chamber. Each day people all around the country, by spending their money, say, "I want more of that." The price goes up. Or they say, "I want less of that." The price comes down.

Each person, including you and me, whispers something to the market each time we make even a little decision about how we spend our money. Those little whispers, billions of them a day, echo back from the market echo chamber. It shouts back that nationally we want more of this, or more of that, or less of it.

Stock markets reverberate. Corporations shake. The little store down at the corner quivers. All before the loud echo of those billions of little decisions that we make every day.

Let's say the market thunders that it wants more of something—the price goes up. But the housewife fusses that "It's already too high priced." So the government puts on a ceiling. Well, that doesn't make any more of the product. We go right on making all those little decisions, each of us, that put the price up in the first place. Now that the price isn't going up any more, as a result of the ceiling, we buy even more of it.

Pretty soon, there's not enough to go around. We keep right on buying—but the fellow who makes it is getting a wrong signal. The market is telling him not to produce as much. The price isn't attractive any more. His costs keep climbing, but the price for what he makes doesn't. So he quits. Or his banker makes him quit. There is less of the product around.

Controls Substitute Ration Stamps for Money

There's only one thing you can do then — ration the product with ration stamps. If you don't, there won't be any of it down at the store when you get there. People don't like that. What good is a controlled price if the product isn't there to buy?

What controls do is substitute government ration stamps for our dollar bill ration stamps. Instead of you and me setting the price by

our own decisions with the way we spend our dollar bills, we let the government make the decisions by parceling out ration stamps to us — so many for each one of us. The same for each. That's the bureaucratic way of being fair.

So controls, then, which set out to do us a favor, end up discouraging production, instead of encouraging it. The ration stamp cure for the disease of low supply makes more of the disease by discouraging production. *There's no such thing as a free lunch.*

Another common principle is that most everything has a cost-benefit ratio to it. The item has a benefit, or we don't want it. And it has a cost, or we can't get it. That's the way it is with anything where there isn't enough to go around.

You can walk out and look at the moon. It's pretty on a clear, crisp night, and you can take in all of the scene you want to; it doesn't cost you a cent. Unless maybe you wear glasses, which I do. Then even looking at the moon isn't free.


The point is, if something is scarce, and practically everything is, it has a cost. Whether you pay that cost or not depends on how

you look at the benefit and whether you have the money to pay.

Most everything has a cost-benefit ratio. You can't escape it. Are we going to have completely clear air and not enough energy? Are we going to poison coyotes — and maybe some birds while we're at it — and have enough wool and lamb; or are we going to listen to the howl of more coyotes at the cost of less lamb?

Are we going to feed DES to cattle and perhaps have a residue in some beef livers in an infinitesimal amount which has never been known to harm anyone's health; or are we going to avoid even one particle of DES per trillion in beef liver and pay more for beef, since it costs more to raise it without DES?

Are we going to disrupt a narrow strip of tundra and disturb some wildlife in remote parts of Alaska, while tapping the rich oil supplies there, or are we going to have gas rationing? Are we going to have well-planned forest harvests and reforestation, or are we going to look at the undisturbed wilderness and hoard resources? For every benefit, there is an offsetting cost.

There's no such thing as a free lunch! 

YIELDING

to
Temptation

JOHN C. SPARKS

This letter to a close friend, the author's pastor, clearly concerns all of us.

IN MORE than one of the discussions in your adult church-school classes and in your sermon "talk-backs," you have strongly maintained that the church should be in the middle of whatever important is going on in the world. I have not disagreed. Perhaps the only question or doubt in my mind concerns the capability of certain church spokesmen to speak out logically, rather than emotionally, on secular issues. However, this is a general criticism. In you, I have confidence.

It seems logical to me that you would want to unmask the immorality and dishonesty of an evil that has long existed and is widely practiced today. Yet, it is of a kind that is easy to overlook or misunderstand. My concern here is with one of the fundamental rules of mankind—moral and religious—the admonishment against stealing. Hardly anyone disputes

the evil in unlawfully taking property owned by another. Theft at gunpoint or the burglarizing of a home is wrong; and few persons, professional churchmen or others, would try to rationalize such acts into moral or religious acceptability. This is not the stealing to which I refer.

There is another method of taking property owned by someone else that is strenuously debated among political theorists. It is felt by a great number of people that property can be taken lawfully, via the democratic process of majority rule, and that this method does not violate either moral or religious principle. On one point, most theorists seem to agree: that the property, either stolen, or redistributed via majority rule—which ever the point of view—is identifiable, and the act is perpetrated openly in accordance with printed tax law widely dispersed and available to everyone. It is no secret that personal income tax rates are steeply progressive. Even though

Mr. Sparks is an executive of an Ohio manufacturing company and a frequent contributor to *The Freeman*.

I disagree with such "redistribution of private property" and would wish that clergymen everywhere would perceive the moral error, this kind of appropriation of property is not my subject here.

The special kind of stealing that is the deep concern of this letter, a form of theft for which no politician wants to assume responsibility, is inflation.

Inflation is a process by which the Federal government increases the quantity of paper money so that it may pay out or spend more than it receives in revenue. Citizens expect the Federal government to maintain the integrity of the monetary unit, but history reveals how difficult it is for the controlling politicians of this or any other nation to resist the temptation to buy votes. They recognize that votes place them in office and votes keep them there.

One way to be popular and to win votes is to pass out benefits to people. But benefits have to be paid for, either by taxing the people or by printing paper money (inflating the currency). Taxation is not considered a good way to win popularity or votes. Consequently, politicians seem to prefer inflation rather than direct taxation as their source of revenue.

Then, to compound their dishonesty, they point to others as scapegoats. They would have the people

believe that farmers, merchants, manufacturers, doctors, hospitals, colleges and all other sellers of products and services are "profiteering"—just as though, at a given signal, people everywhere in all fields of economic activity decided to hike prices. This, of course, is sheer nonsense! Counterfeiting may be a universal temptation, but government alone has the motive, *and the power*, to arbitrarily expand the money supply. When the printing presses double the money supply, it follows as night follows day, that prices will tend to double.

The Federal government is the culprit, and the enormity of the "crime"—if measured either in dollars, number of participants, or harm done—makes the scandals of Watergate, special privileges, and tax avoidance and evasions look like penny-ante affairs. Anyone can measure the dilution of his personal purchasing power by comparing current prices with those paid ten years ago. Yet, no one can measure exactly how much has been confiscated by inflation—the innumerable errors in judgment, malinvestments, wasting of resources and other unwise decisions. The total loss or waste has to be enormous when we consider the disruption of economic signals, destruction of the intent of contracts, misunderstanding of historical statistics so badly needed

for intelligent decisions, the misleading of individuals and companies into inappropriate investments and capital expenditures that seriously harm the very structure of our working lives.

Of all the harmful results of inflation, probably the most deplorable is the wiping out of lifetime savings of people as they approach retirement. Their savings are as surely stolen by the inflationary activities of politicians as by anyone who might have burglarized their safe-deposit boxes. A doubling of prices tends to cut the value of savings in half, and each subsequent doubling halves what value is left. Thus have the politicians of some other countries in this century wiped out all savings of the elderly in those countries.

The act of inflating is despicable and dishonest, and the politicians who alone perform the act deserve the finger of scorn. Some may say that inflation is only an economic problem — not a moral problem. That would be like saying that the theft of Widow Jones' cow, or her safe-deposit box, is only an economic problem. It is that certainly, but the focal point of the problem is the immorality of stealing and its effect on the helpless victims.

Now, back to your contention that you and the church should be in the midst of whatever goes on in the world. Inflation is a universal evil that needs repetitive airing from pulpits throughout America. I hope you will give it the thought and action it deserves.



No More Repeat Performances

BERNARD H. SIEGAN

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Mr. Siegan is the author of *Land Use Without Zoning* and many articles on the subject. He practiced law for 20 years in Chicago before moving in 1973 to La Jolla, California, where he is an adjunct professor of law at the University of San Diego Law School.

IF THE SUBSTANCE is the same, changing the brand will not alter the effect, whether it involves cold remedies, cleaning agents, or zoning regulations. That, in essence, is the answer to most new schemes presently being proposed to solve the problems of zoning. They are fundamentally the same, except

only for those seeking the end of zoning.

Many persons, of seemingly good intentions, are hotly in pursuit of that certain special zoning system that will remove the errors and evils of the existing one. Just about everyone with any knowledge of the subject will readily acknowledge that zoning has been largely a failure and something should be done. Still, despite the strong and vehement attacks on zoning by planners, lawyers, and writers, they usually reject scraping it, insisting instead upon some new variety of regulation. The schemes differ in name and form, but not in substance, for the prime ingredient is government control.

Impact zoning, performance zoning, incentive zoning, zoning for quality, balanced community zoning, ecologically sensitive zoning, are some of the titles. And there are more. Under each, there would supposedly be better and sounder planning, more and better housing, more open space and environmental protection, and so forth and so on, all basically a repetition of representations made in the past in support of zoning, and with the same probability of success.

What the new schemes ignore is that the existence of government controls largely accounts for the

problems. The same group of planners and politicians that have so dismally performed in the past are scarcely entitled to a repeat performance. Failure should not be rewarded. Politics and political expediency would remain the controlling factors, and that spells no change whatsoever.

The terms and intent of a law are not really as important as how it is applied — and often intention and application differ radically. When a certain zoning law clearly states one thing, and fifty screaming constituents insist it should be interpreted or applied differently, the politicians who must decide are certainly placed in a dilemma. After long years of personal experience, I submit that many if not most politicians will do what is in their own best interest; and if that is contrary to the law, so be it. I do not doubt that many would vote the earth is flat if that were politically expedient. Watergate is neither the first nor last time politicians and officeholders will engage in moral or legal corruption.

Nor does the judicial process offer adequate relief. In some states such as California, the judges rarely overturn municipal zoning decisions. Regardless of a state's laws, however, any potential plaintiff must have considerable funds and be prepared for a long strug-

gle with a municipality that may, in good or bad conscience, carry the case to the highest appellate level.

Years of litigation may be involved, during which the property cannot be used for the purpose desired. But the expenses of ownership continue. Taxes, constantly rising, must be paid. And, with the current cost of money, interest payments, especially on vacant land, can be quite substantial. Consequently, even when the facts are highly favorable, the largest or most affluent developers may not find such litigation to be a reasonable business risk.

The only meaningful change is to eliminate zoning and rely on the effective and efficient forces of the market place to control the use and development of land and property. There will be difficulties and inequities, but far fewer than presently exist, and many such situations can be met with a limited number of specific laws directed at specific problems such as, for example, a parking ordinance. The example of non-zoned Houston is available for all to observe and study the results of a different and remarkably successful approach to the regulation of land use.

This is also a timely moment to look at the difference between a regulated and a non-regulated

market. President Nixon imposed wage and price controls in August 1971 in response to a virtual groundswell of opinion demanding that action. Today, less than three years later, whatever groundswell there exists is for a reverse course. The folly and disaster of controls in that area have been fully demonstrated.

The follies of zoning are much less dramatic; they do not make the nightly TV news and are not experienced daily at the supermarket. But they are well documented in the literature, even by those favorable to the concept. Within recent years, almost every major law journal in the country has published an article highly critical of zoning practices. The Harvard and Yale journals have contained pieces contending that all or most of zoning is unconstitutional.

It is difficult to find a stronger indictment than the report made in 1968 by the professional organization of planners, the American Society of Planning Officials (ASPO), to the Presidential Commission on Urban Problems. Conclusions reached in turn by that commission as well as those of two other Presidential and several state commissions were equally devastating to zoning practices.

Only the termination of zoning will remove these problems. ☉

We Don't Know How

WILLIAM AND ELIZABETH PADDOCK have written a sockdolager of a book in *We Don't Know How: An Independent Audit of What They Call Success in Foreign Assistance* (Iowa State University Press, \$9.95 cloth; \$4.95 paper). What it proves, with on-the-spot evidence gathered often with feelings of great reluctance about hurting well-meaning idealists, is that our foreign aid program has been largely a bust, bringing virtually no permanent improvement to anybody. It might be an overstatement to say that \$150 billion have gone down the drain since the U.S. started to shore up what is euphemistically called the free world, but surely, on the basis of what the Paddocks have learned by the most careful sort of digging, the money would have done everybody much more good if it had

been left in the pockets of Americans at home to buy bananas, coffee, oil, rubber or whatever else the "undeveloped" countries have to sell.

William Paddock and his wife make a team. They are both B.S.'s from Iowa State University, which means that they have farming in their bones. An authority on corn, William once headed Guatemala's corn improvement program, working with the U.S. mission in Guatemala itself with interludes at an Iowa State University experiment station. His wife, a home economics instructor, spent some time as a Care volunteer distributing food in rural Honduras and as a ghetto social service worker in Guatemala. They knew something of the world of foreign aid from the inside before they started a 25,000-mile trip through Mexico

and Central America to inspect programs which the administrators of development organizations considered especially effective. In the course of a year of wandering in the field away from capital cities in Guatemala, Honduras, Salvador and Mexico, the Paddocks not only held more than two hundred pre-arranged interviews but also talked with everybody they ran across, from government officials and merchants to peasants, doctors, lawyers and Indian chiefs.

What they took in through their eyes and ears startled them. Once in a while they hit upon a development that had had effective results, but when some actual good resulted it was usually in a quite unforeseen way. Normally, however, the projects, whether they were undergirded by the Peace Corps, the Inter-American Development Bank, AID (the Agency for International Development), or even the Rockefeller Foundation, suffered from a lack of carry-through, inability to preserve meaningful records, and a tunnel vision that would disgrace a mole.

The Rubber Fiasco

It was at Los Brillantes, a "model" station near Chocla in Guatemala, that the Paddocks first learned about the pattern of foreign aid. The Paddocks knew from a previous stay in Guatemala that

rubber seedlings had been distributed to the Chocla area farmers over a five-year period. Some 27,000 acres had been planted to rubber. But, to the Paddocks' amazement, the whole project had trailed off into nothing. The reason: no continuity. The farmers, so the lone remaining U.S. expert told the Paddocks, were only interested in planting rubber as long as AID provided money on easy terms. When the original loans were used up (one farmer received \$884,000), the project went dead. What the Paddocks couldn't figure out was why the news of the collapse of the rubber experiment hadn't yet reached AID headquarters in Washington.

Thirty minutes down the road from the scene of the rubber fiasco the Paddocks visited some beautiful buildings at Chocla which had once housed the local directors of the U.S. International Cooperation Administration, AID's predecessor. The chairs, typewriters, desk and furniture were still there, but human activity had apparently ceased. Chocla, so the Paddocks surmised, was another illustration of the big tragic shortcoming in our development work. AID had no memory of what its predecessor agency had done. The law of politics is that whenever there is a new foreign aid program, or a new set of admin-

istrators, the old slate is wiped clean. A long-time AID friend told the Paddocks, "Every morning we wake up and laboriously reinvent the wheel."

Saving the Seed Corn

So it went in other areas in Guatemala. Deane Hinton, a U.S. AID mission director stationed at the Embassy, told the Paddocks that the local agricultural school at Barcnas had the most effective AID program in the country. The Paddocks went and had a look. In the meantime Deane Hinton moved on to Santiago in Chile to head up a different program. Mr. Paddock didn't have the heart to write him that he had found Iowa corn seed sitting in a storeroom at the Barcnas experiment station where it had been put in storage ten years ago. A faithful Guatemalan was keeping the seed collection intact, "just in case someday someone wants to use it."

In Washington Jack Hood Vaughn, Sargent Shriver's successor as head of the Peace Corps, told Mr. Paddock about the legendary exploits of one James Portman in El Salvador. Portman, according to the reports, had revolutionized the little nation's tomato industry. He had shown the farmers how to mulch their rows for moisture conservation. He had introduced contour terracing. He

had started tomato, pineapple, watermelon and banana clubs. He had showed the girls how to can pickles. He had given haircuts to demonstrate a sure way of discouraging lice. But when the Paddocks visited the scene of Portman's supposed triumphs, they found no evidence of a tomato industry. A few townspeople did recall that Portman had planted some tomatoes in a church garden, and had had a second garden elsewhere. He had used cow dung as fertilizer. But when a storekeeper asked Portman how to get rid of insects that were devouring his tomatoes on the stem, Portman had said he "did not know anything about tomatoes, only corn."

In checking the whole thing out, the Paddocks learned that Portman was liked in El Salvador because he was "young and attractive." But Portman himself had written: "Do not believe everything you read about James J. Portman and El Salvador. R. Sargent Shriver in the early days was a little too eager as far as public relations were concerned."

Some Good Results

The Paddocks did find good things on their 25,000-mile trip. They found a boom in Monterrey. The reason: three local families had made good use of their cap-

ital, amassed out of a transport business that had made good connections with the railroad to Texas. At San Pedro, in Honduras, there was prosperity. The reason: the United Fruit Company paid an average daily wage of \$4.97, which stimulated worker training in the whole area. United Fruit is called El Pulpo, meaning the Octopus, but it does know how to grow bananas. The company brings in thirty-five per cent of Honduras's foreign exchange, so, as the Paddocks put it, "one-third of Honduras's share of the twentieth century is paid for by company activity."

If El Pulpo had been broken up into small plots when the first winds of "land reform" began to blow, who would have heard of San Pedro, or even of Honduras itself? The Paddocks tremble to think of it.

The Paddocks looked into the Rockefeller Foundation, which has sustained Dr. Norman Borlaug's experiments with rust-resistant wheat in northwest Mexico. This wheat, along with "miracle" rice, is credited with setting the so-called Green Revolution in motion. The Paddocks give Borlaug's plant research good marks, but they give even better marks to the Mexicans for learning how to apply irrigation and fertilizer to their wheat acres.

The "green revolution" is undeniably worth having, but the Paddocks worry about its advantages being eaten up by rocketing population growth. They sadly conclude that it will take a lot of El Pulpos to support the new millions that continue to encroach on the limits of the food supply all through Mexico and Central America. What is particularly ominous is that El Pulpos, being capitalist in organization and motivation, aren't liked. The masses, bemused, don't know their best friends.

► LEFTISM (FROM DE SADE AND MARX TO HITLER AND MARCUSE) by Erik von Kuehnelt-Leddihn (New Rochelle, N.Y.: Arlington House, 1974, 653 pp., \$12.95)

Reviewed by Allan C. Brownfeld

THE TEACHERS of political science used to tell their classes that political philosophies ran along a straight line from left to right, that Nazism and Fascism occupied the far right portion of the spectrum and Communism the far left.

Happily, most teachers of political science have finally moved away from that simplistic, and false, notion. As for the rest, a reading of the recently published

volume, *Leftism (From de Sade and Marx to Hitler and Marcuse)* by Erik von Kuehnelt-Leddihn, should — as the common phrase of the day has it — expand their consciousness.

Dr. Kuehnelt-Leddihn is an Austrian scholar who reads twenty languages and has taught at many universities, including Beaumont College in England, the Georgetown Graduate School of Foreign Service, and who, during the period when the Nazis occupied his country, was head of the History Department at St. Peter's College in New Jersey. His book is lengthy and learned, but not beyond the general reader's comprehension.

What he has done in this volume is range across the centuries to show the links between the perversion of de Sade, the revolutionary mystique of Marcuse and the brutalities of Stalin, Hitler, and Mao. The purpose of the book, writes the author, "is to show the character of leftism and to what extent and in what way the vast majority of the leftist ideologies now dominating or threatening most of the modern world are competitors, not enemies."

He makes a powerful case, for example, that Hitlerism was a movement of the left, not the right. "At heart Mussolini was always a socialist," he writes.

"Hitler, on the other hand, had never formally belonged to the Socialist Party, although he had drunk from almost the same ideological sources. His *Weltanschauung* too had been largely fathered by the image of the national socialist laborites." He notes that official utterances declared that Nazism stood firmly on the left, and reveals Hitler's "genuinely leftist turn of mind," showing that the economic order under the Nazis was thoroughly socialistic, and reminds the reader that besides the Jews, the groups most hated by the Nazi leaders were royalty and nobility.

The difference between the "left" and the "right" is essentially related to their divergent views of the nature of man and the state. It is a common characteristic of the left — socialists (national and international), as well as more moderate welfare-staters and 20th century liberals, according to the author, to view man as "Individual subject to the will of the majority. He is a mere number of the democratic process who can be added or subtracted. He is embodied and personified by the 'leader' or by a delegate. The individual is nothing, the 'People' everything. The individual is a mere fragment of the 'collective masses'." Those on the right, to the contrary, view man as "A per-

son with an intransferable destiny, unique, created in the image of God . . . endowed with an immortal soul."

More simply put, the left views man as a means to some other end, the right views man as an end in himself. All leftist ideas, from the most extreme to the more moderate, reject individualism and urge collectivism.

What the left has done since its modern creation at the time of the French Revolution is, writes Dr. Kuehnelt-Leddihn, to exploit "the envy . . . among the masses, coupled with the denigration of individuals, but more frequently of classes, races, nations or religious communities. . . . The history of the Western world since the end of the 18th century cannot be written without this fact constantly in mind. All leftist 'isms' harp on this theme, i.e., on the privilege of groups, minority groups, to be sure, who are objects of envy and at the same time subjects of intellectual-moral inferiorities. . . . They ought to conform to the rest, become identical with 'the people,' renounce their privileges . . ."

Such forced conformity has taken different forms. Hitler killed Jews. Stalin killed landlords. The French Revolutionaries insisted that all Frenchmen have a common language and the Jacobin

clubs began a crusade against all languages but French—Provencal, Breton, German, Flemish, Basque. "We get a hint," writes the author, "that the French Revolution was not only a forerunner but an ideological steppingstone to the slow growth of Nazi ideas."

The totalitarian attitude of the left is clearly found within the French Revolution. The speech of Saint-Just on October 10, 1793, for example: "You have to punish not only traitors, but even those who are indifferent: you have to punish whoever behaves in the Republic in a passive spirit and does nothing for her, because ever since the French people has manifested their will, everything outside of the sovereign is an enemy." Similarly, Robespierre spoke of "collective liberty" and on February 7, 1794, said that, "The Government of the Revolution is the despotism of liberty against tyranny."

Looking back at the Reign of Terror in France, at the Nazis, the Fascists and the Communists, the author declares that, "The all-powerful state is a creation of the leftist mentality . . . two wishes of the leftist find their fulfillment, the extension of government and the dependence of the person upon the state which controls his destiny from the cradle to the grave. Every movement of the

citizen, his birth and his death, his marriage and his income, his illness and his education . . . everything is to be a matter of knowledge to the state."

All of these tyrannies, the author writes, have come about in the name of the collective "will of the people." He quotes Salvador de Madariaga who said that Western civilization rests on two deaths — the death of Socrates and the death of Christ. He notes that, "Indeed the crucifixion was also a democratic event. When Our Lord was brought before Pilate and told him that He had come as a witness to Truth, the governor, a true agnostic, asked Him, 'What is truth?' And without waiting for an answer, he passed Him by and consulted 'the people.' The *vox populi* condemned Our Lord to death as it had Socrates more than three centuries earlier."

What most Americans forget, Dr. Kuehnelt-Leddihn believes, is that democracy and freedom do not necessarily go hand in hand. Democracy rests on two pillars: majority rule and political equality. Freedom, however, has nothing to do with democracy itself. The repression of 49 per cent by 51 per cent or of 1 per cent by 99 per cent "is most regrettable, but it is not 'undemocratic'." Liberals, in the classical sense, correctly

understood this point. Liberalism did not answer the question, as democracy does, "Who should rule?" but, "How should rule be exercised?" The reply is, "Regardless of *who* rules . . . government should be exercised in such a way that each citizen enjoys the greatest possible amount of liberty."

Dr. Kuehnelt-Leddihn believes that the U.S. Constitution was "a serious attempt to establish a mixed government with democratic, aristocratic, and monarchical elements, a government of checks and balances." He quotes a letter from John Adams in which he insisted that democracy would inevitably evolve into oligarchy and oligarchy into despotism, a notion he shared with Plato and Aristotle.

The fact is that tyranny came to Germany through the democratic process. By July, 1932, Dr. Kuehnelt-Leddihn notes, the two big totalitarian parties, the Nazis and the Communists, held 311 seats in the Reichstag out of 608 — an absolute majority which proves that more than half of the Germans emphatically rejected parliamentary democracy. This means that the democratic republic uncompromisingly demanded by Wilson was the basis of the slavery in Germany, the doorway through which tyranny entered. Hitler declared that, "There

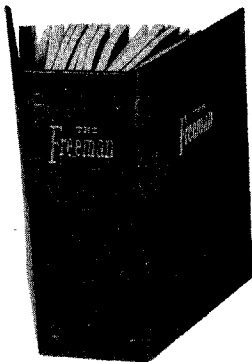
more that unites us than divides us from Bolshevism . . . above all the genuine revolutionary mentality. I was always aware of this and I have given the order that one should admit former Communists to the party immediately."

Goebbels had stated unequivocally that he "paid homage to the French Revolution for all the possibilities of life and development which it had brought to the people. In this sense, if you like, I am a democrat."

Dr. Kuehnelt-Leddin understands that total power, whether in the hands of one man or a ma-

jority, is an evil and that freedom has always been lost as a result of it. The real business of those who seek to learn from the past is to diffuse power so that no matter *who* rules, individual freedom can be preserved.

The Western world, however, seems to be moving away from its traditional belief in individualism, and more and more looks to the state as the answer to all problems, making a false god of politics. For those who are interested in considering where a trip down that path will lead, this book will be a valuable road map.



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- What Are You Worried About?** **Ralph Bradford** 451
The fate of our nation depends upon you and me and how we use our talents.
- The Taking Issue** **Bernard H. Siegan** 464
... nor shall private property be taken for public use without just compensation.
- Price Competition and Expanding Alternatives** **Gary North** 467
The moral imperative to maintain the conditions of freedom if we would enjoy its blessings.
- A Proper Distrust** **W. Allen Wallis** 476
Government without limits is unworthy to be trusted.
- Those Fellows with Black Hats — the Speculators** **John A. Sparks** 478
A word in defense of the ones who speed up the market process of adjustment to change.
- The Business of Undermining Business** **M. L. Zupan** 490
Some business practices strike at the roots of free enterprise.
- The Energy Crisis: Alternative Futures** **John B. Kizer** 495
Many things are possible if scarce resources are privately owned and managed.
- Book Reviews:** 501
- "The 12-Year Sentence"
 edited by William F. Rickenbacker
- "Law, Legislation and Liberty. Vol. I: Rules and Order" by
 F. A. Hayek
- "The Libertarian Alternative" edited by
 Tibor R. Machan
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What Are You WORRIED About?



RALPH BRADFORD

"I can't understand people like you," the man said. He was a person of middle years, who spoke pleasantly and courteously, but a bit accusingly. "What upsets you so? What are you worried about?"

I had just addressed a University Club audience, followed by a question and answer session. My subject had been "Our Lives and Goods," (see *The Freeman*, February, 1974) and upon that theme I had tried to construct an argument for limited government, the free market, and the unabridged right of a man to the "goods" he has created. Apparently it was my summation of the denials and dangers of supergovernmentalism that had aroused my inquisitor.

"Look," he said, with a kind of patient exasperation in his voice, "we are living in the greatest age of all human history. The achieve-

ments of science are fantastic in scope and consequence. We have put men on the moon, and we are already starting to explore Venus and Mars by means of unmanned probes. As for invention, well, you have only to utter the word 'computer' to summarize its achievements."

He paused for breath and I broke in. "But what," I said, "has all this to do with your question?"

"I'll get to that in a minute," he answered. "Indeed, what I am saying is all really a part of my question. I remind you that we live amid comforts and luxuries that were undreamed of a few generations ago, even by the very rich. We have extended education to every social and economic level. Our standards of living are high. Our government has ameliorated the condition of the poor. We have established a system of old age pensions. All this, of course, has cost money, yet we are not hard

Mr. Bradford is well known as a writer, speaker, and business organization consultant. He now lives in Ocala, Florida.

up. If you say taxes are high, or that the cost of living has gone up, I reply so have wages and salaries."

I had been waiting for him to run down, and at last he did — not, apparently, for lack of argument in his forensic arsenal, but because he wanted to get back to the question he had first propounded.

"Faced with all this," he said, "I simply can't understand your attitude. Amid all this dazzling evidence of progress, prosperity and general well being, what in the world is it that upsets you so? What are you worried about?"

Freedom in Jeopardy

Well . . . it was a stumper — not that its content was new or formidable, but because of its timing. Other people were waiting, and I was already late for a subsequent appointment. What quick answer could I make to such a question? What would *you* have said — assuming that you did not secretly half agree with him? I could only attempt a kind of symbolic response.

"I'm worried," I told him, "because the loaf of bread for which four years ago I paid 26 cents, and which now costs 52, may soon be priced at a dollar or more. And I am also concerned that some day soon I may be required to secure permission from a Washington bu-

reau before I can travel here to address this organization."

I was trying thus on the one hand to convey the threat of ruinous inflation and on the other to indicate the menacing nuisance of Big Brotherism, both of which are the result of a naive reliance upon the supposed omniscience (and the actual power) of government as a social agency. I was remembering the steady erosion of the American dollar in my lifetime — the pair of shoes I used to buy for \$8 which now cost \$60 — with the result that I no longer wear that brand; the shirt that once cost me \$2 for which I must now pay \$10.50; the steak dinner I used to get for \$1.50 which now sets me back at least \$7.50 — on the rare occasions when I am steak-hungry enough to think I can afford it. More realistically, I often recall the thick and juicy hamburger, with all the trimmings, that was once available at Dinty Moore's place for 15 cents, and compare it nostalgically with its anemic present-day counterpart for 95 cents!

But if my erstwhile questioner were here now he would no doubt remonstrate thus: "Your income is higher. All wages and salaries have gone up proportionately." And I would in turn ask him: "But what of the millions of people who are on fixed incomes — retirees,

pensioners? How have they fared in all this? To be sure, social security payments have gone up somewhat, and are being increased again this year — at the expense of us all; but what of the man who worked and saved and made what he thought was prudent provision for his less productive years? In terms of what it will buy, his carefully accumulated capital has shrunk by nearly a third in the past few years, and by nearly two-thirds in the past thirty.”

Inflation in France

In his introduction to Andrew D. White's essay on *Fiat Money Inflation in France*,* Henry Hazlitt points out that under inflation the real purchasing power of savings is constantly eroded, that all savers are cheated, that thrift is discouraged, and that the source of investment is dried up. Thus inflation not only robs the frugal citizen by destroying the value of his money, it also injures the economy by diminishing the flow of investment capital.

In passing we may observe that the financial condition which obtained in the France of 1790 was the classical pre-condition for a deliberately-induced inflation; namely, a long-continued period of

debt accumulation by reason of governmental spending in excess of revenue (known today by the deceptive euphemism “deficit financing”) and allowing the debt simply to go unpaid. Eventually a time came (as it always does) when to prolong this unbalanced condition could lead only to general economic collapse; and it was then that the General Assembly came up with the decision to “cure” the situation by the issuance of four hundred million livres (the equivalent of about 395 million francs) in paper notes called *assignats*. They looked good, because they were to be “secured” by a mortgage on the vast church properties that had recently been seized by the state. Moreover, they bore interest at 3 per cent. They were launched with great fanfare and received with general acclaim. And of course there was an immediate response in the economy. Some payment was made on the public debt; pressure on the treasury was relieved; credit was revived; trade increased. The rosy predictions of those who had favored and sponsored the *assignats* seemed to be on the way to fulfillment.

But it took only seven years for the beautiful bubble to burst! The tragedy of the *assignats* has been well and frequently told, and it is not my purpose to dwell on it here

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— except for these brief moments while I hold it up as a horrible example. The story can be summarized quickly. In the first place, political human nature being what it is, a single issue was not enough. If one dose of that magic medicine worked such wonders, let's have some more of the stuff! We must get out additional and bigger issues of that healing paper! So the original issue of 395 million francs was soon doubled, trebled, quadrupled, by subsequent issues. Before long the assignats themselves were retired and superseded by other bills known as *mandats* — which soon proved to be equally valueless. In only seven years (by 1797) twenty five hundred million mandats had followed 45 thousand million assignats down the economic drain!

In terms of the American dollar, the collapse of this paper air castle meant that a bushel of flour which cost only 40 cents in 1790 cost 45 dollars five years later. Other drastic changes during that five year period were these: a pound of sugar — from 18 cents to \$12.50; a pair of shoes — from one dollar to forty dollars; a head of cabbage — from 8 cents to five dollars — and so on.

Did wages and salaries also go up, as my inquiring friend asserted? Undoubtedly — but *that* much? And anyway, what of the

frugal Frenchman who had been carefully “putting something by for a rainy day?” He, of course, and thousands like him, were completely wiped out. And so were a lot of people farther up the economic scale. This is illustrated by the preserved record of a well-to-do manufacturer who had retired from business in 1790 with the equivalent of 317,000 francs, and only six years later found that his property was worth only 14,000 francs. The present-day American counterpart of that experience would be for a man to have saved up \$63,400, only to find that in six years' time its value had shrunk to \$2,880.

“Not Worth a Continental”

But we don't have to reach so far back for such examples — nor so far away. Paper bills issued during our own Revolution were known as Continentals; and what became of them is still memorialized in the phrase, “Not worth a Continental.” More recently, many elderly Germans remember what happened to the Weimar Republic mark of the early nineteen twenties, when it took a million marks to buy a loaf of bread — or maybe two million by three o'clock the same afternoon. Still closer to our times, the French franc, which had long been five to the dollar, shrank after World War II until it was

over 300 to the dollar; and during the same period the Italian lire dwindled until it was peddled by bell hops at 600 or more to the dollar. Do you suppose French and Italian wages ever caught up with that much inflation?

And what of Argentina? It is a rich and beautiful country, very similar to our own in climate and natural resources. My first visit there was in 1947. The peso was still strong at four to the dollar. I went back in 1951; and in that time, after only four more years of Peronism, the peso had shrunk to twenty to the dollar. And of course it continued to plummet until by 1968 it was well-nigh worthless at 350 to the dollar. All this, of course, practically wiped out the savings of the Argentine middle class.

But "this can't happen in the United States." Who says it can't? The same kind of people who said it couldn't happen in the France of 1790 or the Germany of 1920 or the Argentina of the nineteen forties — people who, like my inquiring friend, calmly disregard the lessons of history and believe we can continue, year after year, to urge or to allow the Federal government to spend more than is realized through taxation, and still avoid the disaster of crippling, if not ruinous, inflation. The deadly process is a little slower and less

dramatic with us, but it is under way nevertheless. It is already happening!

And *that* is what I am worried about. But it is not all.

Big Brother

I also fear the implications of Big Brotherism. This I expressed earlier, in the idea that I might presently be required to secure a travel permit in order to go someplace to fill a speaking engagement. I do not think such a requirement is imminent. Certainly I can now proceed unmolested about my lawful occasions. But it is by no means fantastic to speculate upon such a possibility — such a *probability*, one might say, if the steady march toward complete governmentalism is not halted.

Ours is an increasingly government-oriented society; and the tendency in any such society is ever toward more central regulation, not only of economic operations but of individual affairs. Already some leaders of what might be called the Post-Keynesian clique are openly speculating upon how much a citizen should be allowed to save, and how much should be taken away from him for public works and other "social benefits." Such speculation presupposes a governmental elite of sufficient wisdom to set aside the

workings of the free market, and of enough power to force great masses of people to accept a wholly arbitrary and quite fallible direction of their lives.

But this is America! We have no dictators or revolutionary tribunals to push us around. We do as we please within the law. We are not victimized by the State. We *are* the State. Well . . . that being the case, I sometimes wonder why it is that I can't buy a new car unless it is equipped with a seat-belt device that won't let the car be started until the belt is properly buckled up. Understand, I have no quarrel with seat belts; I am concerned with Big Brotherism. We have complete freedom, except, of course, that I am forbidden to own or use gold coins. Nobody can take my property away from me, except that a planned inflation has deprived me of something like half of my life savings. I can engage in any occupation or business I like, except that I am forbidden to set up in the lucrative enterprise of delivering letters, because that is a government monopoly.

Small things? Or straws in the wind? What do you think?

We are not here dealing with mere fear-born fancies. Conditions of excessive direction and of outright repression exist in many parts of the world, alas, and not

merely under communism. I well remember the complaints I heard in Copenhagen some years ago about government interference in a very down-to-earth matter. Like Amsterdam and some other European cities, the Danish metropolis is a place where seemingly the whole population moves on bicycles. Yet at that time the individual could not purchase that everyday necessity without first obtaining a permit from a designated bureau of the government. And in Sweden, with its vaunted "Middle Way," I found great resentment and some distress because, since housing was a state monopoly, young people wishing to get married often had to wait months before they could even apply for an apartment, and sometimes several years before they actually got it. Some Swedish moralists even attributed the great increase of premarital sex partnerships to this bureaucratic housing restriction.

Expected Under Communism

In the communist world one expects this sort of thing—regulation and regimentation not only of behavior patterns that affect the economy, such as the purchase of bicycles or the renting of apartments, but of social attitudes and even of mental exercises. Yugoslavia, freer than most communist regimes from this kind of tyranny,

nevertheless sees the former trusted lieutenant of Josip Broz serving a long prison sentence because he dared disagree — in writing! — with parts of “Tito’s” program. And of course the persecution of literary dissenters in communist Russia is not limited to the dramatic expulsion of a Solzhenitzyn, but has long been practiced, and in much crueller form. As for China, what could be more dreadingly awful than to see millions of young people flaunting a little red book and mouthing the not-so-original “thoughts” of Mao? Well, yes, one thing could be worse — to reflect upon what happens, once a “cultural revolution” is unleashed, to anyone who does *not* wave the little red book!

The worst of such terrorization is not so much in the degradation of intellect with respect to ideology and dogma, as in its general effect upon the attitude and behavior of average people. Once, while Peron was at the top of his power in Argentina, I was in Lima, Peru to attend a hemispheric business conference. There was still a pretense of complete freedom of opinion and expression in Buenos Aires; yet in Lima I saw a prominent Argentine businessman support a resolution which struck at the very heart of progress through freedom of enterprise under representative gov-

ernment. It was opposed by the U. S. delegation, and by nearly all the Latin American representatives. Moreover, it was totally out of keeping with what we all knew of that man’s philosophy. Yet he stoutly defended it; and when he was privately reproached about it, he pointed out that the Argentine delegation was dominated by several representatives of the Peron regime, and said quite frankly that he didn’t dare oppose them if he hoped to continue in business when he got home.

An Argentine Experience

An even more subtle demonstration of intimidation was offered on another occasion in a Buenos Aires hotel where my wife and I had spent some days. Enroute down on the ship, and while there, we had enjoyed pleasant contacts with a Methodist Bishop and his wife from Oklahoma. Ready for departure, we were all chatting in the hotel lobby. An American ministerial friend of the Bishop’s, who lived in Buenos Aires, was there to bid him goodbye. He asked me if we were going on the same plane with the Bishop to the west coast, and I, thinking to make a cute reply with a scriptural flavor, said: “Oh no; I’m playing Joshua to the Bishop’s Moses, and will first go down into Patagonia to spy out the land.” A harmless wisecrack — but,

believe it or not, at the phrase "spy out the land" the clergyman was visibly startled and looked around apprehensively, to see if anyone else had heard me! Such is the conditioning of repression. Such is the involuntary response to ruthless Big Brotherism.

I should record in passing that this sort of fear tended to diminish as one got farther away from Buenos Aires, where it all centered in the Casa Rosada. In Baraloche, for example, far west and high up among the Andean ridges, I had a long talk one day with a local businessman who told me quite openly that he belonged to the opposition, and said that his attitude was well known. However, although he hated Peron, he insisted that conditions of repression had been exaggerated abroad, and that police-state methods were actually no worse under Peron than they had been in earlier years under one of the so-called "constitutional" Presidents. As to that, I was not impressed, because I recalled that the great old newspaper *La Prensa* had been ruthlessly seized, silenced, and converted into a Peronista Party organ. (A present-day parallel would be for Richard Nixon to take over by force the *New York Times* and compel it to become the *Pravda* of the Administration.) But whether by Peron, or by

whomever, the fact was that the people of Argentina had been periodically subjected to police-state methods of intimidation, and I was a witness to some of the oblique results.

A Frightening Trend

Far away and long ago? Yes. But the spirit of central direction, of repression, of you-do-it-our-way-or-else, is by no means dead in the world. It lives ghoulishly in Russia at the present moment, as it does also in China and Yugoslavia; and it thrives elsewhere, too — in Albania, in Czechoslovakia, Bulgaria, Romania, Hungary, and in several of the "emerging" countries of Africa, where adventurous dictators have seized power. Sometimes it is evidenced by acts of raw violence; sometimes it reveals itself in the capricious administrative laws promulgated by irresponsible bureaucrats. But the effect is always the same: at best intimidation, at worst, terrorism and abuse; at best irritating bureaucratic interference, at worst banishment, imprisonment — or death.

Inflation that eats and cheats and robs; Big Brotherism that nags and torments and kills. That's what I'm worried about. Are you?

Well . . . if you are, you can do something about it. At least you can make a beginning; for as

Rome was not built in a day, the destructive effects resulting from several decades of superstatism can not be neutralized overnight. It will be a long and difficult process, the more so, perhaps, because it must start, and continue, with some uncompromising self-analysis. Every concerned person must ask himself whether he really understands the forces at work, and whether he himself is in any degree responsible for them.

But first of all, don't panic! Mine is not a heedless and irresponsible voice crying "Fire!" in a crowded theatre. So walk, don't run — not to the nearest exit (for no exit from this country leads to any place better or half so good) but to some quiet corner fit for contemplation, there to consider a little of history, a bit of elementary economics, and a small analysis of human nature.

Enroute to that corner, take heart. The theatre is not about to burn down; neither is the country in flames. Our America is durable, enormously endowed by nature, fabulously rich — the home of a resilient and resourceful society. We have done much to weaken it, but it has survived our most destructive efforts, and the end is not yet.

Consider first our history, encapsulated for brevity. After the period of adventurous exploration,

our part of the Western Hemisphere was settled by people who were eager for wider opportunity and greater freedom than they or their fathers had known in the older world. When at last our new nation was established, it was based on a passionate belief in that same freedom as a necessary condition for human happiness and progress. Inherent in that belief was the spirit of initiative and self-reliance as to personal status and welfare, and a strong philosophy of minimal government as to political institutions. This was epitomized in Jefferson's famous formula: *The best governed are the least governed.*

Erosion of Freedom

As the decades went by, this concept was gradually diluted by the intervention of an imaginary self-interest. That is where "human nature" entered the equation. Ideally men want freedom of action (within recognized and formulated rules called laws). Ideally they want a government that protects them from aggressors, provides a situation of security and stability . . . and then lets them alone. But they also want favors, advantages, special privileges, and always "something for nothing." Thus the citizen who wants the government to provide "security" for his old age; thus the farmer

who wants the state to subsidize his crops; the businessman who wants the treasury to underwrite his developments or guarantee his investments; the labor leader who seeks the advantage of a special status under the law; the local booster who wants Washington to spend nine zillion dollars for this, that, or the other installation of doubtful necessity or merit. In short, thus an importunate army of people who almost without exception are wont to excoriate the government for its alleged or actual extravagances, but who demand loudly that it meet their special "needs" — and who see no inconsistency in their ambivalent attitudes.

These diverse interests and countless others inevitably breed politicians who thrive by catering to the various groups or "blocks" identified with such demands; and the end result is a burgeoning administrative bureaucracy which soon adds not only its heavy cost but its self-perpetuating energy to the general thrust toward debt accumulation and concentrated power. All this is done, often without conscious guile, in the name of motives so noble and humanitarian that to oppose or question them is to be branded as unprogressive, unrealistic, lacking in social vision, and generally undesirable. It was Pascal, I believe,

who said: "Evil is never done so thoroughly and so well as when it is done with a good conscience."

It is to be understood, of course, that we are not here concerned about the basic protective functions of government. Obviously an organized society must have laws and sufficient governmental machinery to enforce them. Obviously also, a growing nation will require new laws now and then, and modifications of old ones to meet changing conditions. It would be hopelessly doctrinaire to expect a nation of over 200 million people to need only the laws and require only the governmental machinery that sufficed for its primitive or agrarian period. Even the "thou shalt nots" necessary for the ordinary protection of life and property must be increased to cope with the proliferation of criminality born of institutionalized cupidity.

Nor is this a plea for the unbridled exercise of whimsical personal "freedom" such as now seems to titillate the fancy of certain types of younger social "philosophers." Quite the contrary, one of the primary functions of government is to prevent such indulgence by a few from diminishing the freedom or invading the rights of others. Man, unfortunately, (or perhaps we should say fortunately), has never been free from the

consequences of his own greed; and government, even under the least amount of Big Brotherism, must exercise certain restraints in the interest of justice for all. A society that operates under law must have the governmental machinery necessary to enforce the law and administer those functions entrusted to it, or enjoined upon it, by the basic law or constitution under which that government exists.

A Question of Solvency

So much for a glance at history and human nature. What of solvency and its part in the affairs of men and governments?

Hardly anyone will dispute the value of personal solvency. The man or family that constantly lives beyond his or its means is soon in trouble. Quite apart from the matter of reputation and standing in the community, credit for such people begins to get tight and soon is not to be had at all, which is both a commercial inconvenience and ultimately a social handicap. Nearly everybody, whatever his political beliefs or economic philosophy, recognizes solvency — that is, the ability to live within one's income, pay one's debts, and save something for emergencies — as the minimal condition for a satisfactory fiscal experience. To adopt the old Micaw-

ber formula of spending a little less than is earned is still the goal of most people in their private lives.

But many, alas, do not apply that same simple principle to governmental finance. Even businessmen who are careful to keep their operations solvent, often see nothing amiss in having their government go deeper in debt year after year, with a resultant and cumulative cheapening of the currency. Moreover, some who profess to study and teach economics as an academic discipline have gone over to the big-spend-and-never-pay-it-back philosophy; and the attitude of such economists reached what for me was a climax of absurdity when, in justifying one of the many grossly unbalanced Federal budgets of recent years, they said in effect that it was okay, because it was a full-employment budget, based on what employment would have been that year if only it had been up to where it ought to have been!

And so more billions were heaped onto the staggering debt of over 400 billions, and the already overburdened taxpayers will again be penalized, more paper will be issued, the currency will be further diluted, and . . .

But at this point faint, distant voices seem to break into my musings: *What nonsense you are*

talking, Monsieur! These assignats are as good as gold! . . . Hey, what are you, Mister — some kinda anti-American or something? Why man, these Continentals are perfectly sound money Liber Gott! How you talk silliness! Do you believe our good Herr Ebert would let these marks become worthless? . . . But Senor, our peso is as good as the silver for which our country was named. More! — It is as good as gold!

Why Gold?

As good as gold! Why that hopeful refrain? Gold was demonetized in this country some 40 years ago, yet in everyday speech it is still cited as the standard of excellence. That is because across many centuries of human experience that yellow metal has been a symbol of value and stability. Perhaps it is not possible at this advanced stage of inflation to persuade people to stop relying on periodic doses of unsupported paper money. That is part of the look-to-Washington syndrome. But it is equally impossible for a concerned person to stop trying!

In their hearts and out of their own life experience, people know, they really do know, that there is no substitute for *value*, given and received, in human exchanges. Yet over and over again mankind, of different races and languages, all

over the world, have sought economic ease and a societal paradise in high-sounding governmental programs aimed at improving the conditions and quality of life. And time after time such programs have failed because, however hopefully they may have been started, they become based ultimately upon the principle of governmental insolvency. And that leads inevitably to the abandonment of sound money and finally to ruinous inflation.

What can you do? What can I do? We can first of all consider whether we ourselves have been responsible citizens or importunate mendicants. We can stop looking to Washington for the solution of every problem. We can cease saying "there ought to be a law" and begin thinking "there must be a basic principle — let's find it." We can realize that the good life is not to be achieved through Federal bankruptcy. We can know, and keep saying, that safety for all is grounded in solvency for all.

We can study the history of human progress to learn how and why the voluntary market mechanism better serves the ends of society than the methods espoused by the devotees of coercive Big Brotherism. We can learn from the lessons of history that the most fundamental of all market principles and practices is to let

the market be free — to let those who exchange goods and services (and that, one way or another, is nearly all of us) choose and use as money the most trustworthy marketable item available. This, over the long course of civilization, happens to have been one of the precious metals, usually gold or silver. That, of course, is because the supply of these metals is such that no man or group of men can arbitrarily increase or decrease it to an extent that will materially injure or inconvenience others. The point here is that a government, no less than an individual, must have some trustworthy, non-fluctuating, non-flappable, medium of exchange.

That greed and rapacity exist and must be curbed; that there is crime that must be detected and punished; that society should be protected from its enemies, whether within or without — all this goes without saying, since that is the end and aim of government. Hence organization, hence police, hence the military; and hence a certain amount of bureaucracy, and expense . . . and taxes!

Such things are the price we pay to avoid barbarism and escape anarchy. But the price, in such terms, should be kept at the minimum required for the government to do its job. As for us, we can know and constantly proclaim that the bright and cherished ideal of a better society and a richer life for all will not be served in the long run by having more government, but less.

Here in this America we still have the best hope of Earth. It is far from perfect, but it shines and glows beside its nearest rivals on the world stage. It has been, and is, the scene of vast achievement, growth, invention and social progress. But it begins soon its third century of national life — and it has already long outlived many nations that were great and powerful when it was born. How we live our lives may determine its fate. Will it continue as a world exemplar, with solvency and freedom as its base, or will it become a kind of terrestrial White Dwarf — a collapsed star in the galaxy of nations? ☉

Frighteningly Similar

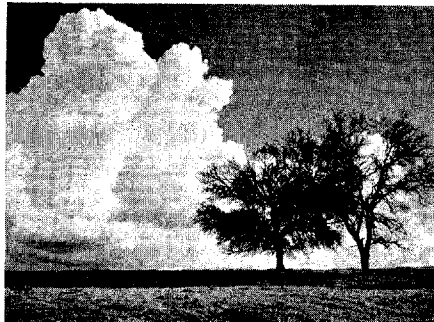
IDEAS ON



LIBERTY

THE WORLD of the Roman Empire in the first two centuries is almost frighteningly similar to modern North America in its excesses and in its wealth and, above all, in its devotion to materialistic success at the expense of the spiritual and the intellectual.

W. G. HARDY, *The Greek and Roman World*



The Taking Issue

BERNARD H. SIEGAN

THERE IS a small clause in the Constitution of the United States which does not frequently claim public attention, yet its importance cannot be overestimated. It is part of the Bill of Rights contained in the Constitution and it is the one that protects the individual against government greed. I refer to that last clause of the Fifth Amendment to the Constitution which reads as follows: “. . . nor shall private property be taken for public use without just compensation.”

This is known as the “taking clause,” for it prevents governments from taking away or confiscating the property rights of the individual.

There would seem to be nothing extraordinary about a rule in a non-totalitarian society that requires government to pay for prop-

erty it takes or acquires from its constituents. It places the government in the same status as any stranger to the property—and after all, government consists of a great many strangers. It is a prohibition against theft by government in a sense comparable to innumerable other laws that prohibit theft by any of its citizens.

Under the terms of this clause, the courts have upheld as legal many laws which deprive owners of valuable property rights. Still, over the years, even as there has been this erosion of property rights, the clause has tended at least to prevent outright confiscation of property and many zoning and other regulatory laws have been invalidated.

It costs more money to buy property than to take it—and this obvious fact has been a cause of concern to those who believe that government can use the property more wisely than its owner. A private group, The Task Force on Land Use and Urban Growth, in a widely distributed summary re-

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port and book, recently expressed concern that the taking clause will make excessively expensive the land use policies they would like adopted and consider in the public interest. They propose that more land be restricted for open space and for other purposes they believe desirable, and find the taking clause to be a serious obstacle to these objectives. The task force therefore has suggested that the whole taking issue be reconsidered and that henceforth development rights for private property rest with the community, rather than with the property owners.

How Freedom Is Lost

Similar arguments can be made with respect to any scarce resource or commodity — and we may expect other “task forces” to proceed on other fronts. There are always some benefits to be derived by taking from some and giving to others.

Two members of the task force are high officials of major banks and I am confident they would agree that regulations lowering the bank rate from 10 per cent to 2 per cent would certainly benefit many. But such regulations would also destroy our banking system which benefits the vast majority.

The inevitable results of increasing the number and amount

of such controls is to terminate the freedom of the individual to acquire and own property — in all likelihood the freedom considered most important by most of the people.

Nor is it fair that the burden for providing the presumed welfare of others should be borne by the owners of only those properties used for public purposes. The accident of ownership and location would select those persons in society to carry the burden of paying for benefits that will accrue to others. It amounts to a rather crude way of redistributing wealth on a most unfair and irrational basis.

The taking clause not only serves the equitable and moral concerns I have set forth, but it also furthers very functional values in our society. First, when things cost nothing, there is no limitation upon their acquisition. This being a time when many municipalities and individuals would like to curtail future growth, they could quite readily do so if there were no cost involved in restricting much of the balance of their land for parks or open space. A great amount of land would thereby be removed from development or production to the detriment of business, employment, industry, agriculture, housing, etc.


Opportunity Costs

America, as a land of parks and open space, would also be America, the land of worse housing and higher rents. Budgetary considerations at least curb an insatiable government appetite and operate in the interest of a more efficient and equitable allocation of our resources.

Second, the incentives of our society for owners and developers to own and use land for productive purposes would be destroyed. Why own land or contemplate using it if it is subject to confiscation at the whim of government? Or if one does own land zoned for certain purposes, he would rush to use it before the politicians changed their minds. At the very least, a more chaotic market would result.

The Bill of Rights in our Constitution has often thwarted the

aims and desires of government and its officials, and that is exactly the effect the authors intended: to protect the individual against the might of government.

True to form, the taking clause worries officials of the Council on Environmental Quality, the federal environmental agency that has been considering land use legislation. In what appears to be a strong effort to minimize the legal importance of this clause, the Council has published and distributed a 329 page book titled *The Taking Issue*, that perhaps might more appropriately have been entitled *The Stealing Issue*. The book fails to mention that the major victims, in addition to those who own certain properties, would be those who benefit from a system allowing private ownership — and that in the final analysis, includes just about everybody. 

Private Property

BARBARISM has its earmarks, and the acquisition of property through conquest or superior force is notably one of them. Civilization, too, has its earmarks, and the orderly disposition of property through the medium of deeds, leases, wills, and other contractual arrangements is not only an earmark of civilization but an absolute prerequisite.

EDWARD P. SCHARFENBERGER

IDEAS ON



LIBERTY

Price Competition

GARY NORTH

and

Expanding Alternatives

The decisive impetus toward capitalism could come only from one source, namely a mass market demand, which again could arise only in a small proportion of the luxury industries through the democratization of the demand, especially along the line of production substitutes for the luxury goods of the upper classes. This phenomenon is characterized by price competition, while the luxury industries working for the court follow the handicraft principle of competition in quality.

Max Weber¹

WE USUALLY think of Karl Marx and Friedrich Engels as the two major critics of the coming of modern capitalist methods of production. Yet in terms of their impact on the thought of mid-nineteenth century European life, the founders of "scientific socialism" were of small importance. It was Lenin and the Bolsheviks who made Marx's thought, in retrospect, the pinnacle of criticism, the touchstone of anti-capitalism. It was not Marx or the radicals who sat in Parliament and produced the famous Sadler Report of 1831-32, that massive, detailed,

¹ Max Weber, *General Economic History* (New York: Collier, [1927] 1961), p. 230.

and highly biased enquiry into factory conditions in Britain, but rather conservative critics of the New Industrialism, and their temporary allies, reforming liberals. Engels used these reports — the so-called Blue Books — to write his book, *Conditions of the Working Class in 1844*, the study which was to convert Karl Marx to a theory of class struggle.²

² The Sadler Report was followed by two other reports that were far less incendiary and far less critical of the factory system, but few historians have ever heard of them, let alone read them: *First and Second Reports of the Commission on the Employment of Children in Factories* (1833) and *Supplementary Report* (1834). Unlike those who testified before Sadler's committee, these men were under oath.

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Marx, of course, had no use for reforming liberals like the politician-businessman, Michael Sadler, but he did understand why traditional conservatives would join with socialists in their critique of capitalism. In Marxian terms, the conservatives were representatives of the old feudal order, an order that was being relentlessly, ruthlessly crushed by the new techniques of capitalist production. Theirs was a dying order, Marx believed; the bourgeois capitalists were everywhere triumphant. Conservative reactionaries and soft-hearted ameliorating liberals, he argued, could do nothing to reverse the forces of production and the direction of historical forces, but their critical pamphlets served Marx well as sources of data for his pamphlets. Capitalism did serve one useful purpose, as far as Marx was concerned: it was crushing the reactionary feudal past. Robert Nisbet has commented on this bit of historical irony:

This is why the indictment of capitalism that comes from the conservatives in the nineteenth century is often more severe than that of the socialists. Whereas the latter accepted capitalism at least to the point of regarding it as a necessary step from the past to the future, the traditionalists tended to reject it outright, seeing any development of its mass

industrial nature — either within capitalism or in a future socialism — as but a continued falling away from the superior virtues of Christian-feudal society. It was what the socialists *accepted* in capitalism — its technology, modes of organization, and urbanism — that the conservatives most despised.³

Price Competition

The feature most hated by the older producers was capitalism's relentless service of the poorer buying public. The division of labor is limited by the extent of the market, Adam Smith had correctly observed, and in order to use the newer, more specialized techniques of production, capitalists had to broaden their markets. The most efficient means of gaining access to new markets was price competition. All the British troops that marched off to India and the Far East in a quest for new markets in the day of England's "glory" never matched the market-broadening effects of a 25 per cent discount at home. The producer who could not match this discount steadily was forced out of the market, that is, was forced to give up control of scarce economic resources that could better be used to satisfy the demands of

³ Robert A. Nisbet, *The Sociological Tradition* (New York: Basic Books, 1966), p. 26.

the public in the hands of more efficient producers.

How could poor, uneducated buyers compete against the entrenched wealth of the English landed aristocracy? How could their meager purchases compete against the wealthy man's competition for the services of producers? How could some dust-covered miner hope to bid scarce economic resources away from the men of wealth? Simply because there were so many of them! As capitalist techniques of production steadily increased the output of the laboring classes, the poor became slightly but steadily less poor. A few pennies here, a few yards of cloth there, multiplied a million times over: no aristocracy on earth was rich enough to withstand this relentless economic pressure of slightly less poor men, when so many of those men were being created by the labor markets of England. As individuals they were poor, especially before 1840, but they were not so poor as they had been in 1780, and here was *the* new fact of life for producers using the older methods of production. Men who could not afford fine wool suits could now afford a cheap cotton one, and very rapidly it became obvious to English entrepreneurs that it would pay more dividends to start producing hun-

dreds of thousands of cotton garments than a few thousand high priced wool or silk ones.⁴ "The outstanding fact about the Industrial Revolution," wrote Mises, "is that it opened an age of mass production for the needs of the masses. The wage earners are no longer people toiling merely for other people's well-being. They themselves are the main consumers of the products the factories turn out. . . . There is in the market economy no other means of acquiring and preserving wealth than by supplying the masses in the best and cheapest way with all the goods they ask for."⁵

Because capitalism, with its free mobility of labor, its right of voluntary contract, its emphasis on personal responsibility, and its supporting ethic of thrift and planning, opens new opportunities for men once locked in a far narrower universe economically, it is resented. A society that places considerable emphasis on considerations of personal and family status—name, rank, family heritage—does not react favorably to the *nouveau riche* "commoners" who, through a special skill of being able to produce for a mass market through cost-cut-

⁴ Ludwig von Mises, *Human Action* (3rd rev. ed.; Chicago: Regnery, 1966), pp. 618-19.

⁵ *Ibid.*, p. 619.

ting and future-predicting, have become fabulously wealthy. They may be rich, but the only way they can gain status in the old world's terms is to marry the daughters of high status, falling income nobles and aristocrats, or give employment to younger sons in a primogeniture (eldest inherits all) system.

As ancient families went further into debt to finance their way of life, they had but two choices: become productive themselves in terms of the new mass market demand, or sell their land to those who were. The costs of ownership became too high for many of them; they could no longer tie up hundreds of acres of land in the face of the relentless competition from those millions of little people who kept bidding up the price of productive land by their increasingly large (in the aggregate) ability to purchase goods produced by the land.

Aristocratic Resentment

It obviously was not the poor man who bought the great estate of some noble. Instead, it was the entrepreneur who was serving the needs of the public. The process had been going on for centuries. Sir Thomas More in the early 1500's resented the herds of sheep that were replacing poor families that could no longer compete in

an era when manorial production methods were not productive enough. But with the nineteenth century, the techniques of production became fully capitalist, and the counter-capitalism of the literary conservatives intensified accordingly. Southey, Carlyle, and Ruskin joined the chorus of contempt. Indeed, it was Carlyle who dubbed the new science of political economy with the name which has stuck, the dismal science.

What served as the economic liberation of a whole class of people, these men saw as a form of bondage, the grinding servitude of the factory, with its time schedules, long hours, routinized production, and child labor. What they resolutely refused to see was what would have been the fate of these masses under the old system of production: famine and death. It was Ireland, not England and Scotland, that suffered the famine of 1848-50, and it was Ireland which had not seen the "plague" of factory production.

John Ruskin, the conservative literary critic, summarized the case against capitalism. Ironically, his words have been put on mass-produced cards and inserted into mass-produced picture frames for display on the walls of the highly popular Baskin-Robbins ice cream parlors (31 flavors): "There is hardly anything in the world that

some man cannot make a little worse and sell a little cheaper, and the people who consider price only are this man's lawful prey."

They Agree with Ruskin

The feudal guild members who threw shoes into factory machinery, the Luddites, today's trade union members on the picket lines, the government-licensed professionals earning \$100,000 per year: all agree in principle with Ruskin. The price-cutting entrepreneur who makes a product available for a wider market is the great threat. The man who trims his costs, or finds a cheaper substitute that is preferable to buyers at a lower price, is seen as a cunning thief. Yet in the middle of the last century, he was making products available to men who could otherwise have never dreamed of buying something as fine as the item being offered. A cotton garment that could be laundered simply gave a man an opportunity to attend church or a wedding or a funeral with a dignity he had never before known. And that, perhaps, was his great sin in the eyes of the old feudal aristocracy—the sin of pride on the part of social inferiors who were steadily becoming less inferior economically. The status world of the middle ages was being shattered by the world of free market contracts.

The Threat of Debasement

Conservative social critics saw not only the hard conditions of the factory system — hard in comparison with the life of social criticism, but not in comparison with low productivity subsistence (or less than subsistence) farming — but they also saw the initial effects of mass-produced goods. They were cheap in price and cheap in quality — again, in comparison to the quality standards of the educated social critic. Those who did appreciate the new clothes, better housing, and preferable working conditions seldom wrote tracts; they simply went to work and spent their money. Undoubtedly, there was a standardization of production. However, as the productivity of laborers increased, and as their wages increased, this standardization was left behind for those coming up — Irish immigrants, for example — and variety began to be an economic possibility.

This indicates the nature of capitalism's powers of social transformation. At first, price competition expands the market. New groups gain access to goods not previously available to them, either because prices were too high before, or because the products did not even exist. As participants in the production process, workers add to other people's

wealth. Producers are buyers; step by step, as output per unit of input increases, as a result of the specialization of production, the wealth of all the participants increases. The initial expansion of buying alternatives itself expands as productivity increases. Some producers may specialize in producing for this newly improved buying public; others may branch out and aim at the still excluded buyers — the next level down.

Henry Ford's Model T — available in any color, as long as it's black — makes the automobile available to the masses. But as everyone's wealth increases as a result of capitalist methods of production-distribution (the two are basically the same process), large numbers of men want some other color. Ford himself failed to recognize this phenomenon of modern capitalism, and his resistance to change — in this case an upgrading of quality and choice — led to the triumph of General Motors. Today, as the most recent figures indicate, General Motors' share of the auto market in America has fallen below 40 per cent, indicating that it, too, must shift its production standards to meet people's needs.⁶ (The public, burdened by a shortage of fuel, needs smaller, cheaper cars; en-

ergy, it should be pointed out, is an area of government control and influence, and it is becoming an area of relatively decreasing productivity as a result — back to the Model T universe, it seems.)

Consider the advent of the color television set. In 1956, RCA made a color television available to those who could afford some \$1500 (1956 prices) — a 16-inch, not very reliable product. A few people bought them. Steadily, the price has come down, yet the quality of the sets has gone up. Today, a Japanese Sony set, some 17 inches in size, costs less than \$500 (1974 prices), and is so far advanced in terms of picture quality that the two products can hardly be compared. Price competition and quality competition can proceed together, and do; but the initial breakthrough technologically, while financed by the elite, becomes a mass-consumption product only through price competition. (This, as Hayek argues so forcefully, is an important function of rich elites: the trying out of new products, helping to finance their initial construction, before the bugs are worked out technically.⁷)

How many workers in 1830 could have afforded to spend money

⁶ So much for the "indestructible monopoly" theory!

⁷ F. A. Hayek, *The Constitution of Liberty* (University of Chicago Press, 1960), pp. 44-45.

in a Baskin-Robbins ice cream parlor? Ice cream was not even invented; the rage began at the end of the nineteenth century. Most workers could not have afforded it. Today, on any Saturday afternoon in the summer, ice cream houses specializing in high quality, "high" price ice cream are probably as crowded as the "cheap" frostee shop across the street. (Those who buy vanilla in the multiple-flavor shops subsidize those, like myself, who will eat nothing but peppermint-stick; the vanilla is far cheaper to produce, yet it is sold at the same price as the 30 other flavors. The one-flavor frostee shops cater to those who just don't like the other 30 flavors that much, or at least those who don't like to pay the freight for the other 30 and their buyers.)

Even the most expensive triple-scoop ice cream cone in the "exclusive" and "elitist" ice cream parlors costs only a tiny fraction of a middle class worker's daily income, in contrast to what the same ice cream cone would cost, proportionately, in some underdeveloped nation, where ice cream really is a luxury good. It is mass production, which involves price competition, that has created the mass wealth that makes possible the relatively cheap ice cream of the officially pro-Ruskin, anti-free market philosophy, 31-flavor

stores. (Presumably, the chain really does not know the origin of Ruskin's philosophy. Ideas, however, do have consequences — serious consequences in a culture that seems to be headed from contract back into status.⁸)

Mass Culture

One feature of free market life which receives far too little attention from most of the market's defenders is the problem of mass culture. Ortega y Gasset's *Revolt of the Masses* spelled it out. In a culture that is officially democratic, and which grants to the common man enormous influence — because its methods of production grant him enormous, historically unprecedented wealth — how can that culture maintain its spiritual, educational, intellectual foundations? Wilhelm Röpke, probably more than any other free market economist, concerned himself with this question. Does the most efficient technique actually serve men best in each and every instance? Were the conservative cultural critics correct in pointing to the debasement of their culture? Does mass production lead to the creation of a mass man — a man who neither understands nor appreciates the benefits of the market?

⁸ Morris C. Shumiatcher, "Status: End Product of Welfare," *The Freeman*, May, 1972, pp. 297-315.

Röpke's *Humane Economy* and Schumpeter's *Capitalism, Socialism and Democracy* set forth the problem very well, but the answers in both books are pessimistic. Professor Mises did not often write about this question, but in the one case where he did, he was rather pessimistic:

Whatever is to be said in favor of correct logical thinking does not prove that the coming generations of men will surpass their ancestors in intellectual effort and achievements. History shows that again and again periods of marvelous mental accomplishments were followed by periods of decay and retrogression. We do not know whether the next generation will beget people who are able to continue along the lines of the geniuses who made the last centuries so glorious. We do not know anything about the biological conditions that enable a man to make one step forward in the march of intellectual advancement. We cannot preclude the assumption that there may be limits to man's further intellectual ascent. And certainly we do not know whether in this ascent there is a point beyond which the intellectual leaders can no longer succeed in convincing the masses and making them follow their lead.⁹

Today, in fact, the problem is as

⁹ Mises, *The Historical Setting of the Austrian School of Economics* (New Rochelle, N. Y.: Arlington House, 1969), p. 38.

much the fault of the failure of the leaders to understand basic principles as it is the fault of the masses. The free market is not some fully autonomous, self-supporting, self-generating, self-sustaining mechanism. It is the product of acting, thinking, planning men. If they do not know how the economy works — and no serious economist has ever argued that all participants must understand it in order for it to work — then there is only one defense possible: the majority of men must, on principle, leave their fellow men free to act, think, and plan. They may not grasp the nature of the process by which the actions of productive individuals are fused into a coherent, self-correcting economic system. They may not understand the theory of marginal utility. They may not be able to spell out the theory of free trade. But unless they are willing to affirm that principle which every man *can* grasp — that each man is responsible for his actions, and that therefore each man should be given the right to work out his salvation with fear and trembling — then the magnificent construct known as the free market economy will, in the image of "Mission Impossible," self-destruct. There are no economic fruits without moral roots.

By focusing on economics as if

it were the "science of wealth" rather than the science of human action and human choice, the classical economists did a great disservice to the cause of freedom. They made the case of the conservative anti-market critics that much more reasonable. There is more to life than material consumption; there is more to life than the question of economic efficiency. Economic man was an intellectual construct, but too many economists and too many readers of economic literature failed to see that this construct was and is limited. It can explain some features of life; it can hardly explain them all. The economic man was a stick man, and he made a marvelous target for the critics of capitalism, both conservatives and socialists, who saw their opponents as narrow-minded, materialistic, immoral, uncharitable, destructive churls.

Expanding Human Choice

The defense of the market should be made in terms of its implications for human choice. The free market expands human choice. It enables men to become more productive. In doing so, it increases their power and therefore their responsibility. At first, it may seem to limit men's choices — only black Model T's — but in reality it has expanded them —

black Model T's rather than no car at all. As productivity increases, men's options increase. Since they have increased their range of options, they have simultaneously increased their obligations. Like all blessings, this too is a burden.

Sadly, some modern economists, at least in their published materials, are as naive as the nineteenth-century economists. They seldom consider the grave political and sociological implications of increased wealth. They do not understand that in today's world, a productive worker (from janitor to scientist) who fails to acknowledge the restraints — moral restraints — necessary to preserve a free market economy, is like a child playing with a loaded pistol. He is armed (with the vote) and should be considered extremely dangerous. He has the power to vote for men promising to relieve him of his responsibilities — thereby relieving him of his power and wealth, he never seems to understand. Men seem to resent the burdens of responsibility as they grow more wealthy, and this is the surest guarantee that they will not grow wealthy forever.

Men make choices. They have ideas. They are responsible. If their ideas are such that they are convinced that the political authorities can best handle the re-

sponsibilities of life, then their ideas will lead them into bondage, precisely because they are responsible and they do have the power of choice. Pontius Pilate had the power of choice. He chose to "wash his hands" of all personal responsibility, as if power can be so lightly abandoned. Röpke and Schumpeter were quite correct in their concern for our society: mass man, especially State-edu-

cated mass man, has been granted wealth beyond the dreams of Pilate (who never had the opportunity to see reruns of the Beverly Hillbillies in full color). Economic efficiency, in and of itself, guarantees nothing morally or culturally. It only guarantees that more and more men will possess greater and greater options. We should neither underestimate nor overestimate the blessings of efficiency. ☉

A Proper Distrust

W. ALLEN WALLIS

THOSE who distrust governments are right. For governments everywhere undertake to do many things that cannot be done by governments — least of all by democratic governments — and they even undertake to do some things that cannot be done at all, either by governmental or nongovernmental means. Governments readily promise good incomes, good health, good morals, good taste, and good re-


lations among individuals. They promise equality, justice, tolerance, and safety, as well as peace, progress, prosperity, and purity, and even truth, goodness, beauty, and salvation. They attempt to protect us from our own follies — from the folly of smoking tobacco or marijuana, from the folly of watching indecent movies, from the folly of selling too cheap or buying too high, from the folly of buying too cheap or selling too high, from the folly of wasting our money, from the folly of failing to

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fasten seat-belts, from the folly of buying pills in containers that can be opened by children or arthritics, and from the folly of setting the wrong temperature on the laundry machine. The list is endless in number, infinite in detail, and growing exponentially.

It is a striking paradox that the more people distrust the government, the more powers and responsibilities they heap upon it, many of the new powers being designed to counterbalance other powers that the government already has. The more powers the government has, the more ruthless, corrupt, and pervasive become the efforts to control those powers, the more numerous and harmful become the failures of the government, and the smaller becomes the respect

and confidence that the government receives or deserves.

The appropriate remedy for excessive governmental powers, for abuses of governmental powers, for ruthlessness and corruption in gaining control of governmental powers is not to create new governmental powers but to dismantle those that now exist. Return the power to the people. Give each individual the right and the responsibility for making his own free choices and decisions. Inevitably, some individuals will make unwise decisions, even decisions that harm other people; but in the long run the harm done in this way is likely to be neither as great in the aggregate nor as hard to correct as the harm done by over-government. 

We Owe It to Ourselves

INDIVIDUALISM suggests the idea that if a living is owed a man, he is both the creditor and the debtor. He must collect and he must pay. All he has a right to expect from society is that it will not intervene between cause and effect to his prejudice. To be assured of this he must be assured against political interventions. He is entitled to all he produces, but outside himself there is no power that can ethically produce for him.

E. C. RIEGEL, *Planned Prosperity*

IDEAS ON



LIBERTY

Those Fellows with Dark Hats - the Speculators

JOHN A. SPARKS

"What the witch was to medieval man, the capitalist is to the socialists and communists, the speculator is to most politicians and statesmen: the embodiment of evil."

Hans F. Sennholz

ONCE AGAIN the guns of public criticism are trained upon speculators. Legislative committees are hearing testimony about their activities; governmental officials are denouncing them. Why are speculators so often under attack? Borrowing from the old-fashioned western — why are speculators invariably portrayed as wearing black hats?

One reason for the tarnished image of the speculator today is the widespread misunderstanding about *who* speculators are. To many people, a speculator is a crafty, cold, professional, standing against a Wall Street backdrop. Granted, a gathering of speculators would include professionals. But, just as clearly, it would include many amateurs. Several years ago the occupations of per-

sons who held futures contracts on the New York Sugar Exchange during a typical day were disclosed. Of the nearly 1700 speculators who owned contracts, only about 12 per cent could be termed professionals, i.e. connected with the sugar industry or other professional speculation. The remaining contract holders were housewives, retired persons, engineers, retail proprietors, and members of other occupational groups.¹ A recent survey of traders in frozen orange juice concentrate futures showed that "executives, engineers, accountants, doctors and the like accounted for some 40 per cent of the long side of the market."² Admittedly, in terms of business volume, professional speculators outdistance amateurs. But the professional image of the speculator obscures the fact that many ordinary people fall into this category. (An attempt can be

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made to see every human action from the viewpoint of the uncertainty inherent in it. Every act could therefore have a speculative dimension; every actor could be said to be a speculator. However, as used hereafter, the word speculator refers to the narrower concept of a promoter, pacemaker, venturesome leader, whose eagerness, drive, initiative compel economic improvements.) Before one sets out to brand speculators as "bad guys," one should be aware that he unknowingly may be outfitting his own friends, neighbors, and, perhaps, himself in black hats.

The Common Image

Many are uninformed about who speculators are, but even more people misunderstand *what* they do. The following picture of speculators is a commonly held one:

Speculators actually do very little; they do not work for a living in the traditional sense. They keep strange hours. They sit staring at stock tickertapes, money market quotations, a company's annual report, or the financial page of the newspaper. They operate on the basis of hunches and great doses of luck. They are little better than gamblers. Speculators are not producers of goods. They do not add to the total wealth. Instead, they merely take a cut off the top of what *others* produce. They are

parasitic, enriching themselves at the expense of others.³

In trying to analyze the preceding portrait, it becomes clear that many of the assertions are mere gossipy bits of "conventional wisdom." Consider the charge that speculation involves very little work of the traditional kind, unorthodox hours, and peculiar manners of behavior. Speculators in stocks, bonds and commodities are indistinguishable from other businessmen on the basis of their hours. Moreover, one's schedule says nothing very conclusive about whether one "works" or not. What counts is the worker's ability to produce the end product, not the regularity of his hours.⁴ Are odd business mannerisms really displayed by speculators? The assertion is little more than a vulgar occupational slur undeserving of recognition or response. After one studies the speculator, it becomes apparent that most of what he does is purposeful, reasonable, and understandable. Only to the uninitiated or ignorant do the actions of speculators seem bizarre.

Lucky Guessers or Information Gatherers?

Another subtler plaint against speculators is the claim that their unorthodox hunch-playing disqualifies them as true "workers." Honest mental effort, say these critics,

is work, but, just as certainly, "lucky guessing" is *not*. The most glaring problem with such a position is its gross inaccuracy. Few, if any speculators rely solely on chance or hunch. Professionals, especially, consult elaborate information sources before making final decisions. Economists often say that they incur "trading costs." There are market indexes to consult, price-earnings ratios to figure, and laboratory findings on newly developed products to review. One international speculator illustrated the breadth of his search for information when he said: "One has to know exactly what is going on, whether Mr. Nasser has a cold, or whether Mr. Dayan is aggressive, or whether the discount rate in Holland is about to be raised. . . . So one has to watch everything, even if it is unimportant at first glance."⁵

Alertness to information is the speculator's lifeblood.⁶ About two years ago there were times when soybean speculators anxiously awaited news from such unlikely sources as Peruvian fishing villages. The reason? Shortages of soybeans had developed. Fishmeal competes with soybean meal as animal feed. The fish "crop" has to be assessed in order to give speculators some idea of the value of existing stores of soybeans.⁷ Speculators demand all sorts of

data, from evanescent market rumors, to sophisticated professional analyses — all in an effort to make their evaluations of the future more "scientific."

Despite ambitious information gathering, the "good guess" and the "right hunch" play an important part in speculation. Amateurs and professionals alike acknowledge the influence of intuition on their actions. In numerous instances "cold hard facts" are hard to come by, if they exist at all. Take for instance just two questions to which speculators must try to give answers: What will low temperatures do to the Florida citrus crop? Will the Wankel engine replace the conventional piston engine? Informative data are slim. The answers exist in the realm of the highly uncertain. It is in just such circumstances that the speculator must rely on his sensitivity to the future. As others possess musical ability, a way with words, or athletic prowess, the successful speculator is likely to be the owner of a keen intuitive sense. Utilized, this intuitive ability performs a profound service to all members of the economic community. Intuitively guided judgments help to allocate, conserve, and distribute scarce economic resources, so that consumer satisfaction is maximized. The specu-

lator should be recognized for his significant role as a "future-shock absorber" or even a kind of economic sage. (The word "speculate" is derived from the Latin word "specere" meaning "see.") One would expect high regard for the gift of intuition. On the contrary, an undercurrent of disrespect for this part of the speculative decision is widespread.

Respectable Gamblers?

A related but slightly different charge is that the speculator is little more than a gambler. What is the difference, it is said, between putting money on the run of a horse and putting money on the future price of wheat? Are not speculators merely respectable gamblers? That both gambling and speculation contain elements of uncertainty cannot be denied. But, the similarity ends there. The gambler risks his money on *artificially contrived uncertainty*. He does not transact his business with real-world hazards. The unknowns which he confronts are the creations of the casino, the slot machine, and the gaming table. They are brought into existence to divert and entertain.

The speculator, on the other hand, operates in the world of *naturally existing uncertainty*. While the enigmas of the dimly lit future hold his fellows immobile,

the speculator clearly discerns unnoticed opportunities for profits and alertly exploits them.⁸ Whereas the gambler is attentive to the world of *artificial* indeterminacy, the speculator keeps an economic vigil over the *real, uncontrived* future. Therefore, to use gambling terminology to describe speculation is confusing and inaccurate. Yet, even a noted financial review encourages the continuation of such a practice when it illustrates an article about orange juice speculation with the picture of dice being rolled out of an overturned orange juice can.⁹

Do Speculators Provide Useful Services?

The gnawing question which underlies many of the complaints already mentioned remains: What useful service do speculators provide? One well-known defender of the speculator's activities, Frank H. Knight, has described him as an uncertainty bearer.¹⁰ According to this view, the speculator bears *unmeasurable risks*, that is, uncertainties, while the insurer bears *measurable risks*. The distinction can be shown by an example. Suppose that a businessman opens a retail clothing store. An insurance company will be able to provide him with fire insurance on his building, for the likelihood of a fire disaster is a measurable risk.

The distribution of the outcome in a group of instances is known. The premiums paid by the clothing store owner and other businessmen are calculated to cover losses which occur. However, if the retailer seeks insurance against his inability to sell the store's merchandise to customers, he will find the insurance company unable to write the policy. The possibility of a business loss is an *uncertainty* because its occurrence is so unique as to be unmeasurable. It is "risk" which the insurer cannot calculate and therefore cannot bear. This is exactly the sort of burden which the speculator shoulders. Returning to our example, if the retailer wants to avoid bearing the uncertainty of profitable resale, he may be able to convince the distributor to "sell" him the goods *on consignment*. If the distributor consents to consign the merchandise, he becomes a speculator. By agreeing to take back the items which remain on the retailer's rack at the season's end, he bears an uncertainty. More commonly, of course, the retailer will not rely upon another to bear the uncertainty of whether or not his goods will sell. Instead, he will assume a speculative role by purchasing the merchandise himself.

Perhaps the most lucid analysis of the speculator's activities has

been advanced by Mises¹¹ and expanded by Kirzner.¹² The speculator, according to this view, is an entrepreneur who is alert to hitherto unnoticed profit opportunities.¹³ He is attentive, watchful, vigilant. He "anticipates better than other people the future demand of the consumers"¹⁴ and acts accordingly. When the price which the consumer will pay for the end product promises to be higher than the total factor costs, then latent profits exist. The speculator perceives these unrecognized opportunities and exploits them.

Using the Austrian approach, one can re-analyze the earlier example of the clothing retailer. If he anticipates that the prices which customers will pay for suits, ties, and shirts will be greater than his factor costs, and acts upon that belief, he becomes a speculator. Others are free to purchase the factors and reap the profits, but they are not entrepreneurially alert to the opportunities which are apparent to the retailer-speculator.

The Austrian explanation points out that the speculator profits only when he correctly anticipates future constellations of demand and supply in the market.¹⁵ His activities reorient production toward those goods and services for which consumer demand is more intense and away from less

intense demands. In essence, the speculator is an untiring expediter of desired economic production.

It is clear that while the Knightians emphasize uncertainty bearing, the Misesians emphasize entrepreneurial alertness. However, both positions cast the speculator in a favorable light. Both view him as beneficial. Both conclude that his contributions to the economy would be sorely missed if he suddenly failed to function.

So far the speculator has been discussed *in general*. He has been found to have an important and benevolent economic role to play. The bulk of modern antispeculative opprobrium, however, has been directed at *specific* kinds of speculative activity, especially, money speculation, land speculation, and commodity speculation. They therefore deserve separate consideration.

Money Speculation

Money speculators, in the opinion of many, are the worst of the black-hatted ones. Their treatment during the German hyperinflation is typical. Government officials and the press villified speculators who fled from the mark to other currencies. These pecunious ones, warned the newspapers, had gained a vested interest in the mark's continued depreciation. They were besieging the foreign

exchange markets, claimed the state bank president. They put personal interests above country, offered another source.¹⁶

But, attacks on speculators have not been limited to foreign soils or other times. In response to the August, 1971, "monetary crisis," our own President said: ". . . the speculators have been waging an all-out war on the American dollar. . . . Accordingly, I have directed the Secretary of the Treasury to take the action necessary to defend the dollar against the speculator. I am determined that the American dollar must never be a hostage in the hands of the international speculators."¹⁷ What activities would inspire such sentiments? What do money speculators do?

Essentially they buy and sell the currencies of different countries. When the speculator expects the value of a currency to go up, he purchases it — goes "long" in it. On the other hand, if he expects the exchange rate (value) of a currency to fall, he will go "short" in the currency by selling it in the forward market (futures market), or exchanging it immediately for other more promising currencies. How does such rational trading qualify speculators for black hats? Actually in untroubled times, when only moderate changes in currency values are called for,

speculators are largely able to avoid criticism. Their activities are regarded as tending to diminish the gap between the highest and lowest exchange prices. During these times, observers do not lose sight of the fact that exchange rates are determined as much by the "bulls" of the market as by the "bears."¹⁸ Even those inclined to view speculators with distrust consider mild speculative activities as benign and "stabilizing." However, if monetary policies of rapid inflation are embarked upon and, consequently, speculators' positions become increasingly pessimistic, then their denunciation can be expected. Speculators are causing the decline, it will be charged, or if they are not the cause, at least speculators are sending exchange rates to unwarrantedly low levels.

No Coercive Power

To the first charge — that the short-selling speculator causes a decline — it can only be said that short sales are the short seller's forecast of the demand for a currency. However, the short-selling speculator has no power to coerce the agreement of others who are buying and selling in the market.¹⁹ "Speculation does not determine prices; it has to accept the prices that are determined in the market. Its efforts are directed to correctly

estimating future price-situations, and to acting accordingly."²⁰

What of the assertion that speculators "pile on" to falling prices, thereby driving them to low levels? When depreciation becomes so clear that many amateurs enter the market, exchange rates may be temporarily depressed to a point that is not found to be justified when subjected to the seasoned reflection of the professional. Readjustment upward will be aided by the actions of experienced speculators who will help to return the currency to a realistic value.²¹

It has been noted that during severe currency declines the ranks of speculators will be swelled by amateurs. A portion of these neophytes will be businessmen who seek a haven for their capital, safe from the ravages of paper money depreciation. Capital conversion of this sort is also attacked by the government as harmful to the nation. But, the avoidance of capital destruction, even when it involves deserting the currency of the realm, is a benefit to the nation's capital fund, not a detriment. Those who take precautions to conserve capital are not the foes of their fellow citizens, but their benefactors.²²

Recriminations against money speculators are "side shows" presented to divert attention from

real causes. The speculative activities of the black-hatted ones come under attack because they are irritating thorns in the sides of governmental money managers. These officials wish to continue their paper money profligacy without being called to account by the forces of depreciation. It is precisely because the speculator exposes the bankruptcy of their shallow schemes that he is labeled the "cause" of the decline. Conveniently ignored by the authorities are their own inflationary excesses which actually precipitate the downward revaluation of the national currency. The arbitrary, fickle activities of the state bank, including the artificial "bull" maneuvers to support its own currency's value, are the prime causes of decline and depreciation.

Land Speculation

Land speculators have always managed to inspire a great deal of invective. Undoubtedly, some distrust is due to the notoriety which fraudulent land schemes have received. To the fair-minded it should be obvious that legitimate land speculation and land fraud are entirely different things.

But, if the aura of fraud which often surrounds land transactions is dispelled, there nevertheless remains a residue of suspicion about land speculators. No small amount

of this lingering distrust is attributable to the prevailing view of western land sales in the United States during the eighteenth and nineteenth centuries.

One of the themes emphasized by the most widely read authority on the subject of the western lands is the detrimental impact of "speculation" and "land monopolization." According to his writing, large scale speculators "preyed" upon the land, "engrossed" land, outbid settlers, and so forth. They preceded the settlers to the American frontier, purchased the "best lands," virtually forcing settlers to buy at their prices. Moreover, the black-hatted ones were the perpetrators of fraudulent schemes designed to add blocks of land to their already monopolistic holdings.²³

Fortunately, interpretations which oppose the prevailing anti-speculative position are being advanced by such economic historians as Douglas C. North. He points out several things. First, speculators should not be regarded as having been primarily *large scale* dealers. "Many a farmer bought more land than he could possibly cultivate, with the idea of holding it for a rise in value."²⁴ Speculators should not be regarded as having been members of a separate entrepreneurial class in conflict with an agrarian class as

is implied by the prevailing view. Instead, entrepreneur and agrarian were often one.

Next, even though land speculators themselves were far from "public spirited," their actions were economically beneficial. The reason for this is relatively simple. The speculator purchased what he believed would become productive land. The price he offered was higher than prices offered by other bidders *who failed to see its high yield potential*. His purchase removed the land from commitment to inferior productive uses contemplated by the other bidders. If the speculator were correct in his forward-looking valuation, other purchasers would soon appear who would be willing to pay a higher price for the parcel precisely because they expected to use the land in a highly productive way. Unintentionally, the land speculator helped to shift land resources to their most fruitful uses and away from less fruitful ones.²⁵

The charge of "land monopolization" by speculators is an unfounded one. "There is no meaningful sense in which a monopoly of land existed at any time in the nineteenth century. In fact, availability is the one clearly evident characteristic of the opening up of the public domain. There were immense amounts of land continuously available from a large num-

ber of different sources."²⁶ However, large tracts of land were put beyond the reach of settlers by Congress. Of the public lands appropriated between 1789 and 1904, over half of the acreage was reserved either to the Federal government or granted to the states and railroads.²⁷ The policies of the national legislature, not the actions of speculators, came the closest to creating large land holdings in the hands of a few. Fortunately, the railroads and the states sold off tracts of land into private hands, thus assuring their economic use.

Finally, the claim is made that speculators regularly engaged in fraud to obtain land. Though there is no justification for fraud, it is a fact that many of the illegal transactions were encouraged by the gross unworkability of the government land laws. The basic theory underlying the laws was that ownership should be awarded only to actual occupiers of land parcels and even then there was a limit on the parcel size.²⁸ In many instances continuous occupancy required by law was not economically justified. Consequently, speculators, settlers, and others participated in fraudulent schemes which appeared to comply with the land laws in order to obtain larger parcels than would be allowed to a single "occupier."

By prior agreement, some settlers made homestead "entries" and then sold immediately to speculators. With the cooperation of land officials, "dummy entries" were often made for homesteaders who did not exist. The land was then assigned to speculators.²⁹ In Nebraska a house on wheels was moved from claim to claim to fulfill the house building requirement.³⁰ One need not condone fraud to appreciate the economic benefit which resulted from the creation, by speculators, of land units which were a productive size.

Whenever land is able to be owned by people and wherever there are changes in land values, there will be speculative profits and losses made. Nothing short of destroying the right to buy and to sell will deter men from alertly purchasing parcels which they consider underpriced or selling those which they consider overpriced. Ultimately, opponents of land speculation must favor restrictions on the very rights which are the essence of ownership.

Commodity Speculators

In ever-increasing numbers observers are blaming speculators in commodities — those raw products which are traded on organized markets—for the increasing prices. About fifty different commodities

are traded world-wide today, ranging from Idaho potatoes to soybean meal from platinum to plywood.³¹ The *modus operandi* of a commodity speculator is similar to that of other speculators. He evaluates the likelihood that future prices will be different from current prices and buys or sells accordingly.

His buying and selling generally accomplish several benefits. First, he bears the uncertainty of future prices so that others who do not wish to shoulder such a burden may escape it. For example, a wheat farmer may decide to sell his wheat crop to the grain elevator owner. By so doing the farmer makes a decision to allow the grain elevator owner to take on the uncertainty of future grain prices. Though the farmer's investment in labor, land, and capital contains a genuine element of speculation itself, nevertheless, at the harvest he may wish to allow another to take up the speculative burden. On the other side of the sale, the grain elevator owner buys because he is alert to what he believes will be higher future prices.

Secondly, if a catastrophe reduces the expected supply of a commodity, the speculator may remove from the market a portion of the commodity in anticipation of higher prices. By speculating, he is helping to moderate the current

use of the good and to allocate the reduced supply into the grain-scarce future. His trading helps to mitigate the effects of commodity shortfalls on the consumer.

Perplexingly, commodity traders draw criticism from the very groups which they benefit — consumers and primary producers. The consumers of products which contain raw commodities often irrationally blame the speculator for being the primary cause of the reduced supplies. The truth is that being merely a buyer or seller, he neither increases nor decreases the total amount of the commodity. He merely spreads the good over time.³²

Primary producers, such as farmers, who sell to the speculator, often begrudge him the profits which he receives when the price of the commodity rises. Such a position is grossly unfair. The original sale was presumably consummated because the producer and the speculator perceived the future configuration of prices differently. As the future became the present, the speculator's view was borne out. However, that is surely no proper reason to deprive the speculator of his profits. The producer's brazen covetousness is revealed by his unwillingness to support the logical converse of his position. He is not found to advocate his own indemnification of

the speculator who experiences losses when commodity prices dip.

Recently the prices of commodities have been more volatile than usual. Predictably this behavior has been ascribed to the evil machinations of speculators. In reality, several factors have influenced commodity prices. (1) New interests, foreign and domestic, have sought commodity futures contracts as hedges against the shaky state of national currencies. (2) Gigantic government to government commodity deals have helped to send markets into gyrations which would be the envy of any private "manipulator." (3) inflationary monetary policies have compounded the uncertainty of future commodity prices. Characteristically, instead of seeking to stabilize the purchasing power of the domestic currency, instead of trying to encourage the adoption of a sound international money, congressional committees are seeking to create a new Federal agency similar to the Securities and Exchange Commission to police commodity trading.³³ Controlling the black-hatted ones is seen as a significant part of the answer to commodity market fluctuations.

Conclusion

It is not necessary to attribute personal goodness to the individual speculators of the past and

the present. Their motivation was and is self-gain. However, by their efforts as alert entrepreneurs, they have continually perfected the operations of the market; they have borne the burdens of the uncertain future. In essence, they have constituted the very sensitive fingers of the invisible hand. It is time that they be allowed to escape the moral stigma under which they have labored, to withdraw from the dark shadow of obloquy, and to don *white hats!* ●

— Footnotes —

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5 "The Arcane of Arbitrage," *Business Week*, November 22, 1969, p. 140.

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26 North, p. 132.

27 Ross M. Robertson, *History of the American Economy* (New York: Harcourt, World, 1955), p. 217.

28 Rothbard, I, p. 151.

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30 Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton-Mifflin Company, 1965), p. 316.

31 Stanley W. Angrist, *Sensible Speculation in Commodities* (New York: Simon and Schuster, 1972), p. 26.

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33 "A Governor for Those Volatile Commodities," *Business Week*, February 23, 1974, p. 32.



The Business of Undermining Business

IN THE April, 1974, issue of *The Freeman*, Roger Donway considers and dismisses Irving Kristol's contention that since the free market must allow anti-market views it, so to speak, "contains the seeds of its own destruction." A similar but far more subtle danger to the free market pervades our society.

The attitude to which I refer is epitomized starkly in a commercial sponsored by the American Savings and Loan Association: "This bank is for the business side of me and this bank is for the human side of me." Perhaps this seems harmless enough; after all, the savings banks are just trying to improve their "image" and to emphasize that their goal is really to be humane in the popular sense of that word — to help humanity. But there is a widespread practice

here, merely illustrated in this advertisement, which deals two blows at the very roots of free enterprise.

The first danger is a separation between the business and human functions of certain individuals, and thus between business enterprises and other human activities. The second danger lies in the notion that the way to sell a product at a profit is to promulgate the idea that the business is engaged in a humanitarian program of improving the general good. These two ideas not only are contrary to the best interests of both producer and consumer, but also are at cross purposes with each other. For the first leads to putting business outside the moral realm, and the second to an impossible conception of business morality.

The division of human beings into "businessmen" and "others," or the separation of the business-

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man's role as such from his human (all other) capacities, supports the popular myth that those engaged in producing and selling goods are authorized by "the system" to do *anything* in order to make a profit. Thus, free enterprise, its critics say, allows for and even promotes, dishonesty, exploitation, theft (of trade secrets, for example), irresponsibility, stinginess, or whatever, as long as making a buck is the result. This is the force of Irving Kristol's dismay with the moral philosophy underlying the free enterprise system. If he could profit from it, there is, according to Kristol, no moral restraint which could keep the entrepreneur from investing in anti-market literature.

But this is not so. Donway ably pointed out one problem with this view, and I would like to exhibit another. Any individual engaged in the various facets of financing, planning, producing, and selling goods and services is — *cannot* be other than — a human being. What follows from this is that the general moral principles which are valid for all human beings are equally valid for businessmen. Of course, different ones may apply; for instance, the businessman may never have occasion to exhibit courage as might a soldier, nor may the steel worker have occasion to practice the virtue of truth

in advertising. As long as there is *human action*, all human virtues are valid, however relevant to differing circumstances, occupations, and the like.

The Role of the Law

I want to point out that this implication of business action as human action does *not* further imply that "there ought to be a law." That is, the moral uprightness of businessmen ought not be the subject of special legislation, any more than there should be special laws concerning how you behave during your leisure time, in social interaction, toward the ones you love, and so on. To enact such laws is to destroy freedom, to undermine the foundation of morality.

The function of law is not to force morality — a contradiction — but to protect people's rights. To put it another way, the law ought to ensure the *conditions* for free enterprise by making explicit each person's sphere of action and by assuring proper recourse for harm done. Thus, with respect to businessmen, the law should allow each to produce whatever he likes, but not allow him to force people to buy or use his product. The law, then, would concern itself with such matters as enforcement of contracts, compensation for injury due to faulty labeling, violation of property rights (including, con-

ceivably, air and water pollution); but it would not engage in forcing producers to solve the ills of society. (A pernicious example of the latter is the recent legislation requiring Detroit auto makers to install pollution control devices, rather than holding the consumer accountable for damages resulting from his activities.)

Perhaps this attempted separation of "business" and "human" can be traced to the popularity of sociological theories which explain all human action in terms of diverse roles. Thus, while at the office one part is played, at home or at a party another, and never the twain shall meet. Although this may help us understand why the separation is attempted, it does not excuse it or make it any less harmful. The perpetuation of such a view plays right into the hands of those critics of free enterprise who believe that the latter depends upon and promotes immoral or, at best, amoral behavior on the part of those involved.

The second ruinous attitude commonly espoused and promoted by businessmen these days is that their reason for existence, and their value, derives from their devising, investing in, producing, and selling products *in the interest of helping humanity*. This is the utilitarian argument: *since* your being engaged in making a

profit will also benefit most people by providing them with goods and services, you are *allowed* to do so; as a matter of fact, it is downright virtuous for you to do so. Whether or not making a profit ought to be tolerated or condoned, per se, it is accepted as a necessary function of increasing the general good.

Guilty Until Proven Innocent!

The danger lies in the pay off, which we witness today on all fronts. For if profits are not justifiable, but only tolerable, and the proper goal for everyone, including businesses, is to ensure and work for the good of everyone else, then profits may be denounced and expropriated when the greater good would seem to call for that measure. So when prices get too high, controls on profits can be justified; in the "energy crisis" the "obvious" guilt of the oil companies lies in their having made profits; IBM must prove to the courts its innocence in actions in relation to competitors because it has shown a profit. Thus, a crucial maxim of the American legal system has been reversed when it comes to business enterprises: guilty until proven innocent.

There is, however, a *justification* of profit-making which does not rest on such a notion of the common good. It is as right for

the entrepreneur, the manufacturer, the retailer, and any others involved in producing and selling goods and services to make a profit as it is for the members of the "working class" to hire themselves out for wages, for writers to charge for their services, for people to buy homes, and so forth. In short, the justification of profit is simply the right to private property, the right of every human being in virtue of being human. Survival as a human being (that is, as a rational, morally accountable agent) requires that each exist in *some place* and procure *some things*; the place and the things we designate by the term property. It is right and good that human beings act so as to secure their own survival; and this is a fundamental *moral* justification of the right to property.

Of course, there are many ramifications and details to be covered before one would have in hand a comprehensive argument for the right to private property. The point here is that such an argument exists; it does not rely on any "happiness of society" justification of free enterprise. The right of the individual is justification enough. I am not denying that the common good will be served by a free economic system; what I want to point out is that the common good cannot serve as

an adequate justification, since it leaves the door open to serious encroachments which undercut the very foundation of that system.

Everyone Loses

Since the idea that profits take away from the common good is so prevalent today, it might be argued that the businessman, just in order to survive, must create an image of being in business to help all. In the short run, perhaps, there is not much to say to this argument except that it is a proliferation of unrealities. But in the long run, reiteration and promotion of this attitude can only work to the detriment of the political framework in which business can flourish. It would thus work against the *best* interests not only of business, but also of consumers.


Perhaps I seem unduly harsh on American businessmen; I recognize, however, that to a large extent they have merely acted to accommodate themselves to the overall climate. They are unloved by many who benefit from their existence; they have been badgered as no other segment of society. Thus, during the recent energy scare, the press made (or conveyed the public's) accusations against the oil companies, but offered little opportunity for rebuttal. The oil companies were obliged to pay for advertisements in order to get a

word in edgewise, and were promptly maligned for doing so. Moreover, since they did this defensively, to protect their interest, they were dismissed as acting from ulterior, "selfish" motives. Nevertheless, it clearly cannot *help* for businesses to go along with all this. The long-run consequences are devastating; no good can come of further miseducating the public — or public officials.

Moreover, businessmen may be properly criticized for their frequent complicity in chipping away at the foundation of free enterprise. I have in mind here calling on government for tax breaks, price supports, subsidies, licensing to prevent entry of competition, and so on. Many seem not to realize the inconsistencies involved; but for every measure instituted by government to "help" some industry, a comparable amount of freedom is lost. The farmers complained bitterly when price controls were set on beef; but before the year was out many were eagerly supporting the government's buying of "surplus" beef in order to sustain prices.

So, the problem is not simple; it is not just consumers or the intelligentsia or the press, but businessmen themselves who fail to un-

derstand the nature of free enterprise. Needed is a return to the fundamental principles of the free market, and this is unlikely to happen without a consistent effort on the part of businessmen to practice and preach those principles.

It should be noted in conclusion that this is a moral imperative. Since it is good and right for them to be free to work for profit, to reap the benefits of *their own* ingenuity, labor, risk-taking, then it is wrong for them to rely on the government (that is, on the taxpayer) to share the burden. To do so is not only wrong, but will lead to the demise of the system which leaves each individual free to work for his own diverse ends (which may, of course, include cooperative ventures). And this implies a further moral imperative: it is right for all, businessmen included, to consistently act so as to preserve that system. And it is wrong to call on government for handouts, just as it is wrong to promote business by catering to prevailing sentiments and myths. How can the businessman claim to be so unjustly accused if he persists in tightening the noose around his own neck? 

The ENERGY CRISIS:

Alternative Futures

JOHN B. KIZER

THE First Law of Thermodynamics tells us that the energy content of the universe is constant and energy is always conserved. What one really means when he speaks of an energy shortage is that there is a shortage of *useful* energy, which is an altogether different notion; useful energy is a relative concept, not an absolute one like energy.

Henry Grady Weaver points out (*The Mainspring of Human Progress*, 1947) : "Nothing is actually a 'natural resource' until after men have made it useful to human beings. Coal was not a natural resource to Julius Caesar, nor crude oil to Alexander the Great, nor aluminum to Ben Franklin, nor the atom to anyone until 1945. Men may discover use for any substance. Nobody can know today what may be a natural resource tomorrow. It is not natural resources, *but the uses men make of them* that really count."

This is the reason we can never

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These remarks are from a recent speech before the Ohio Chapter of the American Institute of Real Estate Appraisers.

run out of natural resources including, of course, energy (that is, at least until the death of the sun). Thus, the real reason the United States has led the world in the Age of Power is that individuals have had the freedom to create new sources of energy and devices for its more effective use. These obvious points are challenged by those physical scientists who are trying to develop what they call a new science of futurology. Such is the Club of Rome which publishes the magazine *The Futurist*. This group has also published two books *The Energy Crisis* and *The Limits to Growth* which have been best sellers and frightened many people into believing that we must go back to the horse and buggy days because it is impossible for life to get progressively better.

There are many errors in these books pointed out by many people but the fundamental assumptions are also in error, that is, that we have only a limited amount of energy resources. The advocates of this point-of-view could create a self-fulfilling prophecy as their

advocacy of a return to the days of low energy consumption obviously cannot be accomplished without governmentally restricting personal energy consumption. People will not give up their Cadillacs voluntarily. And it can easily be seen that the governmental control of all energy destroys the freedom and incentive of individuals to develop new energy resources; thus none are developed and we have a Limit to Growth, a self-fulfilling prophecy. But as long as men have the freedom to invent and to discover, it is unlikely that there will be any permanent energy crisis or shortage of natural resources as new ones will always be created.

This is not to say that there cannot be short-term energy shortages; as a matter of fact one of the alternative futures I would like to discuss below is just this situation.

Saving the Environment

Most experts agree that one of the proximate causes of the energy crisis is the environmental movement. This movement led to the delay of the Alaska pipeline, to the installation of anti-pollution devices on automobiles that greatly reduce gas mileage and to the installation of industrial anti-water pollution equipment which required a great amount of energy

to install and takes a great amount of energy to maintain.

The problem with much of the anti-pollution legislation is that there is still a great deal of debate about whether the dumping of pollutants is harmful enough and great enough to justify the massive social cost which it entails. Let us not forget the mercury pollution example in which it was recommended that one eat fish not more than once a week because industrial dumping of mercury into the rivers and seas was causing the mercury absorption by fish to rise to dangerous levels. It was later discovered that the mercury level in fish is lower now than it has been in the last 80 years, even though the dumping of mercury into the waters by industry has increased. Thus, we have nothing to fear from so-called mercury pollution at all. At any rate the environmental movement has given the government justification for greater controls on energy and how it is used, thereby destroying the very conditions favorable for solving the energy crisis.

There are some solutions to the pollution problem, however, that maintain conditions favorable to discovery and incentive and hence a way out of the energy crisis. One way is to refine our definition of property rights. Oscar Cooley developed this idea in the June,

1972, *Freeman*. Cooley's explanation is based on the fact that the problem of pollution is usually considered to be the primary externality of the modern market economy. Most proposals attempting to solve the pollution problem have at least tacitly assumed that the externalities involved are ineradicable; thus these proposals have almost exclusively involved nonmarket solutions to the problem. Harold Demsetz as long ago as 1967 had suggested that a redefinition of private property rights has often, historically, served the purpose of internalizing, that is, bringing within the market mechanism, externalities of all sorts; Cooley applied this insight to internalize the externalities caused by pollution.

The Case for Private Property

Cooley's argument can be paraphrased as follows. Because of the impossibility of making interpersonal utility comparisons, the question of what constitutes a pollutant must necessarily be given a subjective answer. To use Cooley's example, if a private property owner decides to dump sewage into his pond, he is, in essence, deciding that the highest and best use of the pond is as a cesspool. Although an external observer might look upon this use as a polluting use, unless he is will-

ing to purchase the property to convert it to another use, the use to which the property is being put must be assumed to be the one which maximizes social utility. The implication of Cooley's argument is that private property, by definition, cannot be polluted. Cooley then argues that since private property cannot be polluted, the conversion of public property to private property is the technique by which the externalities of pollution might be internalized. Although Cooley recognizes that certain aspects of the pollution problem might not be solvable without further technological innovation (for example, the invention of the parking meter was necessary before the owner could ration parking spaces via market pricing thus eliminating the divergence between private and social costs), he believes that the problems of water pollution could be solved immediately by selling the inland bodies of water to private owners. Obviously, one of the assumptions of Cooley's argument is that only technical externalities, and no theoretical ones, exist; thus, any externality can be brought within the framework of the market mechanism with a suitable technical innovation. This particular idea would not solve the air pollution problem, but some equally clever idea might do the job.

This redefinition of private property rights is one alternative future which would not only alleviate the energy crisis immediately but would also create the conditions for a discovery likely to solve it.

Other Interventions Behind the Energy Crisis

Some of the other obvious causes of the energy crisis include so-called consumer protection laws, wage and price controls, and land-use legislation. Our system of taxation also has helped create the "energy crisis." The corporate income tax has been especially important in this respect because of its negative effect on investment. Not only is possible expansion capital from earnings destroyed by taxation, but also young and growing corporations are taxed and hence penalized more than corporations with accumulated wealth, thereby giving larger corporations a competitive edge. As new and vital corporations are an essential part of a free market economy, this type of tax tends to destroy free enterprise, thereby halting economic progress. Also, as any businessman will say, a corporate tax lessens efficiency because the government bears part of the loss in any inefficient investment, this being a common method used by corporations to

lessen their tax burden in a profitable year by taking over a company which shows a loss.

The personal income tax also has the effect of distorting the choice of an individual between present and future consumption, favoring the former. As with the corporate income taxes, personal income taxes reduce an individual's incentive to invest, as he knows the government will absorb some of the gains.

No matter how original and creative some of the economic ideas to ameliorate the energy crisis, obviously, any final solution must be a technological one. We must develop new energy sources. We have a limited quantity of fossil fuels and even a relatively limited quantity of uranium in comparison with what our energy wants are likely to be in the next few centuries.

If we reduced our energy consumption, our actual standard of living would not decline nearly so much as some believe. Some people find it paradoxical that decreasing our energy use could actually increase our productivity per unit of other resources. The communications engineer well knows that the "noise" in a channel increases proportionately more than the negentropy flow with increasing power. For example, a horse can convert about one horse-

power steadily for 10 hours a day and the average horse is about 20 to 25 per cent efficient. However, since horses presently in the U.S. work only 800 to 1000 hours a year, they are only 6 to 7 per cent efficient. A man working 50 hours a week for 50 weeks a year delivers only one-fourth as much energy as a horse, but the horse consumes 10 times as much energy. Thus, a man is two and one half times as efficient as a horse and the use of the horse constitutes a waste of potential energy. The horse is used, of course, because of the rate at which it can deliver energy; during a limited growing season this greatly increases the amount of land prepared for growing.

Another way of saying this is that the hoe culture is more efficient in terms of energy than the plow culture and it is preferable so long as energy is in short supply and labor is abundant. This is the case in a low-energy society being transformed from a high-technology society such as ours.

Many people are supposedly shut out of work because they have only low-technology skills in a high-technology society. These people could be returned to productivity in a low-energy society; thus, total productivity could conceivably even be increased if our energy use were lowered. In this type

of society inventions which allow for more intensive cultivation of limited resources would be valued and developed rather than inventions which are power-dependent. An example of this type of invention would be new fertilizers.

The point I am trying to make here is that even if we assume the worst—that we shall discover no new energy sources—under no circumstances will we return to the primitive low-technology life from which we have come, that is, as long as we have freedom. But I think we *will* develop those new energy sources.

Candidates for new energy sources include nuclear fusion, wind power, solar power, tidal power and hydroelectric (gravitation) and geothermal.

Nuclear fusion, which is the source of the energy of the sun and stars, as well as the hydrogen bomb, could be a nearly unlimited source of energy if we could control it. It depends simply on combining two heavy or deuterium nuclei into a helium nucleus. The helium nucleus has less mass than the two deuterium nuclei and the missing mass has been transformed into energy according to the law $E=mc^2$.

Solar power also offers tremendous opportunities, as ten times as much energy from the sun reaches the surface of the earth *each year*

as all the energy contained in all the coal reserves of the entire world. It seems likely that the next few years will bring great advances in the use of all this solar energy.

Geothermal power is now only a speculation. There is a tremendous storehouse of energy under the surface of the earth as evidenced by geysers and volcanoes; however, at present, we have no idea of how to harness this energy.

Some even more speculative ideas for new energy sources include using the principle of the Foucault pendulum to obtain energy from the rotation of the earth. How this might practically be done is not known at present but is, at least, a theoretical possibility.

Also a pendulum moving through a magnetic field (such as the earth's) will generate an electrical current. Again, the principle is sound but no appropriate technology exists.

Another possibility — which I have further explored in a recently published work — indicates that even the motion of the earth around the sun or a satellite around the earth might be used as a means of generating electrical energy. This may be the energy-cultivating technique which first leads to practical results.

Blessing in Disguise

The energy crisis may be a blessing in disguise in that it has prompted many scientists and engineers to begin thinking anew about promising sources of energy.

One might say that our society based on fossil fuels is analogous to the primitive food-gathering society in which there was a limited amount of game to kill and a limited amount of fruit to pick. Similarly, our fossil fuels seem limited. But how more limited life must have seemed for the primitive food gatherer who did not realize that just around the corner was the invention of agriculture and a civilization based on cultivation. To me this seems to be analogous to the situation we are in. Today we are a society of energy gatherers feeling limited by the quantity of energy we can gather. I think the future holds for us a new age and civilization, a civilization based by analogy on energy cultivation in which we no longer are dependent like the food gatherer on the energy sources which occur naturally, but rather we shall actively create new useful energy by means of one or more of the previously-mentioned techniques. To live at a time which may be the turning point into a new civilization may be the good fortune of us all. ☸

The 12-Year Sentence

IT IS NOW some thirty years since I first read Isabel Paterson's drastic attack on the compulsory public school as a model of the totalitarian state. I thought at the time that Mrs. Paterson's fierce logic was a little out of place. After all, we had plenty of private schools around in the Nineteen Forties, and our private universities had not yet succumbed to the habit of running to Washington, their tin cups in hand. My feeling was that as long as competition between public and private systems existed, all would be well.

Time, however, seems to be proving the case for Isabel Paterson. With our parochial schools foundering, and our colleges trading in their institutional integrity in return for Federal cash, the State-supported and State-dominated system is winning all down the line. Education is not improved thereby: the mediocre mass holds back the students of distinction. With a quota system of "ethnicity" being substituted, via "affirmative action," for excellence as a criterion of pupil acceptance, the diploma means less and less.

The State has not yet outlawed the high school or college teaching

of such things as free enterprise economics or a biology that tells the truth about individual variations, but there is a subtle presumption in our school lounges and on our campuses that political solutions must be sought for all our complex problems. We are becoming a standardized people, ready to accept "controls" without bleating. When the ultimate inflationary blow-off comes, we will be doormats for our first dictator. It will be done by way of "Welfarism"; our Fuhrer, taking a tip from the late Huey Long, will do as Fascists do but will call it Progressivism.

The end results of a State-standardized educational system are becoming more and more apparent even to some of our professional "educationists." What was wildly heterodox when Isabel Paterson was writing is now being accepted as common sense by a wide variety of scholars and legal critics who want a pluralistic society to prevail. These scholars and critics are fortunate in having a few independent foundations such as the Institute for Humane Studies and the Center for Independent Education around to support their

ruminations by underwriting symposiums. So we have a good book at hand: *The 12-Year Sentence*, edited by William F. Rickenbacker (Open Court, \$6.95). The book consists of papers prepared for an education symposium held in Milwaukee, Wisconsin, in the Fall of 1972, with an added introduction by Professor Benjamin A. Rogge of Wabash College.

The Coercive Intrusion

Professor Rogge sets the scene by conjuring up the stuff of our daily headlines. Day in and day out we are subjected to bitter controversy over busing, sex courses, socialist indoctrination, school prayers, the educational role of property taxes, the place of "relevance" in curricula, etc., etc. None of these controversial topics would be particularly bothersome if it weren't for the fact that schooling is compulsory from the ages of six to sixteen. With the State absorbing most of the available education money, few parents can afford to pick private schools that can really educate children without regard to specious standards of relevance or whatever. So an overwhelming proportion of our younger population is now being subjected to what Ben Rogge calls "the coercive intrusion of the collective into the life and mind of the individual."

Professor Rogge says the whole

subject of compulsory schooling is "ripe for rethinking," and the contributors to *The 12-Year Sentence* make a good beginning at the job. Murray Rothbard, delving into the historical origins of the idea of compulsory attendance at State-supported schools, tells us about the Saxony School Plan devised by Martin Luther and put into practice through an edict drawn up by his disciple Melancthon. The Saxon and Württemberg systems created under Lutheran influence were the models for the Prussian system of compulsory schooling. In America, Calvinist Massachusetts (unlike Pilgrim Plymouth) enacted a compulsory literacy law for all children. The law gave judges the power to seize the children of recalcitrant parents and "apprentice" them for State instruction.

Horace Mann in Massachusetts

It was the Massachusetts system that ultimately triumphed throughout most of America. Mr. Rothbard traces the careers of the "educationists" through their school journals. Horace Mann, the editor of the *Common School Journal*, became the first secretary of the Massachusetts Board of Education, and his annual reports during the 1840s promoted the "free" compulsory line throughout the whole country. What Horace Mann did in Massachusetts, Henry Bar-

nard did in Connecticut, Calvin Wiley in North Carolina, Caleb Mills in Indiana, and Samuel Lewis in Ohio. These are the big names in the adaptation of the Prussian system to the United States. It was all done in the name of "democracy." But it was a "democracy" with an unconscious totalitarian ingredient. The idea, in the words of Samuel Lewis, was to take a diverse population (the new Irish, the German 'Forty-eighters,' etc.) and mould it into "one people."

As Mr. Rothbard says, the moulding was not an easy process. "The pesky Catholics," he writes, "often insisted on establishing their own parochial schools." But quantitatively, the Horace Manns achieved a great success. In 1922 the State of Oregon actually passed a law prohibiting all private schools and compelling all children to go to public school. This seemed the culmination of a dream, but it was interrupted by the U.S. Supreme Court in 1925. In the *Pierce v. Society of Sisters* decision, the Court declared that "the child is not the mere creature of the state." Mr. Rothbard notes ironically that the Ku Klux Klan, in pushing for the aborted Oregon law, had made common cause with the Horace Mann educationists. The *Pierce* decision, so Mr. Rothbard says, points the way to a

fundamental choice: "it will," he writes, "either be *Pierce* and liberty or Horace Mann and the Ku Klux Klan."

Reducing the Options

Other contributors to *The 12-Year Sentence* — Gerrit Wormhoudt, Robert Baker, E. G. West — are concerned lest the American people be cheated out of a choice by the economics of the situation. Our Supreme Court decisions and our statute laws and judicial interpretations may protect the public in its ultimate right to choose between a State-supported system and a private system of education, but when government taxes virtually everybody at a high rate to support public schools there is little left for the private school. Our inflation has made a bad situation almost incredibly worse. Our courts have actually twisted the First Amendment out of shape in regard to the "freedom of religion" clause. It is a negation of "freedom of religion" when a State refuses to refund money, via vouchers or remission of taxes, to citizens who consider it part of their religious duty to send their children to parochial schools.

For money reasons, then, Mr. Rothbard is not likely to see any big showdown between *Pierce* and Horace Mann and the Ku Klux Klan. The latter are winning by

default. The private school maintains its legal right to exist, but who can afford the luxury of supporting two sets of schools simultaneously?

The fight was lost in Britain, according to historian E. G. West, through negligence. As Britain became more wealthy in the Nineteenth Century, individual enterprise responded by developing private education. But the State school people had the better propaganda. The individual, in Britain, never managed to fight.

We'll need many more symposiums and books like *The 12-Year Sentence* to keep the U.S. from going the way of Britain. There is a formidable educationist hierarchy, guaranteeing jobs and tenure to teachers, to overcome if the private school is to be saved. Tax remission would be only a beginning. But the case against compulsion in education is now being cogently stated, and that, at least, is something.

► LAW, LEGISLATION AND LIBERTY. Volume 1: RULES AND ORDER by F. A. Hayek (University of Chicago Press, 1973), 184 pages, \$7.95.

Reviewed by Henry Hazlitt

DR. HAYEK'S great treatise, *The Constitution of Liberty*, appeared in 1960. In the years since then

he has continued to explore at an even more basic level the problems with which it dealt. The present small volume, *Rules and Order*, is projected as the first of three. It is to be followed by a second volume dealing with *The Mirage of Social Justice*, and a third treating *The Political Order of a Free Society*.

Dr. Hayek may seem to be going once more over the same ground as he did in *The Constitution of Liberty*. In certain respects he is. If he had known when he published that book that he was going to proceed to the task attempted here, he confesses, he would have reserved that title for this successor. It is only in the present book, he adds, that he addresses himself to the question: "What constitutional arrangements, in the legal sense, might be most conducive to the preservation of individual freedom?"

The outstanding thesis of this book is that "a condition of liberty in which all are allowed to use their knowledge for their purposes, restrained only by rules of just conduct of universal application, is likely to produce for them the best conditions for achieving their aims."

In explaining this thesis, Dr. Hayek elaborates more fully his contention, which will be familiar

to his past readers, that both ethics and law had their origin in the tendency of men to develop practices and follow rules without clearly being aware of the social purposes served by those rules. "Man acted before he thought and did not understand before he acted." The rules on which men acted developed over generations of experience. Those societies in which individuals followed superior rules increased their chances for survival. Thus there evolved beneficent practices and institutions which, as the eighteenth-century philosopher Adam Ferguson put it, were "the result of human action but not of human design."

Both ethics and law in their origin emphasized the enormous importance of acting on principle. It was only when men did this unswervingly that they could depend on each other's actions; that they could avoid conflict, maximize peaceful cooperation, help further each other's purposes, and therefore best further their own.

A few other eighteenth-century philosophers, outstandingly David Hume, recognized this. But in the nineteenth century the refusal to recognize as binding any rules of conduct whose justification had not been rationally demonstrated became an ever-recurring theme. As a striking illustration of how

this led to immoralism, Hayek quotes from a talk given by Lord Keynes in 1938. Speaking about the time, 35 years before, when he himself was twenty, he said of himself and his friends:

"We entirely repudiated a personal liability on us to obey general rules. We claimed the right to judge every individual case on its merits, and the wisdom, experience, and self-control to do so successfully. This was a very important part of our faith, violently and aggressively held, and for the outer world it was our most obvious and dangerous characteristic. We repudiated entirely customary morals, conventions, and traditional wisdom. We were, that is to say, in the strict sense of the term, immoralists . . . we recognized no moral obligation, no inner sanction, to conform or obey. Before heaven we claimed to be our own judge in our own case."

To which he added: "So far as I am concerned, it is too late to change. I remain, and always will remain, an immoralist."

The reader will recognize in this passage an ominous key to the present. It is the spread of precisely this attitude since then to ever-widening circles that helps to explain the moral and political decay in the last few decades, ranging from politicians in the highest offices who proudly call

themselves "pragmatists" down to such lunatic-fringe movements as the Symbionese Liberation Army.

Again and again Dr. Hayek emphasizes that "Freedom can be preserved only by following principles and is destroyed by following expediency." The direct effects of any interference with the market order will be clear and visible in most cases, while the more indirect and remote effects will mostly be unknown and therefore disregarded. When we decide each issue on what appear to be its individual merits, we always overestimate the advantages of central direction.

Dr. Hayek applies his principles to ethics, politics, and law: "Law in the sense of enforced rules of conduct is undoubtedly coeval with society; only the observance of common rules makes the peaceful existence of individuals in society possible." Law is older than legislation. Our forefathers thought of law as something existing independently of human will; not as something to be invented, but something to be discovered.

There is not space here to elaborate Dr. Hayek's theme, or to enumerate all his contributions. I must content myself with saying that his analysis of the origin, nature, and function of law is one of the most profound and enlightening ever written.

I have only two criticisms of this book. One is that Dr. Hayek's exposition is conducted too remorselessly on a highly abstract plane. One longs for concrete illustrations or examples, which are almost never offered. This unrelieved abstractness has long been a defect of Hayek's style; but in his earlier books, notably *The Road to Serfdom*, he more than atoned for it by his gift for pithy aphorism. Here he holds on to his sentences too long and over stuffs them with subordinate clauses. This makes for more difficult reading than even the profundity of his thought can justify.

My second criticism is one of substance. Dr. Hayek is adamantly opposed, quite properly I think, to what might be called *ad hoc* utilitarianism. He wishes to emphasize the importance of acting inflexibly in accordance with principle, with established rules. But he admits that ethical and legal progress has been made possible only by the constant "improvement" of these rules. Yet he never specifically asks, what is the *criterion* for deciding how a particular rule is to be improved? It is not merely consistency with other rules. Is it not, in fact, whether a proposed modification is likely to have more desirable social results? And is not this a utilitarian test? Is it not at least a form of

"rule utilitism?" A judge in striving to interpret and perfect the common law, no less than a moral philosopher, must have some criterion in mind. Dr. Hayek rightly rejects all *ad hoc* applications of utilitarianism, but he seems to me possibly to have lost sight of the need for some utilitarian test for rules or laws themselves.

But I do not wish to overemphasize either of these objections. Compared with Hayek's contribution they are minor. This is a book of cardinal importance. It helps to lay more solid philosophical foundations for ethics, law, legislation, and liberty.

▶ **THE LIBERTARIAN ALTERNATIVE:** *Essays In Social and Political Philosophy*, edited by Tibor R. Machan (Chicago: Nelson-Hall Company, 1974) 553 pp. \$12.50.

Reviewed by Allan C. Brownfeld

The Libertarian Alternative, a selection of essays in social and political philosophy, fills an important gap in the literature of American thought.

Thirty prominent exponents of libertarian ideas argue from their individual perspectives for the restructuring of collectivist institutional, cultural, and intellectual elements to achieve the

libertarian alternative of a free society, based on individual rights and functioning through a free economy.

In an essay which introduces the reader to libertarianism, Professor John Hospers declares that, "The political philosophy that is called libertarianism is the doctrine that every person is the owner of his own life, and that no one is the owner of anyone else's life; and that consequently every human being has the right to act in accordance with his own choices, unless those actions infringe on the equal liberty of other human beings to act in accordance with their choices."

Political theories, both past and present, argues Hospers, "have traditionally been concerned with *who* should be the master (usually the king, the dictator or government bureaucracy) and *who* should be the slaves, and what the extent of the slavery should be. Libertarianism holds that no one has the right to use force to enslave the life of another, or any portions or aspect of that life."

To those who agree that the rights of life and liberty are indeed essential, but who denigrate the right to property, Hospers replies that, "the right to property is as basic as the other two; indeed, without property rights no other rights are possible. Depriv-

ing you of property is depriving you of the means by which you live . . . The right to property is not the right to just *take* it from others, for this would interfere with *their* property rights. It is rather the right to work for it, to obtain non-coercively, the money or services which you can present in voluntary exchange. . . . If one is not free to use that which one has produced, one does not possess the right of liberty."

In an essay entitled "The Anatomy of The State," Professor Murray Rothbard argues that the collective term "we" has "enabled an ideological camouflage to be thrown over the reality of political life. If 'we are the government,' then anything a government does to an individual is not only just and untyrannical; it is also 'voluntary' on the part of the individual concerned. If the government has incurred a huge public debt which must be paid by taxing one group for the benefit of another, this reality of burden is obscured by saying that 'we owe it to ourselves.'"

"'We' are *not* the government . . . the government does not in any accurate sense 'represent' the majority of the people, but even if it did, even if 70 per cent of the people decided to murder the remaining 30 per cent, this would still be murder and would not be

voluntary suicide on the part of the slaughtered minority . . ."

In an essay concerning "Skinner's Behaviorist Utopia," Dr. Bruce Goldberg rejects the Skinnerian thesis that man does not possess free will and is, instead, merely a result of his conditioned responses. For Skinner, the only alternatives are "good control" and "bad control." To this, Goldberg responds: ". . . this is simply the product of a bit of sham reasoning. What, one wants to ask, do you say about the possibility of establishing a society in which people are not subject to a rigid conditioning process in the hands of 'behaviorist' engineers, but in which they are able to encounter many and diverse influences and make up their own minds about which they regard as the more important and which the less?" Skinner would reject it. Goldberg, affirming man's unique individuality, believes that anything else would deny man's humanity.

Discussing "Involuntary Mental Hospitalization," Dr. Thomas S. Szasz points out that persecution of men and women for religious differences, or on the basis of race, may have been eliminated in modern Western society only to be replaced by a new kind of persecution. "Modern liberalism," he writes, "allied with scientism, has met the need for a fresh defense

of oppression and has supplied a new battle-cry: 'Health.' In this therapeutic-meliorist view of society, the ill form a special class of 'victims' who must . . . be 'helped'—coercively and against their will, if necessary—by the healthy. . . . In the therapeutic state toward which we appear to be moving, the principal requirement for the role of big brother may be an M.D. degree."

Contributors to this collection include Henry Hazlitt, F. A. Harper, Milton Friedman, Nathaniel Branden, Joan Kennedy Taylor, Anne Wortham and Yale Brozen. In seven areas of concern they make penetrating analyses of the relation of justice, liberty, and the individual; the interaction of states and societies; the failure of contemporary statism; the dynamics of free societies in foreign affairs; the response of economics to a free market; and the prospects for and obstacles to libertarianism.

On matters of foreign affairs the libertarians appear especially weak and dogmatic, seeming to misunderstand the very real nature of totalitarianism as represented in this century by Nazism, Fascism and Communism. Accepting a seemingly utopian conception of man as good, and as being corrupted by such institutions as the state, many libertarians would

dismantle our military defenses and, in effect, leave us naked before our enemies. They would soon learn that such an approach would not enhance freedom, but would destroy it totally.

Other than this serious blind spot, the thoughtful material in this volume is a welcome addition to a growing debate within the nation about the need to rediscover the dynamics of a truly free society. Libertarianism has much to contribute to that debate, and this volume, edited by Tibor R. Machan, represents a significant survey of a political and social entity which, its supporters believe, "may represent the wave of the future."

- ▶ THE ECONOMICS OF ENERGY
— *What Went Wrong and How We Can Fix It* by Roger LeRoy Miller
(New York: William Morrow & Co., Inc., 1974, 131 pp.) \$4.95

Reviewer: Robert M. Thornton

BUSINESSMEN, in popular mythology, are all in favor of free enterprise. Not so! Like most other people, they are tempted by political favors that will spare them the challenge of competition. They denounce "unfair" competition and argue persuasively that the privileges they want are really for the benefit of consumers! We must re-

sist these flimsy arguments and insist on really free enterprise . . . for the consumer's sake!

This is the main thrust of Dr. Miller's excellent little book which teaches some important general truths about economics while analyzing the "energy crisis." There is a "crisis," he explains, because we have not had a free market for energy; government interference has distorted the market and as a result we suffer from "shortages" of energy in its several forms.

We hear congressmen denouncing oil companies when it was the government itself that extended privileges to the industry. With equal duplicity the oil companies now protest government interference, although in the past they have sought government favors. Government supported the price of petroleum products by controls on the import of inexpensive oil; and it kept the price of petroleum products down by enforcing price controls on the industry! Naturally we get a mess. As to the evils of an international oil cartel, Miller wisely notes that the urge to "cheat" is unbearable in such situations and that only government can enforce cartel allocation restrictions to hold down supply and keep the price high.

Another government policy that helps bring on an "energy crisis" is the use of fixed rates for elec-

tricity instead of charging more during peak periods. The regulators save us from paying the true costs of our actions — the expenses for expanding facilities and reducing environmental damages. Also, the Federal Power Commission has kept the price of natural gas so low that it encouraged high consumption and discouraged exploration for new sources.

Conservation, writes Miller, does not mean limiting the use of a resource but correctly determining what we are to use and when we should use it to maximize the benefits. He stresses the importance of private property rights because when no one owns a particular resource, there is no incentive to use it economically.

Several measures have been recommended to "fight" the "energy crisis." One is price controls, but these are effective only in creating disruptions in the economy; they get people to respond to distorted price incentives. By not allowing the prices of refinery products to rise, they take away incentives to increase supply or reduce demand. Rationing has been suggested, too, but no system would be fair and would lead only to black markets and an expanding bureaucracy. Higher taxes on fuel would have the same disadvantages as price controls and rationing plus they would put more of our money into

government hands. Setting lower speed limits means more fuel used by trucks than when they are permitted to operate at efficient rates of speed. Also, a reduced speed limit means more trucks will be needed to haul the same amount of goods and that in turn means greater fuel demands. The only answer is the free market.

Miller scoffs at the idea of trying to achieve self-sufficiency regarding energy needs. Prosperity comes from being able to buy where cheapest and to enjoy the benefits of free trade instead of suffering the high costs of protectionism; specialization rather than autarchy means more for everyone.

One would like to see this easy-to-read, relatively inexpensive book widely distributed. It makes so very clear that the free market is not a system designed to benefit only businessmen but one that benefits all of us. We must insist on the free economy for the consumer's sake.



▶ **THE TIME IT NEVER RAINED**
by Elmer Kelton (Garden City,
New York: Doubleday & Co., Inc.,
1973) \$6.95, 373 pp.

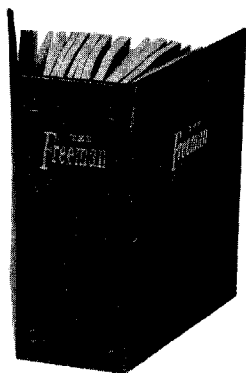
Reviewed by Robert M. Thornton

THE HERO of Elmer Kelton's fine contemporary novel is Charlie Flag, a Texas rancher past middle age. It is man against the elements as Charlie fights to save his herds during a six-year drought, and at the same time live with the social changes of his time — relations between father and son, white Americans and Mexican Americans, ranchers and townspeople, citizens and government. A true hero he is, too, not afraid to take an independent stand for what he knows is right and risk everything to keep his integrity. He was no saint, no unreal character from the storybooks but a real man with all that implies, both bad and good. He could be unreasonably bull-headed and cantankerous. With all his tolerance and fair-mindedness, he still suffered from a prejudice that expressed itself in a mild form of paternalism. The story does not have the conventional happy ending; but, unlike some modern works of fiction, it leaves the reader joyous, not despondent. One puts down the book with tears in the eyes, yet a smile on the face.

Men and women such as Charlie Flagg and his wife founded and settled this country and made it prosper by taking the bitter with the sweet and accepting responsibility for themselves. Such persons seem to be in short supply today, which may explain why our nation "ain't what it used to be." This independent, yea-saying-un-to-life spirit must be recaptured

by Americans if we are to have a rebirth of liberty in the "land of the free."

At a time when more and more people not only accept government handouts but demand them as a right, it is good for the soul to read a story, albeit fictional, of a man who refused to go on the dole and willingly faced the consequences of being his own man. 🌐



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- | | | |
|---|------------------------------|------------|
| Rewarding Failure
A national policy that is a sure road to disaster. | Richard C. Renstrom | 515 |
| "Speak for Yourself, John" Revisited
Presume not to live another's life for him. | Ridgway K. Foley, Jr. | 522 |
| What Is Philanthropy?
If private charity is demeaning, how may we describe governmental redistribution? | Charles R. LaDow | 526 |
| Makers or Takers
Why it is wrong to count on the promises of socialism. | Roger Donway | 532 |
| The Beleaguered Businessman
The case for business needs to be made as long as antibusiness groups are advocating socialism. | Perry E. Gresham | 536 |
| Reflections on Gullibility
The better we see our blessings the less vulnerable we are to "costless" panaceas. | Leonard E. Read | 545 |
| Political Freedom Is Not Enough
We need liberty as well as democracy! | Miller Upton | 549 |
| Freedom's Bounty
The importance of personal freedom for economic development and growth. | Carl A. Keyser | 560 |
| The Enigma
The testing of America by citizens who are doing their utmost to destroy it. | Ralph Bradford | 564 |
| Book Review:
"The Fellow-Travellers: a Postscript to the Enlightenment" by David Cauter | | 573 |

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Rewarding Failure

RICHARD C. RENSTROM

JIM AND MARY ANN are a typical hard-working middle-class Ohio couple. Both hold down full time jobs, and feel they must in order to support their five children on their \$11,000 combined annual incomes. They live in a modest home and pay their bills promptly, but find it impossible to save anything.

Across the street is another family. This family lives in a pretentious home and drives an expensive luxury automobile. The father, however, is unemployed, which allows the family to receive \$194 worth of food stamps each month plus the benefit of other social services. Unusual? No, un-

less you are aware that he is unemployed because he was caught embezzling funds from his employer's till!

A little further east, in New York, two brothers decide to buy homes for their families. One brother is industrious and goes to night school to qualify for a promotion at his factory. The other brother drinks excessively and makes little effort to hold a steady job. In order to buy their homes, the first brother had to pay a steep interest rate and make a substantial down-payment, while the second brother discovered that he qualified for low-income housing which would cover most of his expenses and interest charges.

Across the country, in Idaho, a young mother with one child de-

Mr. Renstrom of Caldwell, Idaho, writes from many years of experience in various Federal and state programs dealing with the "disadvantaged."

cides to divorce her husband. The family income is low enough to qualify her for the services of a taxpayer-supported "legal aid" lawyer to obtain the divorce. The divorced mother then receives welfare payments. She bears two more children, both illegitimate. With the birth of each child she also receives an increase in her welfare allotment.

Meanwhile, back in Chicago, a young lady seeks one of the many government grants or loans available to college students. Though an honor student, she finds that the modest sum her middle-class parents have saved for retirement disqualifies her from any scholarship help. Her friend, who is a mediocre student, has no difficulty at all in qualifying for several government grants. The earnings of the two families are about the same. But instead of trying to save for their old age the parents of the second girl have spent their money on a beautiful home with fine furnishings, fancy cars, many vacations, and a high-stepping social life.

Further west, in California, a divorced mother of three decides not to work, which means that she may receive welfare, food stamps, free medical care, legal aid, rent subsidy, free school lunches, and other social services. For her to support such a stan-

dard of living would require a job paying \$11,500 per year. Since there is small chance of her getting such a job, she just sits — at the taxpayers' expense!

The Cumulative Impact of Various Programs

To the vast majority of hard-working middle-class Americans these may seem like shocking situations. But the piling of one social program upon another has created a situation where such occurrences are becoming commonplace. The world of social programs has become so immense in recent years that no one person or bureau can tell just how many people are receiving these welfare handouts. The best educated guess is that in excess of thirty million people will receive some sort of a handout this year.

Proof of this is the cost, with social programs now being the largest portion of the \$304 billion budget proposed by President Nixon for 1974-75. Total outlays for social welfare by Federal, state, and local governments are expected to exceed \$200 billion this year — a fact attested to by the staggering tax load being borne by the middle-class wage earners of America.

Perhaps the most tragic part of this maze of social programs is the theme that has emerged in recent

years — a theme of rewarding failure. By rewarding laziness, immorality, a disinclination toward self-improvement, divorces, and even crimes, our society has put itself in the position of punishing the hard-working middle-class citizen who pays the taxes and keeps his own house in order. Reeling under such an oppressive tax burden, many middle-class workers are beginning to ask if perhaps our nation has made a mistake and gone down the wrong road.

The Economic Opportunity Act

The mistake as they see it was the Economic Opportunity Act of 1964 — a landmark piece of legislation that started this nation down a different path. With the “war on poverty” seemed to come a new philosophy — one of rewarding failure and punishing the traditional virtues of hard work and a sense of personal responsibility. The negative income approach came into use. If your income is above a certain figure you do not qualify, and if below, you do. An individual is not responsible for his own failures; it is a “cold and cruel society” which is at fault. For his failures and for society’s transgressions against him, the “disadvantaged” would be showered with program after program as well as a liberal infusion of cold cash.

It has taken several years for these many programs to develop, of course, but it begins to be painfully clear to the middle-class American that he has come out on the short end of the deal. Take the popular Food Stamp program, for instance.

Under the guidelines, any family with an income below a certain level and with no more than \$1500 of liquid assets can receive the stamps. The program thus starts right off by punishing thrift. If you save a little for your retirement you are punished; conversely, if you spend all your cash on wild parties or just the simple luxuries of life, you are rewarded.

The stamps are purchased — the purchase price depending on the monthly income. Recipients can deduct taxes, some housing costs, medical expenses, and work expenses when they compute their monthly income, so that a family of six can earn well over \$700 a month before they are ineligible.

With the increased price of food, this “free food” program has brought many angry responses from housewives across the land. “My husband works ten hours a day to feed our family,” one woman says, “yet the bars and pool halls are full of lazy men whose families are receiving stamps.” Another woman echoed an oft-repeated comment that “the only

people hauling steak and prime ribs out of the store these days are the rich and the food-stamp people. The rest of us middle-class people are lucky to afford hamburger."

Perhaps the most shocking part of the food stamp scheme is that there are no criteria, other than income, to qualify. A man can lose his job because of committing a crime and qualify, hippies living in a commune on drugs with no desire to work can qualify, as can any bum in the country. Nowhere is there any need to work or even actively seek work in order to receive food stamps.

Nowhere is this change of philosophy more apparent than in our ever-expanding welfare rolls. We now have "welfare rights," which brought a sharp reply from one taxpayer I interviewed who said that "no man or woman has a moral right to charity, either through the tax system or from private sources. Welfare is a privilege, not a right."

Why Struggle?

There are many shocking stories about the welfare game. Perhaps the most absurd is the case of one young lady who was put through a six-month medical secretary's training program at the taxpayers' expense. She worked for several months after she grad-

uated, only to quit her job and go back on welfare when she found it financially to her advantage to do so. As the employment service counselor later told me, "No one should be denied the right to fail, but nobody should be paid to fail"!

The story of welfare recipients bearing illegitimate children and then receiving increased payments is well-known, of course. I wanted to find out if there was any way this could be stopped. "We can counsel them and offer birth control methods," one case worker told me, "but there is no way we can actually stop them from receiving increased benefits." The woman is thus rewarded for her immoral conduct, and society coughs up more taxes to pay for her failures.

There are, of course, many other OEO type programs, all of which have a built-in criterion of rewarding failure. The Job Corps and the Manpower Development and Training Act are two which provide training opportunities for youth and adults. Not just anyone can qualify, of course, since it is first necessary to fail. The best way is to drop out of school or to loaf at the job.

This brings up the question of just what percentage of poverty is caused by things within a person's control and what percentage by outside forces. So I interviewed

dozens of counselors, job replacement specialists, and case workers to get the answer.

Laziness

The answer they gave came through strong and clear: the single greatest cause of poverty is still laziness! Case worker after case worker voiced the same view that low incomes usually result from not trying very hard. The ones I interviewed agreed that society has an obligation to help those who are truly helpless, but there was also unanimous agreement that our maze of social programs is encouraging an overwhelming percentage of low-income people to shun hard work and thus continue to qualify for the ever-expanding programs available.

In order to qualify for MDTA or Job Corps training a person must be below the income criterion and preferably a school drop out. Once qualified, the recipient is eligible for training that will cost anywhere from \$1500 to over \$4000 per year—all at the taxpayers' expense, of course. To struggling middle-class taxpaying parents who haven't failed, this may come as a bitter pill as they face the costs of keeping their own children in college.

College costs have skyrocketed in recent years, of course, but

what really hurts is the change in emphasis from "merit" to "need" to qualify for financial aid. It used to be that the students who dug in and got the grades received the financial aid. Now the emphasis is on helping low-income students, regardless of their ability, grades, or motivation.

Under the Basic Educational Opportunity Grants program a student can receive up to \$1400 in a direct gift from the government each year, and there are other Work Study and Student Loan programs available. Students from middle-income families who might have saved a little for retirement need not waste time applying for these, however, since the complex formula used to determine "need" will rule them out. The old American virtues of hard work and thrift are once again punished, and the "new" virtues of laziness and profligacy are rewarded.

This change in scholarship philosophy has had a profound effect upon our college campuses. "There is no such thing as a middle-class student on our campus any more," the admissions officer of a small private Western college told me. "All we have now are the rich and the poor—the middle-class family is gone from our school. I guess they are too busy paying taxes so the 'disadvantaged' students can attend," he said.

Free Lunches

This new theme of rewarding failure has even permeated the primary school system, where some of the students receive "free" lunches while the majority do not. "I don't object to a school lunch program," one mother of five told me, "but I just don't think it's fair that my husband and I both have to work hard to support our family and then pay taxes so that the children of lazy parents get free lunches while we have to send cold lunches with our kids because we can't afford the expense of five hot lunches each day." Many people I talked to felt the same, the consensus being that everyone should receive a free lunch rather than discriminate against those parents who work hard to support their families. School administrators also seemed to be in agreement that programs with negative qualifying criteria are destroying incentive to improve one's lot in life.

Nor do the school programs end here. One of OEO's most significant programs is the Neighborhood Youth Corps — a program to put jobs into the hands of "disadvantaged" students. To qualify for these part time jobs a student must—you guessed it—come from a low-income family. No one objects to giving these kids a chance, of course, but is it fair to the

middle-class student who wants a job and can't get one? Many Youth Corps supervisors told me the same story — jobs go begging for applicants due to the lack of motivation on the part of the disadvantaged, yet they can't give the job to a highly motivated middle-class student who is desperately trying to earn money for college. "It's crazy," one school administrator told me, "when we punish the highly motivated middle-class kid whose parents pay the taxes by denying him the chance to fill one of these empty Youth Corps slots that are going begging."

Free Medicine

Perhaps the biggest give-away of all, however, is Medicaid. This medical care program for the disadvantaged provides a spectrum of free medical services far more comprehensive than any combination of Medicare, Blue Cross, and your pocketbook. Dental care, eyeglasses, prescriptions, and even office calls are all covered, which prompted one physician to tell me that his "disadvantaged" patients were receiving better medical care than his own children!

The only way to qualify, of course, is to not earn very much. One hesitates to say anything against medical care for the poor, yet there was surprising agreement among the medical and social

people I interviewed that Medicaid, piled on top of all the other social programs, is destroying the incentive to improve one's income. As one physician told me, "Medicaid alone is not the problem, but rather it is all these things combined that makes it so attractive to remain a low-income family."

These other things include such goodies as free legal help for anything from criminal defense to divorce, along with representation to gain welfare "rights," rent subsidies, low-income housing where the government pays all but one per cent of the interest (temporarily suspended by President Nixon's orders), day care centers, free transportation, public health clinics, special education classes for teaching minority-group history and culture to those who refuse to be "Americanized," and many others—all paid for by hard-working middle-class citizens who are legally barred from the benefits of such programs.

Where It All Ends

This proliferation of poverty programs has placed such a tax burden on American middle-class families that they are bound to question a policy of rewarding failure, especially at a time when the price of everything seems to be going out of sight.

Perhaps the greatest tragedy of all, however, is not the cost in dollars, but rather the subsidized encouragement of failure, immorality, and irresponsibility. This new philosophy blinks at the reality that plain old laziness is still the single greatest cause of poverty in all the land. Present programs are wasting the taxpayers' dollars on people who lack the ability or desire to achieve the goals of such programs.

The present mind-boggling maze of Federal poverty programs is causing immense frustration among Americans who feel their traditional values of hard work, thrift, morality, self-improvement, and discipline are being punished.

Let us not forget that America was built by hard work, not welfare. Rewarding failure and punishing the traditional American virtues is not going to solve our problems—it is only going to lead us down the road to mediocrity.

We need to redirect our rewards toward those people who make an honest effort to improve themselves, and away from programs that encourage the recipients to remain on the dole. We should maximize the opportunities to succeed through personal endeavor and open competition in the market, and above all, we should quit rewarding failure. ☉

"Speak for Yourself, John"

Revisited

RIDGWAY K. FOLEY, JR.

SEVERAL YEARS AGO, Leonard E. Read explained the function of the Foundation for Economic Education, Inc., in a little pamphlet entitled "Speak for Yourself, John." As always, his message contained great merit: too many Americans recognize that the national situation is faltering badly but "they leave the task of speaking out to organizations and professionals and, by so doing, gain a false sense of discharging their social responsibility."¹

Mr. Read's salient message and historical title started my thinking along a different but related path. Too few individuals in modern society speak for themselves — they prefer to descant and act

for others, to bind their fellowman and to restrict his choice. In so doing, they render their neighbor less of a human being.

A litany of the mundane but eternal acts of speaking for others boggles the mind when viewed in the glare of searching analysis. I band together with like-minded souls and use the coercive force of government to ban highway advertising in the form of billboards, all in the name of ecological sanity and environmental beauty. No matter that some travelers along the freeways which crisscross our nation find billboards illuminating, educational and relaxing. No concern that the farmer along the road may put the income from the signs painted on his barn to good use, like buying penicillin for his enfeebled wife, or educating his children. I choose to speak only incidentally for myself; I assume the arrogant pose of expounding for the weary traveler and the embattled farmer.

¹ Read, Leonard E., "Speak for Yourself, John" appearing as chapter 19 in the book, *To Free or Freeze*. (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1972).

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Meddlesome Neighbors

Again, I gather with my neighbors and either directly or indirectly vote to impose an income tax increase upon all persons within a given category for the laudable purpose of donating funds to the underprivileged. No matter that the coerced "donors" may prefer to choose their own charities. No concern that the recipients of the largess may feel demeaned by being made objects of welfare (one can give and receive assistance more gracefully and humanly sans bureaucracy). I speak for all — mulcted and demeaned, creative and needy — when I choose the course which I demand that they follow.

A third example from the myriad ones which abound these days: I plunder the liberty of others by prohibiting them from engaging in pursuits which appeal to them and which neither coerce nor defraud others. I close movie houses showing X-rated films to adults; I impede farmers from exceeding an arbitrary grain or beef allotment; I bar American citizens from fleeing fiat currency into gold; I demand that homeowners with septic tanks hook up to a sewer line. In each example I speak for others, and bind their actions as surely as if I chained them.

Notice that when we tax or reg-

ulate those less potent than ourselves we often do so in their name and for their own good. We assume, like little dictators, that we know better than anyone else how their lives should be lived. We are so certain that we, and only we, know what constitutes goodness, rightness, justice and truth. Biblical testimony applied an apt label to people like us: righteous. The term came to encompass the pejorative sense of self-important little creatures unaware of their own finiteness.

My words have been chosen carefully to this point: for several paragraphs I have employed the first person singular; the last paragraph I switched to the first person plural. Two reasons for this grammatical choice merit examination.

First, I use the word "I" advisedly, for no one of us lives without sin in this regard. Each of us, even the strictest libertarian, harbors secret projects within his breast which "justify" a suspension of the rules. Damn all the taxing authorities and their petty schemes, but salvage the local art museum operated at public expense because *I* think it is so worthwhile that it must survive and it cannot survive without coercive exactions.

The moral? Each of us must constantly guard against the very

human tendency to make exceptions and each of us must seek consistency as his banner. Each erosion of freedom, no matter how slight, chips away at our vital transcendent rights, our humanness. No liberty stands alone. If I may make an exception for my art museum, you may make an exception for your import duties, and the fellow down the street may argue for a law which requires gun registration.

Second, I switched to the term "we" in order to emphasize that man tends to salve his conscience when he performs unjust and immoral lootings by committee. Somehow, it doesn't seem so evil to deprive a citizen of his life, his liberty, or his property if "all of us" do the trick together. Yet, in final analysis, each man must bear full responsibility for the consequences of his own acts, no matter if they are performed in the name of a politburo, a committee, a corporation, or a state. Thus, *I* tax, spend, and destroy if *I* support the policies, elect the officials, hesitate to criticize, stand mute, or benefit from this organized corruption. I can't hide under "we" for "we" is just a "bunch of I's."

Self-Exemption

An additional noteworthy fact appears when we deliver more than a cursory glance at the problem:

we are really speaking for a neighbor alone in most instances and not for ourselves. We tend to leave ourselves out of the picture. The man advocating increased aid to dependent children most often favors the collection of funds by means of an income, sales, or property tax which will fall more heavily, or totally, *upon someone else*. He may possess the purest motives and the most desirable goals but he wants someone else to pay. I do not contest the right of a wealthy politician to give away his estate to needy orphans; I rather resent it when he gives away *my estate* against my will and raises his own salary in the process.

Perhaps we tend to forget why we should speak only for ourselves and not for others. Simply stated, not one of us possesses any innate gift which enables him to determine the destiny of another human being. Each of us can run his own life better than any other person, better than Albert Einstein, better than John Stuart Mill, better than George Washington. Picture the most brilliant and incisive individual you can conjure up; he still falls short in capacity to govern the life of another individual because of his finity, his inability to creep into the mind and soul of the other. Anyone who has ever acted as executor, trustee, guardian, attorney, or fiduciary can

attest to the difficulties inherent in managing the business and personal decisions of his ward.

Consider what transpires daily when we arrogate to ourselves the power to speak for those who have not given us authority to represent them. On the one hand, one who speaks for another assumes unwarranted control over the life and liberty of his subject. At the same time, he tends to assume that he is entitled to greater worth and stature than those lowly persons who are beneath him.

On the other hand, the object of such intervention starts to feel alienated and demeaned; he becomes less of a human being because others deprive him of one essential element of humanness: the meaningful power of choice and control over one's own life. Feeding and care of hungry derelicts may constitute a worthy goal; the acting individual gains greater meaning and lives a higher life when he helps others by virtue of

his own decision than when he acts under duress and compulsion. True charity exists when I help my neighbor in need; false charity appears when my neighbor steals my property to give, like Robin Hood, to the "poor."

Furthermore, enforced choice creates an alienation and anonymity all its own. When we purport to speak for our neighbors, we do not think of them as human beings, as friends, as relatives, but rather in an abstract sense. When I participate in these acts, I limit my brother's freedom, not just the liberty of some faceless stranger.

In final analysis, each of us should speak for himself alone and not for others in society when there is no voluntary agreement with those others to allow us to represent them. We should be proud of our choices and willing to live with their consequences, but we should avoid at all costs the arrogance which encourages us to declaim for others. ☉

Leo Tolstoy

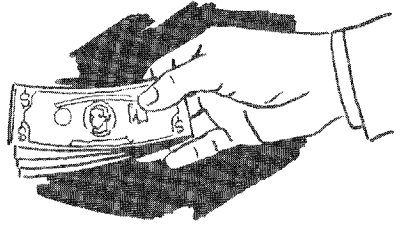
FROM THE DAY when the first members of councils placed exterior authority higher than interior, that is to say, recognized the decision of men united in councils as more important and more sacred than *reason and conscience*; on that day began the lies that caused the loss of millions of human beings and which continue their unhappy work to the present day.

IDEAS ON



LIBERTY

What Is PHILANTHROPY?



SINCE THE STATE has, in our time, assumed the status of the chief philanthropic institution in the nation, it is well that we should re-examine the roots of the word, philanthropy.

Casual inspection of any dictionary gives us a definition: "Love for mankind; good will to all men;—opposed to *misanthropy*." The source is, of course Greek: *philos* (loving) + *anthropos* (man). Older *Webster Internationals* gave "human being" as an alternative to the generic sense of "man." Indeed, the Greek originators of the term used it either generically, or in the individual sense, as we do, from Homer onward. Liddell and Scott's *Greek-English Lexicon* informs us that Homer even used *anthropos* in referring to the dead. In considering philanthropy, it is important

that we should distinguish between our use of the term, *man*, in the generic sense, or as indicating the individual; or as a collective or distributive noun. Do we mean, by philanthropy, "the love of mankind," or "the love of human beings?"

This is no quibble. Technically speaking, Latin scholarship has demonstrated that *ens* (something) and *unum* are interchangeable terms, which may be predicated of one another, i.e., "one is something, or something is one." To put it in ordinary words, anything which is not individually distinguishable may be imaginary; but it is not real to human perception. Not to keep this in mind is to make communication impossible. We don't know what we are talking about. Only God, or his chosen ministers, could love mankind in the purely generic sense.

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.

Common sense also validates this truth. None of us ordinary mortals can realize love which is unapplied to individuals, whether it be God, self, another person, or any number of individuals. To love "mankind" is to be out of touch with reality, as far as human affairs go. Any affection must have an object.

Of course, it is possible to love a principle, such as humaneness or godliness, and one may fasten love upon anything imaginable. Anything possible to the mind of a person may be a real object of love — to him. But here we reach into the ineffable. Tragic though it may be, this must be a lonely vigil. It is out of the concourse of human philanthropy.

Look to the Individual

Practical philanthropy must look upon *anthropos* (man) as a distributive noun. In so doing, it cannot look upon people as members of classes, races, or any other form of collective entity, except in an accidental sense. For this very good reason, the Goddess of Justice is blind. Justice is even-handed. Each person must stand, equal and alone, before the bar. Quotas or class discriminations have no place here, pro or con. Genuine philanthropy requires that each individual receives the love and treatment he deserves. To do

otherwise is to rob the more deserving.

One must be blind indeed not to recognize the difference in quality of persons. Also, he must see that such differences exist without regard to race, class, sex, or any other generic classification. Discrimination with regard to such individual differences is the first requirement of survival. One should not marry a murderer or employ a thief, regardless of what other categories might fit such persons. It is unlikely that one could love without the capability of hatred, or even know the difference. The viability of any society rests on the quality of discrimination shown by its citizens. By shunning the evil and rewarding the good and productive, they educate one another. Where this process works well, the need for police is minimized.

Citizen acts of terrorism (extreme misanthropy) are inevitable signs of ubiquitous government. When the state absorbs moral control, the moral controls of society become powerless. Most persons do not care, nor do they dare, to intervene in a drama in which they are not cast. People only love and tend a society of their own voluntary making, as demonstrated by the widespread decline of patriotism. Even the resort of the young to communes is part of this

alienation. Lack of respect for parental and other authority, including business leaders, is functionally connectable to their acceptance of the state as patron. Although the vigilante spirit and lynch mob are not unknown to self-policing society, the inevitable arising of terrorism in the police state, apparent worldwide today, is vastly more terrible and destructive of the philanthropic spirit.

The Greeks Had Two Words

Collectivizing *anthropos* did not begin with Karl Marx. As pointed out, the ancient Greeks were somewhat ambiguous with the term. Plato's leaning toward the Spartan model is well known. Paradoxically, Marx admired Aristotle, who was systematically critical of Plato's collectivist system of "ideas." Such disparate thinkers as St. Augustine and Rousseau contributed to the intellectual collectivization of man. But, in the past hundred years the process has accelerated to the point where very few intellectuals seem to understand clearly that a person is an individual. Hence, the bio-chemist, Roger J. Williams has found it fitting to remind us, in his recent book: *You Are Extraordinary*. Since this mental aberration has spread worldwide, it is difficult to find living examples of a society

of responsible individuals larger than a household.

The ultimate excuse for the politicization of philanthropy is that society has grown too complex for individualism to be counted. As Leonard Read has pointed out, this argument is false, both in fact and logic. The division of labor in industrial society has placed burdens of responsibility on the individual beyond any comparison in history. Likewise the part which each individual plays in the economic world is vastly simplified by business organization, upon which government is mainly parasitical. Whenever the political managers get sufficiently fouled up in sharing-the-wealth programs and directing our lives, they indicate that they know where the skills are by calling businessmen to Washington to straighten out the mess. Anyone should know, by now, that politicians are the last persons who should be allowed to control an economy, especially in the name of philanthropy. The increasing complexity and differentiation in the ways people exchange goods and services indicate a need for greater decentralization; not for further centralization of power. Big business recognizes this by increasing resort to sub-contracting factors in production. Government, on the other hand, becomes more centripetal by

the hour, in power and function.

The hoary nineteenth century fear that corporate monopoly must inevitably destroy opportunity for the individual entrepreneur is still parroted by charlatans and the ignorant; but anyone who troubles to look at the facts will see that small business flourishes as never before. Government, itself, is the one true monopolist. Hence the whole antitrust machinery of government, aside from cases of real fraud, is counterproductive, representing a needless ultimate added cost to the consumer and taxpayer. This imposition is vastly aggravated by the failure of politicians to apply the same standards to labor unions in "restraint of trade" which are so grievously, if unevenly, applied to corporate business. In this, as in the whole field of government control of private exchange, politicians can lay no claim to philanthropic function. The bill for their power-struggle is an onerous burden placed on the fundamental *anthropos*: the consumer. Together with government-made inflation, this is clearly reflected in a galloping rise in the price structure: a strange philanthropic outcome!

The System at Fault

It should be needless to point out that these strictures on the heartlessness of government "giv-

ing" are not intended to apply to any particular member of the bureaucracy. Truly philanthropic individuals may be found in any system. No doubt there are humane guards (so far as they are allowed to be) even in Russian prison camps. However, there is a basic misanthropy in any non-discriminating system of collectivism. Not to recognize the uniqueness of the individual is a mark of indifference, if not hatred. As any observant cowboy can tell you, there are even personality differences in a herd of cattle. This writer has also encountered members of the bureaucracy discussing among themselves its heartlessness toward beneficiaries.

There is no way in which government can be philanthropic in the distributive sense. Abjured by the most basic rule of law that public funds may not be appropriated to private benefit, it must see that its beneficences are only applied on a categorical basis. One must fall within the parameters of an abstract class in order to enjoy any one of the benefits. Since, in real life, few persons fit into neat categories, either in their needs or deserts, anyone who has dealt with the public bureaucracies has felt the twinge of their uneven performance. Even necessary criminal laws often present the face of injustice in their enforcement.

This may be borne; but heartless philanthropy is a contradiction in spirit which must be offensive to anyone with sensibilities. Since the whole charade of government philanthropy has been built upon the assumption that private charity is demeaning, it is an exercise in futility. In private charity, one is, at least, looked upon as an individual. Furthermore, he knows that any gift is voluntary and not wrested from someone else by force.

Health Care Intervention

Governmental intrusion into health care is another example of philanthropic futility. Coincidental with the development of Medicare and Medicaid have come skyrocketing costs of medical services. Anyone acquainted with the law of supply and demand will know the relation of the former to the latter phenomena is causal. Public goods have the attraction of free goods and invite over-consumption of scarce resources. As it happened in England, liberal politicians now are urging a national health program. Having made health care too expensive for the average citizen, government now considers taking the whole responsibility out of his hands. Not only would this hamstring individual judgment and genuine philanthropic action in one of our finest

professions; but the quality of service and cost to the ultimate consumer would fall and rise (respectively) in dramatic fashion. The costs might be hidden in taxes or inflation; but they would be there to all but the indigent. In quality of care and other costs of living, even the indigent would suffer from such an un-philanthropic move. The economic shambles of England's welfare state should be warning to us in following her march toward totalitarian controls.

Since Protagoras and Aristotle, realistic philosophers have agreed that "nothing exists apart from particulars." So, in philanthropy, they have recognized that there must be a particular giver and a particular receiver in any real philanthropic act. Of course philanthropists may act in concert, and may even be enclosed as the "fictitious individual" of incorporation. However, private philanthropy, however organized, has the magic ingredient of free and willing donation. Each individual volunteers his contribution to the benefaction. Each person who benefits may know it as a freely given gift. Just as there is no love but particular love, there is no philanthropy but the private kind of free and willing exchange. Widespread recognition of this truth is evidenced by the happiness with

which private philanthropists go about their work and the generally gratifying nature of all their relations. The dreary bureaucracy of public charity stands in sharp contrast, as it always has.

He who loves everyone, in truth loves no one. No institution is, of itself, capable of love. It seems unnecessary to point out such evident matters. However, the recent lack of sophistication concerning ontology and etymology often finds one in a state of wonder. As Albert Jay Nock noted so many decades back, people are losing touch with reality. They can be convinced that government can be philanthropic, even when its record is documented with the grossest swindles, inequities, and down-

right absurdities. As Nock pointed out so simply, "No nation can afford to support all its idle people." By putting us into huge debt and inflating the currency, our politicians have attempted to do just that. At the same time, phenomenal growth of private philanthropy indicates the failure of their efforts. (Were they successful, it should be "withering away," like capitalism, in the Marxist model.) That private philanthropy is still so robust is an earnest of the spirit of the American people. There is no doubt of their widespread philanthropy. Let us order our politicians to give philanthropy back to the people. Only they know how to use it. Only they can even exercise it. ☉

A Meaningless Attempt

IF WE NEED LAWS to make people treat men of other faiths and races as friends; if we need the police power of the secular state to take money from men for human need; if it is believed that the only hope of a city of God is to seek the alternative of a collectivized mass leveled to the lowest common denominator of mentality and ability — if all this be the limit of our hope for mankind, then even such activity is sheer futility, for even if such an effort could be achieved it would have no meaning at all for mankind. This rejection of personal responsibility would prove only that it is possible to make men live like whipped dogs, and the proving of it would be hell.

RUSSELL J. CLINCHY, "Charity: Biblical and Political"

IDEAS ON



LIBERTY

MAKERS

or

TAKERS

ROGER DONWAY

UNTIL quite recently, it was considered a sophisticated criticism of capitalism to dismiss it as having succeeded. From David Riesman to Daniel Bell, the prophets of abundance were most laudatory about the ability of free enterprise to meet people's needs. The enrichment made possible by capitalism was described in terms so glowing, indeed so utopian, that most capitalists would hesitate to use them.

These theorists did not, however, draw the conclusion that capitalism is a good thing. Rather, they drew the conclusion that capitalism *had been* a good thing — in an age of scarcity. But since capitalism had eliminated scarcity, and given us abundance, it was no longer useful. Indeed, by a kind of economic Peter Principle, they reasoned that capitalism was incapable of dealing with the consequences of its own success.

Capitalism was an idea whose

Mr. Donway deals as a free lance student and writer with the social implications of certain philosophical issues.

time had gone; now a new idea was needed to deal with the results. Specifically, these sociologists asserted that abundance required a "consumer's ethic," in which people would be free from all the constraints against consumption, including economic constraints. The policy of the future would have to be: severing the capitalist tie between production and the ability to consume.

More recently, of course, abundance has not been the social problem uppermost in the liberal mind. *The New York Times* warns us editorially (April 7, 1974) that we are entering "An Age of Scarcity." The carefree days, apparently, are over; conditions like this winter's gas and oil shortage will become more frequent, even standard. One might think, then, that we would hear a chorus from the Left demanding the return of capitalism, the magical eliminator of shortages, the system born of scarcity and limits.

But apparently not so. Mr. Allan

C. Barnes, a vice-president of the Rockefeller Foundation, hastens to remind us that, after all, "*An Inquiry into the Nature and Causes of the Wealth of Nations* was written in a time of comparative plenty." Daniel Bell had said that the justification for capitalism was "the Malthusian injunction for prudence in a world of scarcity," and "the bending to niggardly nature." But now Stephen Shepard of *Business Week* tells us that "the United States was a 'cowboy economy,' with a frontier ethic of limitless resources."

Pay Attention to Need

The objection of the scarcity theorists seems to be that the free market does not recognize need as such. If a good is less plentiful than before, capitalism simply lets the price rise until it reaches a level where the quantity of the good demanded at that price is equal to the quantity of the good offered at that price. The system recognizes no intrinsic shortage or shortfall.

Paul Samuelson acknowledged that this is a logical alternative for dealing with limited resources, but the consequences of it, he said, are illustrated by the millions of deaths which occurred during the Irish potato famine. What we require for an age of scarcity, according to these critics, is a more self-

conscious economic system, one which is responsive to people's needs, rather than one which bases people's consumption merely on earnings. The policy of the future will have to be: severing the capitalist tie between production and the ability to consume.

The connection between production and consumption is thus the common enemy of these two attacks — and the real enemy, one suspects. It is therefore necessary, in answering these critics, to understand the source of that connection, and the error in trying to abolish it.

A Vital Connection

One may begin by observing that, outside a social context, the connection between production and consumption exists as a natural fact: production is the only means of assuring oneself the goods a man needs to live. And indeed those who believe that the world owes them a living do not generally try to collect that debt from the world of nature; they look instead to the world of men.

For within a social context, the connection between production and consumption is not nearly so clear. Other people are capable of producing the needed goods, and these goods can be acquired from them. Why does the acquirer have to engage in any sort of production?

Why is it not sufficient that someone else has produced the goods he needs?

We might begin to answer those questions by asking this more general question in return: how is it that we can acquire goods from other people at all? It is, on the face of it, an odd thing to happen. After all, if other people produce goods as a means of achieving their desires, why do we expect that they will hand those goods over to us? If they need the goods, why do they get rid of them? It sounds paradoxical.

Of course, people do get rid of things they need, and even of things they desperately need. The world is filled with hungry people who are throwing their food to the wind. Such people are called sowers. And they are not considered irrational, because by throwing away their food, they can count on getting back what they desire more.

So, too, it is reasonable to expect that a person will hand over his goods to us, if his doing so is a means for getting back what he desires more. And that is just what it is in a free trade, since both sides set the terms, and both sides can insist on the terms being lived up to.

Trade, then, is a means of acquiring goods from others, and a means that it is reasonable to ex-

pect will work. But trade is not a way of separating consumption from production. For in order to engage in trade, one must have something tradable, something either produced or acquired. Since our lives have beginnings, and since we consume goods as well as trade them, it cannot be the case that the source of the goods we trade is always an earlier trade. Ultimately, all trades must be rooted in production, on both sides of the exchange.

Is there, then, *any* way of "setting free" consumption? Is there any method of acquisition which does not involve production on the side of the acquirer? Trade involves it, as we saw, because of our need to obtain the consent of the possessor of the goods. A method which obtained goods without the consent of the possessor would not have this problem. And indeed, coercive acquisition is a way of separating consumption from production: takers need not be makers.

But it is important to ask whether this way can be counted on? Can the person who tries to obtain goods by coercion reasonably expect that his actions will be the means to consumption?

A Faulty Method

I think that he cannot. Ludwig von Mises pointed out that men act only in the expectation that their

action is the means of bringing about the future state they desire. Production makes sense, therefore, only if the producer can count on having disposal of the goods he produced. If he does not have disposal, whatever else may happen, the goods are not, for him, a means of accomplishing his desires. Thus to the extent that others, the takers, can count on controlling the producer's goods without his consent, the would-be producer has no motive for production. Precisely in those circumstances where coercion can be anticipated, the coercer cannot count on there being any goods to take.

I believe this is what Ayn Rand meant by writing the following words for her character Henry Rearden:

If you choose to deal with men by means of compulsion, do so. But you will discover that you need the voluntary co-operation of your victims, in many more ways than you can see at present. And your victims should

discover that it is their own volition — which you cannot force — that makes you possible.

Obviously, the point applies not only to individual thieves, but also to social systems based on coercion, to what Sir Henry Maine called "a society of status," and what Herbert Spencer called Toryism. None of these systems can be counted on to work; they are attempts to survive on a wing and a prayer, without the wing, and without a prayer.

Socialists, of course, have long claimed that their system had a Midas touch, and would flower to unimagined heights. I have argued here that socialism, or any coercive system, has a Tantalus touch; the goods it reaches for recede before it. It is amusing in this regard that Robert Kilroy-Silk ends his book *Socialism Since Marx* by urging us to socialism with a quote from Robert Browning: ". . . a man's reach should exceed his grasp." For the socialist, it always will. ☉

To Buy or Not to Buy

IDEAS ON



LIBERTY

THE NATURAL ORDER of things requires that the maker shall produce his goods and display them for the inspection of the buyer who is, at all times, free not to buy. The right to buy or not to buy is vital to economic well-being and, of course, to personal liberty.

SIR ERNEST BENN, "Rights for Robots"



The Beleaguered Businessman

THE DECLINE of the businessman's power, prestige, and self-esteem is a salient fact of our times. National heroes of business and industry have fallen by the pens of sociologists, economic historians, welfare workers, environmentalists, consumer crusaders, reform politicians, and a spate of futurists. The unions and the government regulators have reduced the freedom of action and the power of the businessman. Ford, Carnegie, Mellon, Rockefeller, and Morgan are names which once inspired awe and admiration, but today they are held accountable for many social ills such as corruption of the environment and the neglect of social costs of production. Their descendants turn from their heritage in business and industry to pursue fame in politics, for there is the focus of the new prestige.

The late Joseph Schumpeter foresaw the devaluation of status

for the tycoon and the corporate executive. He had watched the businessman give way time after time without a struggle. The industrial executive has no title, no uniform, no ceremonials to honor him as a hero. He slips into his office at the back of the building lest he be seen on the way in. He dodges the society editors lest he be photographed in some holiday resort and accused of wasteful idleness when he meets the negotiators at the bargaining table. Even his children have turned on him and call his life style a rat race which even when won leaves the old man a rat. When he retires, he loses all identity and becomes a forgotten man. While he is in the fray, he does not defend himself very well. Since his leadership is in the areas of finance, production, management, administration, and organization, he tends to be much less articulate than his critics. The president of a vast corporation, says Schumpeter, has none of the glamour of a military leader, but "He is be-

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coming just another office worker — and one who is not always difficult to replace.”¹

Daniel Bell explains the debased status of the business executive in terms of the end of an era. As the industrial age peters out the role of the businessman declines in social value. The university and the scientific community, with the help of the politicians, take over. “The husbanding of talent,” he says, “and the spread of educational and intellectual institutions will become a prime concern of the society; not only the best talents but eventually the entire complex of prestige and status will be rooted in the intellectual and scientific communities.”²

This point of view is proclaimed by the academic community as both sensible and long overdue, but the analysis may be somewhat touched by preference and hope. The industrial society is not yet over, and the talents of a business executive may be just as essential to the next stage of political economy as they are to this one.

The plight of the businessman may very well derive from outside attack and from his inside ineptitude at defense rather than from

the inexorable forces of a deterministic world. The attackers are strong and resourceful, and they have put the exemplars of business on the defensive. Who are they?

“The Scribblin Set,” as the Duke of Wellington called the literary intellectuals, have always been on the attack against business for the obvious reason of self-interest. Praise of business gets them nowhere, but blame of business brings praise and applause. Popular writers from Karl Marx to John Kenneth Galbraith have made socialism look good and capitalism look bad. Radical environmentlists in search of villains have lashed out at the business community with more anger than understanding. Consumer crusaders sometimes appear to be more intent on the destruction of business than they are on the protection of the people. College and university professors, starved for power, assume that businessmen actually have affluence, prestige, and power at their command. The academic mind assumes that a professorial brain trust could take over if businessmen were put down. The new breed of newscasters, enchanted by the left, are easy on the critics, but hard on business. Some bureaucrats hope to wrest power from the business community to enhance their own positions. Politicians know that

¹ Schumpeter, Joseph A., *Capitalism, Socialism, and Democracy*, (New York: Harper & Row, 1950) p. 133.

² Bell, Daniel, *The Coming of Post-Industrial Society*, (New York: Basic Books, Inc., 1973).

businessmen have few votes, and that the critics of business have many. Even some labor leaders have forgotten the wise counsel of Samuel Gompers who said, "The company that does not make a profit is the enemy of the working man." All these and many others threaten business just at the time the businessman most needs understanding and help.

Failure of Nerve

The businessman can say with Pogo, "We have met the enemy and they are us!" None of the assailants has impaired the circumstance of the business community as much as has the businessman himself. He is like Conrad's young woman who might have been raped had she not so promptly complied. Quite apart from human error which drew headlines when big steel raised prices, and when big autos faced a consumer crusader, the corporate executive has protested too much, hired professionals to plead his cause, capitulated, and settled for a position of centrism trying to make a buck on the right and four bits on the left. Afraid of the hard right which might throw him into the headlines or into the hands of his adversaries in union and government, he appeases the soft left without realizing that his cowardice amounts to treason.

His attempts at rational economic answers for his critics are ineffective against the political bias. His adversaries believe what they wish to believe, and the media supports them. The opinion polls measure the effect of the media more than they measure reasoned opinion, and they, thereby, serve the interest of the enemies of business.

The late T. V. Smith said: "No man is an S.O.B. to himself." He went on to say that when he was young, he thought some very obvious S.O.B.s would be grateful to him for his understanding when he applied the appropriate title. As he grew older, he realized that each man — quite apart from not being an S. O. B. — is actually a hero to himself. Yet the businessman has sufficiently flagellated himself, and suffered flagellation at the hands of his enemies, until he is no longer a hero — not even to himself. His self-blame may deny the philosopher's declaration. He cannot throw himself into the battle as would a military leader; he cannot compromise away his problem as do the politicians; he does not understand the sociological nature of the case against him, with the result that he either lashes out with overkill or gives his case clean away. He, being a sensitive human being, and nudged by his wife and children, is fired

with the same do-good impulses that inspire all sorts of social service projects only to see them turn back against him.

Business leaders use up so much ammunition on each other that they run out before they feel the full attack of the enemy. The once strong united defense of business interests has vanished as the interests of business have diverged and have become conflicting if not contradictory. The small entrepreneur may feel more threat from the big corporation that sets his prices and wages than he does from the attackers. The hired executive of a vast corporation may find more difference with the factory owner who defends his own plant and interest than he does with the public sector bureaucrats who are themselves employees of a giant monopoly. The industrial community, however, has one large thing in common—the leaders know that socialism will do them in.

Strategy for Survival

Thomas Carlyle once said, "Be honest and there will be one less scoundrel in the world." Some changes are indicated for the American businessman, and these changes begin with himself. He must change his beliefs, his attitudes, his habits, and his opinions—not just his image. Even his

manners need some reform. The self-assured aggressiveness by which a few break the queues at the airport, hotel, or restaurant, preempt a taxi by petit bribery, or disregard the rights and feelings of others by preoccupied self-importance, creates some antipathy toward the total community of mostly honorable and cultured business people. Rudeness and boorishness can be accepted more readily from those who carry less responsibility.

The beliefs and values of the businessman are important factors in the survival of the productive industrial community, upon which American economic well-being depends. Critics who have been seduced into a lotus-eating mentality assume affluence when scarcity is the much more likely prospect. Moderates who are concerned not only with the quality of life but also with the necessities of life see the businessman as friend and benefactor—which he is. The practitioners of industry, commerce, and finance are challenged to re-think, revise, and renew their faith. Greed is no longer an acceptable goal for business, even though it was extolled by Mandeville and practiced by many in times past. Fear of loss is a powerful business motive, a minimal profit is essential; but the goals of business are much more compli-

cated than the stereotype of greed would indicate. Profit must continue to be a major motive if business is to perform its function. Without profit, the firm must die and everybody loses, but the stereotype of maximum profit as the sole objective is no longer appropriate — if, indeed, it ever was.

The businessman cares about society and hopes to be regarded as a benefactor and friend of man. He feels pride in the people who work with him and for him. He has ego identification with his firm and cares about its health and its survival. He cares about the environment and his fellow consumers as much as do his critics — probably more. But he has not been able to state his faith in convincing terms — largely because he has been busy with other things and has professed what his critics expect him to believe and cherish. He wants his firm to grow, but he has not been obsessed with economic growth as charged. He longs for a freedom from crises brought on by government interference, which he cannot anticipate. He has enough difficulty dealing with crises brought on by technical and social change.

Business as Servant

The business organization can be “socially responsible” without attempting to deal with “social

problems” which are not part of its business. Peter F. Drucker said it well — organizations are socially responsible “when they satisfy society’s needs through concentration on their own specific job.”³ The corporation has no business trying to manage the private affairs of a community, or, for that matter, the private affairs of its own employees.

Robert Greenleaf has suggested the self-image of “servant” for the businessman and also for the corporation. This venerable concept from the Judeo-Christian tradition could restore the dimension of dignity and honor which has been lost. The man of business affairs has talked a great deal about service without the correlative implication that he is himself a “servant.” Any truly effective leader is a servant. A dictator may be able to force performance, but he does not truly lead even though he gains compliance from his subjects. The servant leader, however, internalizes the needs and interests of those for whom he works — his colleagues, his customers, his community, his country, and the whole family of man on this little planet. The servant leader finds meaning in his work and a sense of satisfaction in service to his fellow

³ Drucker, Peter F., *The Age of Discontinuity*, (New York: Harper & Row, 1968) p. 206.

man. He becomes a hero who believes in what he is doing — a new man sensitive to the changing times and willing to cherish and defend new values and old ones alike.

The Need to be Informed

Canny ignorance could once succeed in business, but the new businessman must know something. The executive who reads nothing outside his field except thrillers and *Playboy* or *The Wall Street Journal* is asking for the new socialism. The going literature of economics and politics would be much more realistic if its market included the business community. Sociologists writing for sociologists, economists for economists, political scientists for their own colleagues — even teachers for teachers — bring on a state of affairs wherein bias becomes accepted as truth since the so-called experts accept it. Such bias would soon be exposed if business leaders read the books and responded. An informed businessman can sense the threat to those he serves in time to act with understanding as well as with decisiveness and sound judgment.

Knowledge is now so vast that nobody can acquire it. An inquisitive mind, however, together with an enlightened philosophy of vocation can enable an intelligent busi-

nessman to accumulate enough information for the conduct of his affairs. A fine sense of honor and responsibility together with a genuine dedication to service can provide the beleaguered businessman with a defensible philosophical base from which he can exert his influence on the shape of the future.

The beleaguered businessman would do well to recognize that rational answers about the standard of living will convince none of his critics. The charges against business are frequently more political than economic. The new socialists are much more interested in a new social order than in any of their specific charges they bring against business. The environment, the minorities, the so-called “social costs” of business are all important to them as they are to the businessman; but if business were to do its utmost in all these areas, the new socialists would continue the attack, because their concern is for a new society wherein the business private sector has been subordinated, if not completely socialized.

Socialist Objectives

The business goals of a more abundant life through economic growth and a still better standard of living are consigned by the new socialists to the limbo of outmoded

bourgeois values — the real goals for them are a new style of life based on equality; interpersonal relations, group concerns, art, love, and freedom from authority. The more hidden goal is for a shift in the balance of power in their favor. Their faith in getting a new kind of government to bring these things about may seem naive to the businessman, but it is a firm conviction on the part of the true believer. The businessman believes what he wishes to believe, and socialists — old time Marxists or new time charismatics — believe what they wish to believe. Politics deal in power and preference. Their arguments are more rationalized than rational.

The business community must close ranks and marshal its strength, or lose the values which capitalism and freedom have brought to America. Theory for survival has been written already by Friedrich Hayek, Milton Friedman, the late Ludwig Von Mises, and others. No successful refutation of their economic logic and observations has appeared — yet the public opinion tide runs toward the left. Business is not without numerous political supporters once the mutual interest becomes apparent. The blacks, the poor, the young of modest means, farmers, and laboring people who sense their deeper interests, are

not about to eschew economic growth in favor of a reduced and more primitive life which has great appeal to the opulent and romantic young. The populist power in America is interested in economic gains — not in more art, more governmental control, and more government ownership. They turn to government in the hope of economic gains — not in political agreement.

The Doctrine of Liberty

The doctrine of liberty can thrill the hearts of the many when and if it is set forth with clarity and persuasion. The post-industrial doctrine of equality has much less appeal when once it is fully understood. The young may march in behalf of a utopian promise of equality of results, rather than equality of opportunity, but they soon reject the idea when their liberties are thereby threatened. They soon discover what thoughtful and realistic people have always known — that people are different in strength, mind, skill, and aspiration the same as they are different in athletic ability, age, and strength. The Platonic doctrine of justice — “each having and doing what is his own” — is a persistent and defensible idea.

Nobody can better expose the unworkability of bureaucratic and political power and control than

can the businessman who has tried to operate under the arbitrary and uninformed efforts at regulation. The evils of big corporations look quite benign when measured against the inept, lethargic, unpredictable, and sometimes corrupt performance of government, whether in Russia, China, welfare democracies, Cuba, Chile, or our own bungling efforts at a managed economy. The ablest and best public servants complain more bitterly of their bureaucratic system than do the grouching and disenchanting employees of the commercial system.

The men who manage successful business enterprises and thereby serve by supplying needed goods and services benefit their fellow human beings in several additional ways. They plan the venture, assemble capital, provide employment, bring leadership to the communities in which they operate, support hospitals, universities, art galleries, music, social welfare agencies, and pay taxes — do they ever pay taxes! When I buy a car from General Motors, I pay a pretty steep tax on it; the materials that go into the car were taxed; General Motors pays a whopping tax; dividends from my stock in General Motors are taxed again; the money I use to buy the car has already been taxed; the dealers are taxed, and each employee of

General Motors is taxed on what he is paid. A thoughtful and dedicated employee of General Motors is not only a servant leader, but also a public benefactor. Instead of going on the defensive when the corporation is charged with self-service, influencing the government, using the government for research and development, plus aggregate demand for its products, the corporate executive could very well feel quiet pride in his public service. To supply people with goods, services, and gainful employment is worth far more than to provide them with welfare payments.

Multinational Opportunities

Multinational corporations are adding a new dimension of glamour to vocations in business. These giant enterprises are somewhat comparable to the rising domestic corporations at the turn of the century. They are, to be sure, subject to the political instability of host countries, and they are subject to the military power of the host government, as well as to the embarrassment of revolutions, dictators, radical politicians, and misguided hostilities of some segments of the public. They can only lose in a political confrontation. They have, however, what the host country needs — capital, expertise, organization, and a host of tai-

ented executives. This provides considerable leverage. The technostructure elite of the multinational corporation offers an exciting new opportunity for a career in business. Such an elite may serve as the best hope of peace and prosperity in the decades ahead.

Multinational oil companies exemplify the predicament of the beleaguered businessmen. They have been accused by consumers, politicians, bureaucrats, pundits, and professors of engaging in subversive activities such, for example, as profit-making at a time when capital is absolutely essential to new exploration, and when borrowed capital is almost prohibitive in cost. While much of the attack is politically motivated, much of it results from a lack of economic perception. The consumer resents high profits of the oil industries. He feels he has been robbed—when he is poor and they are rich. Oil company executives have been less than shrewd in meeting the crisis. They have misunderstood the political nature of the problem—even those who are astute enough to sense trouble. Irving Kristol has wisely suggested that businessmen must learn to think politically as well as economically if they are to survive in this hostile climate.

The Best Offense

The time has come for business leaders to defend themselves, their functions, and the political economy in which they can work. The so-called “post-industrial age” will not eliminate the talented manager and his merited rewards. Some bungling politicians and bureaucrats will continue to make socialism unattractive to thoughtful people. The future is not yet determined, and those who believe in the unalienable rights of “Life, Liberty, and Property” have equal opportunity to state their case. The beleaguered businessman can sustain the attacks, and emerge with more legitimate strengths and more honorable functions if he can become aware, think more clearly, develop a true and effective theory, enlarge his sense of responsibility, and be worthy of the hero role he now attempts to defend.

The late Adlai Stevenson quipped cleverly: “Eggheads of the world unite. You have nothing to lose but your yolks.” Young business people on the campus have called themselves the Sons Of Business, and have used the acronym, S.O.B.s. I now call to their older counterparts:

Sons Of Business unite! You have nothing to lose but your acronym!



REFLECTIONS on Gullibility

Quick sensitiveness is inseparable
from a ready understanding.
— Addison

WE LIVE in an age when superstition flourishes and quackery abounds. This is a credulous generation eager to swallow any political nostrum — the more absurd the better. I fully concur with this opinion by Professor W. A. Paton:

As an adjective to describe present-day attitudes, aims, and popular proposals for dealing with current economic problems, real or pseudo, the term "gullible" is a much more appropriate label for our society than "good" or "great."¹

Very few, indeed, are those among us who have any awareness of the current gullibility — a blindness pervades the population. Short of a more general realization of this intellectual insensitivity, our society is doomed; it must fall into a shambles. Sensing this formidable situation, as does

Professor Paton, is assuredly the first step in gaining any relief. However, two more steps would seem to be necessary: (1) discovering the cause of gullibility, and (2) finding its remedy, if there be one.

In my view, insensitiveness is the cause of gullibility. A recent experience: Ahead of me in the check-out line at the supermarket was a woman with many items in her basket. She paid with government food stamps, totally insensitive to the fact that I would be interested, as one who was financing her purchases. Utterly numb as to gratitude! And most taxpayers, in my place, would have been equally insensitive to their role in paying for that food.

I do not know what the total bill might have been for the food the woman had in her basket. Nor do I know precisely the value of the food stamps she receives each

¹ See "The Gullible Society," *The Freeman*, March 1974.

year. But I did find, upon doing a bit of research, that the total U.S. food stamp program that cost \$85.5 million in 1965 is projected to cost \$7.2 billion in 1975. Was I gullible, were all of us gullible in allowing the small beginnings of a program that would expand by 8,400 per cent in ten years!

And how many Americans are expected to be riding that \$7.2 billion gravy train in 1975? The number, I am informed, will be 16,000,000. So if the woman in the supermarket is typical, she will be carrying \$450 worth of groceries past the check-out counter, for stamps, in 1975.

In double-checking my estimate of taxes to be paid in 1975 — and calculating the impact on me of a \$7.2 billion expenditure — I find that, in effect, I will be paying for about half of that woman's food-stamp purchases. And I do not know her! Should I or should I not be giving some strange woman \$225 worth of groceries a year? Do I know if her need is greater than that of any other customer? Or am I simply being gullible about food stamps and many other welfare programs, programs to which I am insensitive, since I do not know the real need for such handouts or know the effect of those handouts on either the recipients or the other taxpayers who will help foot the bill?

How account for this two-sided gullibility — exhibited equally by those who feed at the public trough and those who are forced to keep it filled? Doubtless there are unfathomable reasons — faults and shortcomings interacting on each other — too complex for clear-cut analysis. Were there a single cause, we might readily overcome this insensitiveness; alertness then would be a possibility. However, if a few likely causes can be identified, they may help us see our gullibility and bring some helpful responses from me, you, and some others; any switch would have to be an individual attainment.

The Roman, Horace, some twenty centuries ago, offered one reason which can hardly be questioned: "Adversity has the effect of eliciting talents which in prosperous circumstances would have lain dormant."

Prosperous circumstances! Never in the world's history have any people remotely approached the prosperity we Americans have experienced, and we are generally flabby in consequence. *Gullibility is nothing more nor less than talents lying dormant.* This appears to be an accurate diagnosis of our condition.

Free market, private ownership, limited government practices have been more nearly approximated in

the U.S.A. than elsewhere. As a consequence, there has been the greatest release of creative energy ever known: goods and services have flowed in unprecedented abundance to the masses as if manna from Heaven.

Merely reflect upon the material things—tens of thousands—which are available in exchange for doing relatively little, if anything.² Note the countless persons who enjoy a fantastic affluence and do nothing at all. When people get it into their heads that their prosperity is a natural phenomenon, as a sunrise, for instance, requiring no talents on their part, talents fail to evolve; in a word, they lie dormant. These people see nothing simply because they are unaware that there is anything to see.

No Faith in Charity

Another likely cause: an astonishing loss of faith in Judeo-Christian charity. Indeed, few in today's world are aware of what it is, let alone the wonders wrought by its practice. That woman at the check-out line had no more gratitude for her something-for-nothing food than the average taxpayer has gratitude for the privilege of filling the

trough. Grover Cleveland, in vetoing a handout to drought-stricken Texans, wrote:

The friendliness and charity of our countrymen can always be relied upon to relieve their fellow-citizens in misfortune. . . . 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.*

The Congressmen who approved that appropriation doubtless did so with the best intentions. They, as distinguished from President Cleveland, were insensitive to charity as a character-building means to deal with misfortune; they could think only of government handouts. This calls to mind a verse packed full of wisdom:

Oh, were evil always ugly;
What a boon to virtue that would be!
But oft it wears a pretty face,
And lets us cheat unknowingly.

It is an observed fact that whenever government pre-empts any activity, that is, when coercion takes over, voluntary ways are not only forgotten but faith in their efficacy ceases. How many, for instance, believe that mail could be delivered ever so much more efficiently if left to the free market? Only a person now and then! Sim-

² See "Confessions of a Rich Man" in my *Let Freedom Reign* (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, Inc., 1969) pp. 50-56.

ilarly with charity. When government moves in, charitable practices tend to wither away. Your neighbor is hungry. Today? That's the government's problem, we say. Suppose the government had not intervened. What would you or I do? We would share our loaf of bread! Were government handouts looked upon as ugly, charity would thrive. But because they are well-intentioned and thus have a pretty face, we cheat each other unknowingly, insensitively. Result: gullibility!

What possibly can be the cure for this gullibility? What can restore alertness? Assuredly, the answer lies half-hidden or it would be generally known and observed; few would label themselves, or like to be labeled, gullible. An obvious answer to gullibility is thinking for self rather than imitating platitudes, plausibilities, popular cliches. But that is too obvious. The real question is, what can inspire or encourage one to do his own thinking? What is the overlooked formula?

Here's mine: *Count your blessings!* Until now I have looked upon this as the remedy for perhaps the greatest of all evils: covetousness or envy. I am now convinced that it is also the cure for gullibility.

For this practice to have any meaning, to affect one's intellec-

tual demeanor, it would have to be a daily exercise—in a word, habitual and systematic exploration. At first blush, at least to those who have not reflected on their blessings, this is no more of a challenge than a daily repetition of the alphabet, so few blessings are most people aware of.

What I am suggesting is the discovery of one or more heretofore unknown blessings every day of one's life. There aren't that many? Their number is infinite, a world without end! They include every bit of wisdom since the human race began; they range from soaps to soups to tissues to dishwashers, from raindrops to bathtubs, from pets to friends past and present, from atoms to red blood cells to galaxies, from electricity to sunbeams, from blades of grass to the shade of trees, from hot and cold running water to still lakes and wavy seas, from paintings to all the beauties of earth and the heavens. They include all the freedom each of us possesses to be his creative self.

The daily exploration of one's blessings opens the mind to Infinite Consciousness. This is the process of thinking for self; it is the downing of gullibility. For today, I count among my blessings the ability to share these thoughts with you, whoever you are.





Political
Freedom
Is Not
Enough

MILLER UPTON



FREEDOM seems to be one of those words, along with *love* and *democracy*, which everyone makes use of to his own convenience. Its very sight and sound stimulate an immediate emotional response with substantial positive overtones. It is therefore a favorite part of the vocabulary of every inspired leader and demagogue alike, be he a Lincoln or a Stalin, a Gandhi or a Hitler.

We in our country make special use of the concept when we speak proudly of being part of the "free world." We obviously feel good when we do so, but I wonder if we are being fully objective and honest with ourselves when we continue to caress our egos this way. If we don't start to challenge the assertion, to reflect exactly upon what the term "free world" encompasses and what it is we're free from, we may very well end up living a lie.

Certainly the term cannot stand for national freedom in the sense of national independence — that is freedom from domination by another sovereign power. All sovereign states—Russia, China, England, France, Cuba, Portugal, and so on—are "free" in this sense. So

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we must have in mind something else.

If I were to pose the question to this audience as to what is meant when we use the term "free world," I am confident I would get two dominant responses. One group would assert that it has reference to those countries which believe in individual freedom; the other group would offer the response that the term applies to those countries which are governed under some form of democracy. Both responses have a common psychological effect, a favorable emotional reaction grounded on implied protection of the individual against exploitation. But I must submit that both answers are subject to serious challenge at the present time on the basis of objective reality.

All-Powerful Governments

It is manifestly clear that all countries in the world, including the so-called Western democracies, are trending towards a form of social organization in which the agency of government dominates individual behavior and action—where private property and private choice are less and less tenable; where the only difference between the world's societies is not in the amount of individual freedom allowed but only in the manner in which the all-powerful gov-

ernment is chosen. Individual initiative and decentralized authority in all cultures has become suspect; collective action through the agency of government has become trusted. And as a consequence it is increasingly difficult to establish clear lines of demarcation between the "free world" and the rest of the world so far as government domination of the individual is concerned. Specific differences can be cited at this instant of time, but the statement seems impossible to challenge if historical trends are taken into account.

We therefore seem to be dependent entirely upon the proposition that the "free world" countries are those which rely upon some form of democracy to determine who shall be entrusted with the all-powerful authority of government. There is the suggestion implicit in this notion that "freedom" and "democracy" are somehow synonymous, that political freedom is all we need to enjoy the benefits of a free society. I submit that this is the unchallenged assumption that is leading our country Pied Piper fashion into the morass of collectivism and its concomitant of centralized authoritarianism.

We should have been alerted to this booby-trap type of thinking by Lenin's assertion that Capitalism represents democracy of the

exploiting minority whereas Socialism represents democracy of the exploited majority. Individual creativity and initiative, decentralization of authority and private property need to be sacrificed for what is presumed to be the common good. But that we have not learned from experience is evidenced by the fact that Lenin's philosophical descendants now speak in terms of developing democratic socialism, hoping to suggest thereby that individual freedom can be preserved in a collectivized state.

No One Ought to Rule

The notion is implicit: if we have the freedom to vote for those who will govern us then our freedom is preserved. But such a notion is completely at variance with the concept of liberty. As Professor Douglas says in his recent article in *The Freeman* magazine, "Democracy is a theory about sovereignty, that is a theory about who ought to rule . . . The first principle of liberty, on the other hand, is that there is no one who, of right, ought to rule. The theory of liberty is not a theory of sovereignty at all."¹ Rather, I would add, it is a theory of social vitality and health. A theory which

maintains that the whole of society is equal to the sum of its parts, that society prospers in all regards when individual freedom with its corollaries of individual creativity and initiative reign, that that government is best which governs least.

We have tended to lose sight of the compelling truth of this theory because we tend to confuse government with society. We operate under the false assumption that if it's good for the government it's good for society. We fail to deal consistently with the fact that government is a special creature of man and as such is only one agency of society established to deal with only some needs of society. The agency of government can become too dominant for the social good just as any other agency can become too dominant. The health of human society is directly dependent upon the health and vitality of its individual members. It is like any organism of the human body which is dependent for its welfare upon the health and vitality of its individual cells. If governmental authority grows malignantly, then individual freedom and social vitality are doomed.

Another reason we have lost sight of the truth of liberty is because we have too often confused freedom with security. President Roosevelt contributed to this con-

¹ George H. Douglas, "Mr. Mencken on Liberty," in *The Freeman*, December, 1973.

fusion when he promulgated his four freedoms—freedom from want, freedom from fear, etc.—in defense of his policy to centralize more authority in the federal government. This has become the same defense for all others who would substitute some brand of socialism for individualism, arguing that one cannot be free if he is wracked by poverty or uncertainty as to the future. We therefore subordinate the liberty of all in the hope of improving the security of some.

Liberty or Collective Security?

But since liberty is defined as “freedom from arbitrary and despotic governmental authority” and security is defined as “freedom from danger, risk, etc.”² it is clear that we are faced with a choice: liberty or collective security, one simply cannot have both. The true joy of liberty is the challenge to provide one’s own security. If one gets no joy in this challenge, then of course he’s perfectly willing to sacrifice his freedom and that of his neighbor for a promise of security. And if a society puts more importance on collective security than individual freedom, then that is its choice to make. But in doing so it must cease any pretensions

to being part of the “free world” even though other countries may be no more free than it.

The fact of the matter is that there is no longer a “free world” in the Patrick Henry or Thomas Jefferson sense. And this is regrettable, not in any sentimental sense of clinging to the past but in the rigorous philosophical sense of doing what is best for human society.

This capacity for people to lose sight of their philosophical foundation brings to mind a true experience I had last year. I checked into a hotel in Cleveland for a one-night stay, having made a reservation in advance. I filled out the registration card, and as the young lady behind the counter was transcribing the information onto the room slip, she asked, “How do you plan to pay this?”

I immediately responded, “With cash.”

“Oh,” she said, and then after a short pause of apparent embarrassment she responded, “Then do you have some form of credit card for personal identification?”

After I got myself under control from laughing I said to her: “I was aware that the U.S. dollar had declined in value but I didn’t realize it was *that bad*.”

“Oh,” she said, still not cracking a smile, “I hadn’t thought of it that way.”

² *The Random House Dictionary of the English Language*, unabridged edition.

"I hadn't thought of it that way." There is the rub! While man is a unique creative being, he is also a creature of habit. And most of our behavior is controlled by conditioned reflex rather than reasoned judgment. Accordingly, our country is currently drifting as a society in a direction that is contrary to its creation and its basic mission.

Rigidities Develop as Government Grows Over-Extended

The genius of the United States that brought it so far in so short a period of time is its having broken with the established reliance on centralized government authority in favor of the principle of decentralized authority, thereby releasing the creativity and initiative of the ordinary individual citizen. This fact has been demonstrated in so many areas of social life—economic, educational and artistic—that even the opponents of liberty do not dispute it. Now, however, we see this genius being threatened by the gradual erosion of the basic principle. To date, a major segment of the populace seems unconcerned either because "they haven't thought of it that way," they don't want to bear the burdens of liberty, or they are content with their political freedom and blithely go on in the same blind fashion, apparently assum-

ing that civil liberty is synonymous with political freedom.

Our institutions of government, justice, taxation, business and education are all beginning to suffer from a form of institutional hardening of the arteries born of excessive centralization of authority. Although our political freedom has provided us with a degree of governmental resiliency that has been able to avoid violent eruption and revolution to date, it has become increasingly evident that political freedom, while central to all other social freedoms, is still not enough in itself. To provide the continuous opportunity for social self-renewal so desperately needed, individual freedom must be respected and practiced more fully in all walks of life. When we speak of a free society we must encompass much more than political democracy if we are to preserve the genius of the United States.

The accelerated shift in attitude that took place in the 1930s toward using government in an intervening way rather than a facilitating way has brought us over the last 40 years to the point where we now seem to believe that the only way to solve any social problem is to pass a law. We experience daily the ridiculous spectre of our legislators competing with one another in trying to get legislative credits

by having their names associated with bills. As a consequence, we are building a gargantuan government bureaucracy, with a morass of law unfathomable in many cases by the legislators themselves. Forty per cent of our gross national income is now attributable to government of one sort or another.

A False Hope

We continue blithely along this course, confident in our political freedom. But we fail to recognize that political freedom is not enough. A monolithic government produced over time by democratic process can become just as overbearing, cumbersome, repressive, and inefficient as such a government imposed by any other means. After all, a democracy at best can only determine who shall govern and not how to govern, and it provides little solace to know that one has the chance to vote for the people who are going to be in control of the government juggernaut that controls every facet of one's life.

Government action can never effectively take the place of individual initiative and individual action for the solution of social problems. To propose such is tantamount to arguing that the vehicle should propel the motor. Therefore, laws in a free, self-renewing society must be proscriptive, not

prescriptive. They must simply provide the broad limits within which the fullest amount of individual creativity and action is encouraged. The challenge to any society that is to remain resilient and vibrant and therefore continually self-renewing is to achieve freedom within order, individuality within community, and equality within diversity. Centralized governmental authority can never achieve this kind of blending, for by definition there is no freedom. All is sacrificed for order; the individual citizen as a whole is not trusted. In a society based on decentralized authority and freedom there is a constant threat of anarchy and the absence of desirable order, but it is not absolutely denied. That is to say, order is possible under decentralized authority, but freedom is not possible under centralized authority.

Abuse of Power

It is ironic that the political party that has been proclaiming over the last 40 years the grave threat to the United States of excessive centralization of authority is now the party that is being embarrassed through the overzealous use of that power by some of its leaders. It may just be this irony, however, that saves us, for the people at large are being forced to see the ultimate danger

to our way of life of such concentration of power in a way that would never been seen if the irony were not there. They are at long last being forced to stop and admit: "I never thought of it that way!"

The press and the Congress are relentlessly belaboring the President in this regard, but in the final analysis it is the Congress that has been at fault and not the President. Even more accurately, it is we the people who have tolerated and even encouraged the actions of Congress over the years who are ultimately at fault. In our weakness we have willingly sacrificed our individual liberty for a fleeting promise of security. Patrick Henry would have to be aghast!

Congress is being criticized for its apparent impotence in the face of a strong President. But the fault lies not in its current impotence but in its previous irresponsibility in breaking with the genius of the United States by having opted for a highly centralized government structure instead of being faithful to a decentralized social structure. It has passed law after law after law for the Executive branch to administer, laws that are aimed at controlling every facet of our lives, laws that are paternalistic in nature, laws that circumscribe individual initiative

and individual creativity rather than assure equal justice and equal opportunity, laws that prescribe individual action, laws that nullify private property.

After all, our constitution provided for a strong executive office in the presidency. The greater the federal bureaucracy and the greater the centralization of authority in Washington, the greater will be the power of the individual President. The way to avoid a Frankenstein calamity is to avoid creating the monster to begin with.

Security Is a Mirage

The sad reality of it all is that the glittering promise of security through central governmental authority turns out to be a mirage. We experience full employment only when we wage war. And aside from dislocating and brutalizing our individual lives, the wars maim our economy by stimulating inflation and disrupting our monetary system. Our productivity declines in relation to other nations. Poverty perseveres; but now it's looked upon as a political issue, which it isn't, rather than an economic issue, which it is. Its prospect for solution therefore declines. In fact, all economic issues become politicized and therefore not dealt with properly. An intense adversary relationship develops

between owner, employee and consumer, which is just contrary to what should exist.

The fact of the matter is that what is good for an individual business is good for owner, employee and consumer alike and therefore society at large. We see this truism violated in legislative action regularly, currently by the absurd determination of some legislators to penalize the oil companies for presumably profiting unduly during the recent oil crisis. Who do they figure own the companies, work for the companies and buy from the companies if not citizens whom they supposedly represent? Who else but the citizens of the United States will be forced to suffer if Congress penalizes the operating efficiency of these companies? Is not such legislative action, such arbitrary use of governmental authority, a case of our collectively cutting off our nose to spite our face?

A Miracle of Progress

When one considers the miracle that has been wrought in this country over the last 200 years — the conversion of a wilderness into what is generally recognized, for the time being at any rate, as the wealthiest and most powerful nation in the world — one wonders how anyone can be critical of the economic system which brought it

about. The land is no wealthier than many other lands in the world; the people are no different from those in other sections of the world; the climate is not superior to many other sections of the world — the only distinguishing characteristic is the extent to which we have relied upon decentralized authority in the making of economic decisions and thereby capitalized more fully on the initiative and creativity of the individual person.

There is no question that there have been instances of specific suffering from excesses. Individual freedom in all areas — political, press, academic and economic — will always be abused by some. But it simply cannot be denied that this economic system eliminated more poverty, created more leisure time, offered more cultural enjoyments and created more educational opportunity in a shorter period of time than any other economic system or government program any place and at any time in the history of the world. So why now ridicule it, shackle it and substitute bureaucratic governmental programs for it? If we want to work on problems of the environment, world-wide poverty, cultural and educational deprivation, etc., we had best leave our economy free.

Of course a free economy pro-

duces its own elite just as any and every social system, but it is far safer to have these elite determined through the anonymous polls of the market place in serving the wants of the public than by political appeal or demagoguery. We should penalize severely those who abuse the system and thereby violate the trust implicit in any decentralization of authority. But we should not throw out the baby with the bath. It is well worth reflecting upon how much more advanced our economy and society would have been had there not been the heavy intrusion of the federal government into the operations of our individual businesses over the last 40 years.

There simply can be no doubt that the more individual initiative and creativity is circumscribed by governmental restraints and usurpation, the less productive the society becomes. A paternalistic government inevitably becomes an oppressive and suffocating government. While I readily use the seat belts in my automobile for my own protection, I don't want the government telling me I have to. It's a very short step from Washington telling me what I have to do in order to protect my own body to telling me what I can or cannot do in order to protect my mind.

For some inexplicable reason we have come to distrust individual

initiative and freedom of action and assume that by substituting governmental action for individual action we will have greater wisdom and greater integrity, forgetting somehow that it's the same fallible individuals who exercise power in the government halls as in the market place. If individuals can't be trusted as servants, how can they be trusted as masters? If evil is to prevail it is far better to have it decentralized. Is not this the prime lesson of Watergate?

Centralized Societies Fall

History readily records that all societies founded on a highly centralized authority structure ultimately die from a hardening of their societal arteries—a loss of resiliency, an inability to renew themselves. Our country was to be the great global experiment to prove that a society based upon trust in the individual and decentralization of authority would develop best and last longer. If we can't be faithful to the principle in our own country, it is not likely to be respected elsewhere. And if it does not prevail ultimately, human society at large will most certainly be doomed for want of a creative, self-renewing character. As Jean Ravel so well develops in his book, *Without Marx or Jesus*, the United States is the only country remaining that still has

the requisite freedom in its social functioning to offer the prospect for liberating change. If this quality be lost by our going the way of all other countries, then what profits us, and what profits man?

Shortly we shall celebrate the Bicentennial of the signing of the Declaration of Independence. This was a notable event in itself, but we have more to celebrate and venerate than this. Subsequent to it there was a war to be fought and won; true independence as a sovereign state to be achieved; political compromise and agreement to be worked out; a constitution to be written and agreed to; a government to be formed; a President to be elected and installed; and the whole governmental structure to be put into successful operation. It was not until 1787 that the Constitution was signed, and 1789 that the government of the United States was launched under that Constitution with the great promise of the Declaration of Independence hopefully realized.

Relive the Earlier Concepts

Let us not, therefore, content ourselves with a crash celebration of the Bicentennial of the beginning — July 4, 1976. Such a celebration we should have, but we have more to think about than that. We have the opportunity

during the 13-year period 1976-1989 to reawaken the nation to the nature of its origin and the genius of its concept. All segments of our contemporary society should be involved in recovering the mission and pride of our existence — not for the sake of pride alone but to reassure our contribution to the social evolution of man by fidelity to the principle of decentralization of authority.

This is not something the government whose birthday we will be recognizing can do or should do. Remember that government is only one agency of society! It was the creativity and initiative of private individuals that inspired and wrote the Declaration of Independence. It was the creativity and initiative of private individuals that hammered out the Constitution of the United States. It was the creativity and initiative of private individuals that fashioned this governmental structure that has become the prototype for so many revolutionary governments throughout the world in the evolutionary process toward individual freedom and decentralized authority. It was the creativity and initiative of private individuals that converted a wilderness into a modern state almost overnight. It was the creativity and initiative of private individuals that in no more than an instant of

history created the wealthiest and most powerful nation the world has ever known. And it is the creativity and initiative of private individuals which alone will solve the immense problems of the future and enable man to proceed apace in keeping with his social evolutionary design.

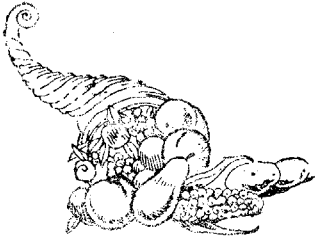
A Non-Governmental Celebration

Let us, therefore, pay our respects to the Bicentennial of the founding of our government in the only way consistent with its origin and its essence. Let us take the initiative as private individuals and institutions in diverse ways to recall our heritage, honor our uniqueness, and plan for our future. In doing so, let us not be satisfied with a crash celebration as of a single date. Let us make use of the full bicentennial era of 1976 to 1989.

Let us grasp this unique opportunity to reawaken the citizens of this nation to its special genius and destiny in serving the evolutionary destiny of man. Not in any narrow, nationalistic, flag-waving sense which at times is willing to destroy the true genius of America in a misguided effort to promote its physical embodiment. Rather, let us strive to sensitize everyone to be aware of the fact that our forefathers attempted to create a society in which

freedom could exist within order, individuality could exist within community, and equality could exist within diversity — that is, in which individual liberty is prized over collective security.

This is the great challenge to us; this is the well-known American dream. To achieve it we must have faith in the individual citizen while fostering a thoroughgoing judicial process to penalize those who violate the trust. To achieve it we must assure equal justice under the law and equal opportunity for self-development. To achieve it we must renounce governmental bureaucratic authoritarianism of any and every sort. To achieve it we must respect private property and rely upon the creativity and initiative of the free individual. And most of all, to achieve it we must give up the naive notion that adherence to a democratic form of government is the sole requisite to realization of these other freedoms. Individual liberty can be violated by a government democratically chosen just as readily as one autocratically imposed. A tyranny of the masses is no less tyrannical because it represents majority will. The record of the past and the conditions of the present demonstrate conclusively that political freedom alone is not enough. We need liberty as well as democracy!



Freedom's Bounty

CARL A. KEYSER

A VARIETY OF REASONS have been given to explain the good life we Americans enjoy. One claims that it came about when steam power liberated factories from river valley sites and streams that were the source of energy. Another said it resulted when interchangeable parts led to mass production and the ultimate in division of labor. Still another credits improved metals technology, particularly the means to produce steel in large batches, steel from which rails and bridges and engines were made to bind East and West and open the granaries of the heartland. It has often been said that

our bounty is simply the result of a fortuitous marriage of resources to a congenial climate, this in spite of the fact that natives exposed to the same graces of nature for centuries barely managed to exist.

Of course, weight must be given to these explanations, and to others not mentioned, for our good fortune. They are, it is true, pieces of a puzzle which, fitted together, give us a picture that is incomplete. The missing piece can be found hiding in the 19th century history of Russia and the United States.

In the early eighteen hundreds the United States and Russia were both agricultural countries, the one young and sparsely settled with people who sought to escape European autocracy and the other

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slightly, but only slightly, more densely populated, an old country with a tradition of centralized power and despotism. Both countries were almost incalculably rich in resources and were blessed with temperate climates. Both countries were open to the influence of newly developed steam power, both were exposed to the effects of the industrial revolution, and both had access to the development of technology and advances in scientific knowledge.

Serfs and Slaves

At the midpoint of the century America was, excepting for its slaves, a free country. There were 3,000,000 slaves out of a total population of 32,000,000 when Lincoln issued the emancipation proclamation in 1863. At nearly the same time, in 1861, Czar Alexander freed 15,000,000 serfs out of an estimated total population of 75,000,000.

There were, to be sure, distinctions between serf and slave: slaves were considered personal property whereas serfs were required to perform services for a master who did not own the serf and whose power over the serf was limited. Serfs could escape their bondage if they could pay off their indebtedness to their masters, but since this was almost impossible serfs could be considered

for all practical purposes to be the equivalent of slaves. The proportion, then, of nonfree men to free men in the population was about 10 per cent in the United States and about 20 per cent in Russia at the time of emancipation. Until freedom was granted there were proportionately twice as many people in bondage in Russia as in the United States.

Slaves produce only what the threat of punishment forces them to produce since little or no additional rewards accrue for producing more. Free men, who stand to profit from their own ingenuity and effort, will attempt to produce more and more, to their own and the benefit of others, as long as their rewards increase. This will lead them to apply newly discovered knowledge, make new machines to increase production, accumulate capital, trade, barter, and sell. It seems likely, then, that the higher proportion of slaves in Russia helps to explain the growing gap in the well-being of Americans and Russians as the 19th century progressed. But this is also an incomplete explanation. What about the free men, that is, those who were neither bonded in Russia nor enslaved in America? What was their status and influence on development?

Probably the landowners came closest to being free men in

19th century Russia. Until 1803 they lacked even the freedom to free their own serfs, not that there was a strong inclination to do so. In 1803 Czar Alexander I granted noblemen permission to liberate their serfs, but only 47,000 were freed. In 1810 all legislative initiative rested with a Council of State presided over by the Czar. Elected assemblies in the cantons, districts, provinces, and states existed which could pass motions but not laws. Courts operated in secrecy and were susceptible to bribery. Rule of the land was by an officious bureaucracy whose arbitrary decisions stifled life. Higher education was permitted only for children of noblemen and officials. Censorship of the press and speech was very strict.

Local Government Reforms

Under Nicholas I, the same autocratic, arbitrary rule continued. Alexander II, the son of Nicholas I, was an absolute monarch who, responding to revolutionary threats, freed the serfs without payment to the landlords. In addition, serfs were granted allotments of land for which they paid a fixed rent to their landlords, with an option to buy, financed by government bonds. After the freeing of the serfs, local government was reformed by establishment of new provincial councils. Forty-eight

per cent of the seats were assigned to landowners, forty per cent to peasants, and the balance to town residents. Not until 1864 was trial by jury and an independent judiciary established. The reign of Alexander II was an era of reform and progress in spite of the fact that the country remained an absolute monarchy, essentially without freedom of press, speech, and even thought, and with no guarantee of person and property from the whim of the autocrat.

By 1889, under Alexander III who had come to power in 1881, much of the progress made under Alexander II was erased. The provincial councils were placed under civil service and became subservient to the provincial governors. The representation of landowners was raised from 48 to 57 per cent in the councils while peasant seats dropped from 40 to 30 per cent. The press was ruthlessly controlled and silenced and taxes increased by 29 per cent in the ten years from 1883 to 1892.

Two Kinds of Growth


Expansion of Russia eastward into Siberia was by Cossacks whose interests were military rather than productive, by political and criminal prisoners exiled to virgin land as laborers, by religious dissenters, and by fugitives escaping conscription in the

Czar's armies. Between 1823 and 1898, 700,000 exiles and 216,000 voluntary emigrants settled in Siberia, a region which had enormous wealth in timber, furs, and minerals. On the other hand, expansion of the United States westward was by natives seeking the opportunities of undeveloped land and by immigrants who chose freely and voluntarily to come to the new country to escape the stratified and stagnant society of the old.

From the beginning of the 19th century to the beginning of the 20th century Russian progress was minimal while the United States became the best-fed, best-clothed, and best-housed nation in the world. Today a wider than ever Russo-American gap remains, both in material well-being and personal freedom. This is no chancy coincidence. As long as the Ameri-

can free market exists where ideas, goods and services can be exchanged voluntarily, freely, and honestly, and where the primary function of government is to guarantee such a market place, the gap is not likely to disappear.

A friend of freedom recently summed up the situation this way:

It is well to remember, however, that serfdom is not necessarily the perpetual condition of the people of Russia. Nor can Americans comfortably assume that their government will limit its activities to the policing of the market and the preservation of freedom. A government that manipulates money and credit, that regulates and controls wages and prices and rents and profits, that owns or closely supervises numerous business activities, and that offers welfare programs from cradle to grave, is a government that threatens to tax the citizenry into serfdom. 

Why Man Must Be Free

IF MAN is to continue his self-improvement, he must be free to exercise the powers of choice with which he has been endowed. When discrimination is not allowed according to one's wisdom and conscience, both discrimination and conscience will atrophy in the same manner as an unused muscle. Since man was given these faculties, it necessarily follows that he should use them and be personally responsible for the consequences of his choices. He must be free to either enjoy or endure the consequences of each decision, because the lesson it teaches is the sole purpose of experience — the best of all teachers.

IDEAS ON



LIBERTY

The ENIGMA

RALPH BRADFORD

OUR COUNTRY is experiencing a self-imposed malaise of massive proportions and suicidal import — a condition that is at once insidious and hard to define or explain. To state it simply and starkly, *the Americans are doing their utmost to destroy America!*

Intentionally? Deliberately? Of course not — except in the case of a relatively few dedicated revolutionaries. For the most part, the destroyers are people of good intention, who would be horrified at the assertion of their guilt.

"Who — *me?* Why I *love* my country! I'm only trying to save it from . . ." And then will follow the name or purpose of the organizations, interests or persons who have a different social, economic or political philosophy from that of the outraged speaker.

Mr. Bradford is well known as a writer, speaker, and business organization consultant. He now lives in Ocala, Florida.

Unhesitatingly, he attributes evil purpose to all who dissent from his viewpoint; and millions of other zealots like him are equally busy castigating the opponents of *their* particular philosophies or prejudices. As a result, the composite picture of America that emerges to the world is that of a dishonest, hypocritical, wicked, and no-longer-to-be-respected giant. And the picture is being painted, not by the Russians, Serbs, Chinese or Albanians — but by the Americans!

Nobody would contend, I suppose, that this country has ever been free, or should be, from a certain amount of critical introspection. This is part of the process of self-government. The competition of political parties assures a lively and continuing assessment of our customs, practices, laws, principles and institutions — an accepted procedure, understood by

the people, and largely beneficial.

But the current chorus of defamation goes far beyond such helpful self-analysis, and often seems to be without identifiable reason or excuse. To be sure, our assets and resources have been impaired and depleted, in part by heedless exploitation, in part by statist brakes on development, in part by the ruinous fiscal policies of recent decades. As a result we have been assailed by the twin evils of doubt and inflation. Inflation, of course, is but the visible symptom of a general self-deception about the effect of unlimited Federal debt on the cost of living. The evil of doubt also results, in part at least, from inflation. When people see the value of their savings steadily shrinking they are troubled by doubts as to their personal future. In time the doubt becomes fear. The doubt and fear feed each other. People begin to question their ability to cope with life's problems. And perhaps most devastating of all, they begin to be troubled about a thing that has always been an article of faith with them — namely, the rightness and justice and strength of their government.

But today's incessant and strident diatribe goes beyond customary discontents. Never within the memory of this writer has there been such a persistent and

wholesale denigration of the United States of America as we are now enduring.

Whence the Defamation?

Whence came all this vituperation of America by the Americans? Allowing for the human propensity to be "agin the government," and discounting the bombast and exaggeration of partisan politics, what is the reason, after nearly 200 years of spectacularly successful national existence, for the constant defamation of our country by its own people?

One basic cause is to be found in the gradual conversion of our government from the simple form and purpose conceived for it by the Founders into the gigantic social welfare organization that now sprawls over the District of Columbia and dominates the national scene. In the minds of millions, the government is no longer the organized power of the people to govern themselves. In their view it has ceased being the simple but majestic instrument that was to uphold justice, protect citizens from aggression, insure their personal and political freedom — and then . . . let them alone. All that is now taken for granted, to be sure (except the part about leaving them alone), but it has become of secondary importance. In addition to its traditional functions,

the government is now an aggregation of agencies whose job is to provide certain "benefits" — i.e., financial assistance — to . . . practically everybody! This means that its area of potential culpability has been enormously extended. There are now hundreds of things for which people can blame the government, either for its failure to do enough, or for having done too much, depending on the point of view.

Moreover, the government has been assigned the job of guarding the interests of farmers, students, laborers, artists, writers, old people, young people, racial minorities, housewives, inner city dwellers, suburbanites, ruralites — and especially "consumers" (which again means everybody). And this guardianship is not to be achieved as an ordinary matter of law enforcement, but through militant administrative activism. All this has meant a great proliferation of the bureaucracy, with attendant operating expense, plus enormous outlays to finance the innumerable programs that are generated. And it has meant hundreds of new targets and occasions for the exchange of abusive rhetoric.

Harmful or Helpful?

A great weakness in all this has been the failure to distinguish between those features of the soci-

etal structure that are harmful and those that are helpful to the growth of the individual — for that, if I understand the real import of our history, is what this country is all about. The freedom and fulfillment of the individual — this was the idealistic dream and the practical aim of those who organized the American State.

But the intrusion of government into all walks of life — our tax-supported and politically oriented and regulated schools; a subsidized and sharply controlled agriculture; vast housing programs, some of whose monstrously useless buildings are already being demolished; welfare programs that have little real concern either for the cost to the public or for the effect upon the recipient; all these and many other well-meant but disastrous and costly programs have not truly aided but served to defeat the great idea of an achieved social harmony through the exercise of freedom.

Thus the floundering and sometimes the blundering of a nation that is still striving to find itself, not on the world stage only, but especially in the important matter of what is the proper relationship between government and the governed — whether or not the posture of the State as a generous uncle can best serve the true interests of the citizen. Growing numbers

of thoughtful people are convinced that full freedom and not paternalism is the best insurance of individual growth and development. Certainly the practice of governmentalism, with its concomitant plethora of regulatory bureaus and departments, will continue to provide fuel for the fires of controversy and bitterness.

Unpopular War

It has been the fashion in recent years to blame all our American doubts and dissatisfactions on war, especially the Korean "Police Operation" and the subsequent Viet Nam exercise in frustration. Those wars did indeed make their disastrous contribution to our national discontent. But they were only a current phase of the perennial unpopularity of America among the Americans. The shrill chorus of defamation was on stage long before the Geneva Accord; and it will still be heard when the Mekong Delta and the Central Highlands are but a fading memory. As Southeast Asia was phasing out, the Watergate scandal was phasing in as a center of dissatisfaction; and when its course is run new occasions of critical discontent will arise or be manufactured.

First and always, there will be the voices of violence and revolution. These fall into two main di-

visions: the sincere, if deluded disciples of Karl Marx and supporters of every regime that even pretends to follow the Marx-Lenin-Mao line; and second, the hard-eyed, communist-trained agents who care little for Marxism as a political theory, but are determined upon the destruction of any government that is not communist in form and purpose. These are the activists, trained in the techniques of revolution, one of which is to infiltrate and use any movement that has a cause for grievance, real or fancied.

But of even greater destructive impact, though not so intended, will be the continuing clamor of our many special-interest groups. I am not referring now to such "special interests" as agriculture, or manufacturing, or labor, or banking, as the term is ordinarily used. I mean rather the many groups that have as their special interest the promotion, prevention or abolition of this, that or the other policy or program which, in their belief, threatens (or insures) the health, welfare, happiness, freedom — even the permanence — of the American nation. Such people are not communists. They wish no harm to this country. Indeed, most of them have as their main purpose and mission a program of "saving" the American people from . . . something.

A Chorus of Defeat

It is not possible or desirable in an article of this brief compass to review and assess all these "movements." Some of them have a valid basis for the dissatisfactions they express. Some of the changes advocated are long overdue. But that being granted, one who loves this country is appalled at the extent to which their voices are directed, not at a particular evil, but at the whole American scene, its institutions, its people, and its government. Perhaps this is best illustrated by the emotional effort that was made, following the assassination of President Kennedy, to load the whole American people with a sense of guilt for the brutal act of one evil man.

The result of all this is that the audible voice, certainly the most quoted voice, of our country today is usually one of condemnation, hardly ever one of hope. The composite chorus of propaganda damns America generally, praises it seldom. Whether there is a South Asian War, a Middle East conflict, a shortage of fuel, or a problem of international credit, our country is customarily the villain, almost never the hero.

Certainly that is the impression one gets from watching television or reading newspapers and magazines. I am not at the moment criticizing those media. By and

large, with notable exceptions, they report what is happening — the news. On the old man-bites-dog formula, bad news inevitably comes front and center. This much can be conceded to media that have plenty to answer for in the way of sensationalism and distortion.

But beyond the media are those who make the bad news — the shouters and ranters; the critics and defamers; the promoters of evil causes who defame with deliberate intent; the supporters of worthy causes who also defame, not with evil intent but by ascribing the worst motives to all who oppose them. Thus we hear that there is poverty in the land, not because some people are unfortunate, but because wicked and rapacious men are growing fat by despoiling the poor. There is pollution, not because we all throw our waste about indiscriminately, but because the producers of goods don't package them properly. There are shortages of fuel, not because we burn it up wastefully in our cars and furnaces, but because reckless producers of fossil energy are keeping oil and coal off the market. The cost of food is high, not because we have all accepted government-induced inflation as a way of economic life, not because transportation and all other costs have soared with a

dwindling dollar, but because selfish farmers, scheming wholesalers, and retailers without conscience have conspired to drive prices up.

And so on, and on, and on . . . in a cumulative jeremiad that strips our country bare of good intent or high purpose and presents it to the world and to its own people as a nation sunk in selfishness, iniquity and dishonor.

And it is a false rendering! It simply does not reflect the reality of America. This statement is no Pollyanna pretense to national perfection. We have our sins and follies to answer for, like other nations. But a ranting voice on a loud speaker; a screaming revolutionary with a bull horn; a murderer with a smoking gun or dripping knife; a sneaking arsonist setting fires; a cowardly terrorist planting a bomb to kill innocent people; a minority mob of students seizing offices, destroying records, spreading excrement, shouting obscenities — these are not America.

The Real America

America is in those millions of homes where love and decency and pride and parental concern and filial affection prevail — and it is nonsense to pretend, as some do, that such homes do not exist, or that they are diminishing in num-

ber. America is in those grade and high schools where girls and boys by the millions are studying and learning and ducking classes and killing time and flirting and falling in and out of love — as they have always done. It is in hundreds of small colleges and many universities, where the great mass of students are still concerned with learning, excelling, finding a good job, and “getting ahead in the world.”

While all the noisy turmoil of marches, “protests,” demonstrations, and riots occupies stage center, the people of the country carry on — working, earning, spending, saving, investing, taking chances, losing, winning, loving, marrying, having kids, getting on each other’s nerves, quarreling, making up, planning, hoping, having disappointments, enjoying achievements, sharing sorrows, and making homes where warmth and faith and love abide.

While a handful of “activists” are disrupting traffic, upsetting cars, smashing windows, and thereby gaining a few headlines or a coveted spot on television, in hundreds of towns and cities all over the country men and women are giving their time to work on projects to benefit their communities. Businessmen are serving on committees; housewives are managing day care centers; working

mothers are helping to build a home and a future for their families. Carpenters are aiding the Red Cross; bricklayers are active in the Community Chest; others give up their evenings to help operate clubs for boys and girls. On thousands of farms teenagers are being taught the essentials of husbandry and are competing for prizes contributed by people who are not required to do so, but who want to share their substance and point young people to a better future.

Serious Work for Progress

All very prosaic and materialistic? Of course. But so, despite its high moments, is life itself. Before we can paint or carve or write books or compose music or operate farms or organize business enterprises, we must eat, wear clothes, and be sheltered. Such, indeed, is the price of existence.

The great majority of people understand this and govern their lives accordingly. At the very time when campus riots were getting the headlines, the rioters were but a handful of students, often led by outside agitators. The overwhelming majority of students wanted to get on with the business of acquiring an education, the better to cope with the problems of their later years. And it was so with every other incendiary and revo-

lutionary movement. Small coteries of irresponsible adventurers made noise and committed depredations. The serious work for progress in social betterment and human understanding was done by persistent pluggers who were unwilling to burn down the barn to eliminate the rats.

It is not the purpose of these paragraphs to decry propaganda, organization, meetings, agitation, or any other lawful means of focusing attention on needed reforms. "*Congress shall make no law . . . abridging the freedom of speech . . . or the right of the people peaceably to assemble, and to petition the government for a redress of grievances.*" And aside from that Constitutional provision, change is the order of life; and today it is needed in many areas if mankind is to attain full freedom and realize its highest potential.

But it is a tragic mistake, cumulatively suicidal, to convert every demand for change into a crusade against the American society. With all its failures and shortcomings, that society is one of the best, perhaps on all counts it is the very best, that has yet been devised by groping man for his own governance. The evils that exist here are not peculiar to America, but are the common and tragic portion of all mankind. Sum

them all up; take the total of everything that is complained of; and then place in the opposing balance the multiform advantages we Americans enjoy in terms of affluence, comfort, and freedom — do this, and the scales will tip resoundingly for the good, as against the bad, in our country. Or again, weigh in those same scales of comparison the advantages of life in the United States as against life in any other country on earth, and once more the balance will come down handsomely for the American performance.

Striving Toward Perfection

The perfect society, the country without fault or reproach, has yet to be devised. Man is a developing creature, still close to the cave and the jungle in many of his reflexes. He errs and sins grievously against his fellows, and against himself. Just now especially he is caught up in great tides of change, and is the victim as well as the beneficiary of vast scientific discoveries and technological advances. He stands today tiptoe, as it were, on the edge of a new immensity — his eyes on the planets and stars, his feet dragging in the mire of an all-too-earthly existence.

His glory is that he does consciously and persistently strive toward perfection. He does want to do and be better. Groping and


stumbling, hindered by selfishness and prejudice, he does nevertheless catch visions of the better life and is at moments exalted. His tragedy is that he is still not as big as his visions, smaller in mind and comprehension than his science — a moral and ethical juvenile, overshadowed by the soaring splendor of his technology. But he strives, he reaches, he aspires — and therein resides his nobility. Therein also is found the hope of mankind for ultimate perfection.

Meanwhile, men are *not* perfect, neither we Americans nor anyone else. Our life is flawed by the failures, malice, ignorance, selfishness and general perversity of human nature. Our society has been and is marred by poverty — but far less so than the societies of most other countries. It has been scarred by crime, like other societies that boast of their high ethical standards. Capitalism in America has produced its quota of rapacious crooks — and so has socialism in England and Sweden and communism in Russia and China. A minority content of depravity, cupidity, and ruthlessness inheres in the human condition. The American society, like others, has failed in a subtle way to achieve the highest plane of freedom, possibly because it has made freedom into a kind of political shibboleth of something expressed in terms of

physical advantage, rather than as an essential thing of the human spirit.

But it is a great society, easily the best and finest yet practiced among men. And it should not, for the sake of all mankind, be pulled apart, either by enemies who want to destroy it, or by friends who, with tragic good intent, are quite apt to dismember it in the process of trying to make it better.

The Americans love their country — but they constantly revile it. They are proud of its achievements — but they dwell on its blunders. They know about its remarkable successes — but they'd rather talk about its failures. They speak eloquently of its great future, all the while they are busily pulling it to pieces.

That is the enigma. 

Freedom Lost Is Freedom Lost

THE GOVERNMENT FORCE which takes away any individual's freedom must always be applied locally because that's where the individual is.

Each and every individual is local to some locality. To destroy an individual's freedom, government force must be applied in his locality.

The argument that local government is less dangerous than federal government has been used to expand local governments all over these United States, and the government expansionists apply the same type argument to state governments.

"State governments," they say, "are less dangerous than the federal government."

The result is that local and state governments have expanded even faster than the federal government in recent years.

Local governments have been taking more and more freedom of choice away from the individual.

State governments have been taking more and more freedom of choice away for the individual.

The federal government has been taking more and more freedom of choice away from the individual.

They are *all* dangerous.

In recent years the greatest danger has come from local and state governments because they have been the most successful in taking freedom of choice away from the individual.

Freedom lost is freedom lost, whether it be to the federal government, the state government or the local government.

From the Colorado Springs Gazette Telegraph,
July 5, 1974

IDEAS ON



LIBERTY

The Fellow-Travellers

IN THE BEGINNING there was the romantic tradition. The artists, worshipping clay, paint, decibels or words (as the case might be), retreated to their garrets with confused feelings that the French Revolution, which was supposed to have brought about a universal enlightenment, had misfired. The new Bohemians may have considered themselves to be socialists, anarchists or radical democrats, but they actually hungered without knowing it for an aristocratic order that would support them with a quite old-fashioned patronage. That was the way it had been before the damnable bourgeoisie began to scramble for capital to start factories—the “Satanic mills”—and that was the way it should be again.

The romantics were subsequently joined by the Fabian liberals, who sought to use government as

a “planning” instrument to re-fashion society in accordance with supposed scientific principles. Calling themselves intellectuals, the romantics and the Fabians (or Progressives, as they were known in America), were actually short on analytical ability. They couldn’t understand the emerging capitalism that had unshackled the producer after Napoleon had completed the wrecking of the old feudal world.

That was how things stood when, at the end of World War I, the Bolsheviks grabbed the levers of power in Russia, quite in defiance of Marx’s theory that the “revolution” would first come in the industrialized countries. The scene was set for the rise of the Fellow-Traveller. The noncomprehending intellectuals (who was it said “thinking is too important to leave to the intellectuals”?) re-

acted to the emergence of the Soviet State in a variety of ways, but on one thing they were agreed: the "experiment" in the land of the muzhiks was something to be coddled and protected.

In a remarkable book called *The Fellow-Travelers: A Postscript to the Enlightenment* (Macmillan, \$8.95), David Caute follows the fortunes of three or four generations of intellectuals who were bemused by the Portent in the East through all the hot and cold war days of the middle twentieth century. The story, as Mr. Caute presents it, has the attributes of a great tapestry. The characters come and go, some of them changing their minds, some persisting to the end in holding that Statist Communism, though it might not be considered a good organizational form for a Western nation that had known habeas corpus and other liberties, is an acceptable order for a backward nation that has yet to achieve its industrial revolution.

Biographical Material

As a collection of interweaving biographies *The Fellow-Travelers* is fascinating. If you want to know whatever became of such Germans as Lion Feuchtwanger, Arnold Zweig, Heinrich Mann and Ernst Toller, all of whom trusted the Soviets to save their Fatherland from

Hitler, you'll find it here, with a liberal garnishment of historical irony. The British Fellow-Travelers — Harold Laski, George Bernard Shaw, Sidney and Beatrice Webb, the poets (Auden, Spender), the detached socialists (Orwell was the greatest of them until he went to Spain and saw what the Stalinists were doing) — were more interested in Lenin and Stalin as planners than as anti-Fascists. The Fellow-Travelling French, from Anatole France and Romain Rolland on down through Andre Malraux and Andre Gide to Jean-Paul Sartre, were more abstract about it all (Anatole France was looking for a new breed of eighteenth century *philosophe*, Rolland was for universal peace, Malraux wanted adventure, Gide and Sartre had moral and existential preoccupations). The Americans—Lincoln Steffens, Anna Louise Strong, John Dos Passos, Corliss Lamont, Malcolm Cowley, Theodore Dreiser, Upton Sinclair, Max Eastman—got into the Fellow-Travelling act mostly for idealistic motives. They didn't fear Hitler as the Germans feared him, nor were they particularly interested in turning their own nation over to a Fabian bureaucracy, even though many of them came to accept the New Deal as a domestic substitute for more orthodox socialism.

Shock Waves of Change

What is deficient about Mr. Caute's vast canvas is its failure to be incisive about the social shocks that brought intellectuals into the Fellow-Travelling orbit or propelled them out of it. The shocks began quite early in the game, with the breaking of the Kronstadt sailors' mutiny against Bolshevism. The 1929 depression was the biggest shock of all. Then came the counter-shocks: the Soviet man-made famine of the Thirties, the purges, the Moscow trials, the triumph of ugly dictatorship in the person of Stalin, the signing of the Nazi-Soviet Pact. Many of the American idealists—Max Eastman, Isaac Don Levine, Edmund Wilson, J. B. Matthews, Dos Passos, even Louis Fischer—got off the train at one point or another because they couldn't stand the sight of torture.

Max Eastman once wrote a great essay on the "motive patterns" that brought people to socialism in his time. Some were looking for freedom, others were more interested in order. Naturally the freedom-lover would react to a purge, or a fostered famine (breaking eggs to make an omelette), or the creation of an all-devouring Ogpu, in a different way than a "planner" with a book-keeping mind would react.

If Mr. Caute had applied East-

man's motive-pattern test to his characters, he would have come up with more convincing explanations for the evolution of such "defectors" as Dos Passos or Malraux. And he would have been able to come to grips with the nature of many a Fellow-Travelling compromise. In Spain, Fellow-Travelers put up with the Stalin terror because they considered Franco the greater evil. So it was, all through the West, after Hitler had attacked Russia. Even such a freedom-lover as Winston Churchill could be a Fellow-Traveller on the pragmatic theory that "the enemy of my enemy is my friend."

The McCarthy Period

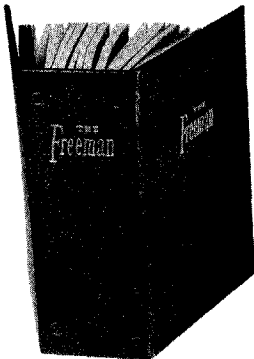
Mr. Caute is at his best in dealing with the Germans, especially the German Jewish intellectuals. They needed Soviet help to get rid of the Nazis. But when it comes to understanding the so-called McCarthy Period in America Mr. Caute misses the whole point. With Hitler out of the way, there was no pragmatic reason to regard the Soviets as friends. It was not mere "witch-hunting" that accounted for the U.S. concern with the behavior of Fellow-Travellers such as Owen Lattimore. The Soviets in the Cold War period, and the Maoists in China, were—and still are, for that matter—pushing for international domination,

and the influence of people like Lattimore made it difficult for the U.S. to formulate a foreign policy that would be an adequate check on Communist expansion.

McCarthy was not a particularly intelligent student of Communism, and he couldn't do arithmetic. But there was no academic or journalistic "reign of terror" in the U.S. in the early Fifties. As a matter of fact, anti-Communist writers had difficulty getting their books published, and the only professor that lost his job during the so-called witch-hunt period was Willmoore Kendall of Yale, who made the mistake of exposing himself as a McCarthy sympathizer.

Hollywood, of course, was a different story: the pro-Communist film writers did have boycott troubles. But Morrie Ryskind could tell David Cate a thing or two about the long period in the Thirties and Forties in which the Fellow-Travellers arrogantly squeezed the anti-Communists out of the studios. What the Fellow-Travellers in Hollywood got in the McCarthy period was a bit of belated poetic justice.

Mr. Cate writes beautifully about the general Fellow-Travelling ambivalence. But, when he deals with the American scene, he is a bit ambivalent himself. ☉



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A Theme for the Bicentennial:

- The Founding Fathers' Fear of Power** **Allan C. Brownfeld** 579
A review of the early warnings about the concentration of political power.
- What Does America Owe to the "Third World"?** **Neera Badhwar** 585
A reasonable doubt as to the efficacy of intergovernmental foreign aid.
- Why Gold Is Money** **Robert L. Guarnieri** 592
Traders decide which form of money to trust.
- Why Is Liberalism Endemic?** **Charles R. LaDow** 595
Concerning the continued popularity of a social system that is such a failure.
- Economic Calculation** **Brian Summers** 602
Socialism cannot function without a means for economic calculation.
- Marx, Mises and Socialism** **Dave Osterfeld** 605
Further thoughts concerning the vital role of the market and money for economic calculation.
- Regulation Helps the Rich and Harms the Poor** **Bernard H. Siegan** 612
A cogent reason why government should be limited.
- Dog-Eat-Dog Competition** **M. Northrup Buechner** 614
Market competition is the activity of two or more parties pursuing the same customers' dollars by offering the highest values in exchange.
- The High Cost of the Draft** **Robert McNown and Dwight R. Lee** 627
The question here concerns who should pay the bill.
- Laws Versus Tyranny** **Leonard E. Read** 632
Obedience to the moral law brings peace and harmony.
- Book Review:** **637**
"Gibbon for Moderns" by Peter B. Witonski

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A Theme for the Bicentennial:

The Founding Fathers' Fear of Power

AMERICANS approach the Bicentennial celebration in the face of the Watergate scandal and subjected to a maze of rules and regulations inflicted upon them by what is becoming an increasingly powerful governmental apparatus.

Government now feels that it has the right and the power to tell us to buckle our automobile seat belts, what drugs we may and may not take, what race and sex a job applicant must be to be hired, what distant school our children will be bused to attend, what kind of gasoline we must use in our cars . . . and this is only the beginning. On the horizon are plans for governmentally controlled medical care, national zoning in the form of land use legislation, national data banks which

will know everything about us and our personal lives, and a host of other interferences in what we once believed was meant to be a free society.

Watergate reveals the vast amount of power which has been centered in the executive branch, and the suspended jail sentences given to high officials who have pleaded guilty to serious crimes indicate that our idea of equal justice for all is far from reality. A President himself claims that his executive position virtually places him outside of the ordinary procedures of the law, and gives him the right to determine which kinds of evidence can and cannot be considered by the special prosecutor, the Congress, and the courts whose duty it is to investigate the charges against him.

If the Bicentennial causes us to reflect upon the meaning of our

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history, one essential element should be stressed. That is that the Founding Fathers were deeply suspicious of centralized governmental power. It was this fear of total government which caused them to rebel against the arbitrary rule of King George III. In the Constitution they tried their best to construct a form of government which, through a series of checks and balances and a clear division of powers, would protect the individual. They believed that government was a necessary evil, not a positive good. They would shudder at popular assumptions which regard government as the answer to all of our problems and which allow public officials to claim rights superior to those of the men and women who have elected them.

How Government Grows

In a letter to Edward Carrington, Thomas Jefferson wrote that, "The natural progress of things is for liberty to yield and government to gain ground." He noted that "one of the most profound preferences in human nature is for satisfying one's needs and desires with the least possible exertion; for appropriating wealth produced by the labor of others, rather than producing it by one's own labor . . . the stronger and more centralized the government,

the safer would be the guarantee of such monopolies; in other words, the stronger the government, the weaker the producer, the less consideration need be given him and the more might be taken away from him."

At the beginning of his Administration, Jefferson wrote a friend that, "The path we have to pursue is so quiet that we have nothing scarcely to propose to our Legislature. A noiseless course not meddling with the affairs of others, unattractive of notice, is a mark that society is going on in happiness."

Today, of course, there is almost no aspect of our lives that some agency of government does not consider within the province of its authority and control.

That government should be clearly limited and that power was a corrupting force was the essential perception held by the men who made the nation. In *The Federalist Papers*, James Madison declared that, "It may be a reflection on human nature that such devices should be necessary to control the abuses of government. But what is government itself but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government

would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed, and in the next place oblige it to control itself."

They Were Not Utopians

The Founding Fathers were not utopians. They understood man's nature and attempted to form a government which was consistent with—not contrary to—that nature. Alexander Hamilton pointed out that, "Here we have already seen enough of the fallacy and extravagance of those idle theories which have amused us with promises of an exemption from the imperfections, weaknesses, and evils incident to society in every shape. Is it not time to awake from the deceitful dream of a golden age, and to adopt as a practical maxim for the direction of our political conduct that we, as well as the other inhabitants of the globe, are yet remote from the happy empire of perfect wisdom and perfect virtue?"

Rather than viewing man and government in positive terms the Framers of the Constitution had almost precisely the opposite view. John Adams expressed the view that, "Whoever would found a state and make proper laws for

the government of it must presume that all men are bad by nature." As if speaking to those who place ultimate faith in egalitarian democracy, Adams attempted to learn something from the pages of past history: "We may appeal to every page of history we have hitherto turned over, for proofs irrefragable, that the people, when they have been unchecked, have been as unjust, tyrannical, brutal, barbarous and cruel as any king or senate possessed of uncontrollable power All projects of government, formed upon a supposition of continual vigilance, sagacity, and virtue, firmness of the people, when possessed of the exercise of supreme power, are cheats and delusions The fundamental article of my political creed is that despotism, or unlimited sovereignty, or absolute power, is the same in a majority of a popular assembly, an aristocratical council, an oligarchical junto, and a single emperor. Equally arbitrary, cruel, bloody, and in every respect diabolical."

The political philosopher who had the most important impact upon the thinking of the Founding Fathers was John Locke. Locke repeatedly emphasized his suspicion of government power and believed that if the authorities violate their trust, the regime is to be dissolved.

**Let the Legislative Branch
Be Predominant**

It was Locke's view, in addition, that the legislative branch of government—that branch closest to the people and most subject to their control—should be the most powerful governmental branch. In his *Second Treatise*, Locke notes: "Yet the legislative being only a fiduciary power to act for certain ends, there remains still in the people a supreme power to remove or alter the legislative, when they find the legislative act contrary to the trust reposed in them And thus the community perpetually retains a supreme power of saving themselves from the attempts and designs of any body, even of their legislators, whenever they shall be so foolish or so wicked as to lay and carry on designs against the liberties and properties of the subject."

The political tradition out of which the U.S. Constitution grew repeatedly stressed the importance of limiting the sphere of government. One role which government was to have—and which many today seem not to understand—was that of the protection of private property.

Locke stresses this point: "The great and chief end therefore, of man's uniting into commonwealths, and putting themselves under government, is the preservation of

their property Every man has a property in his own person. This nobody has any right to but himself. The labor of his body and the work of his hands, we may say are properly his. Whatsoever, then, he removes out of the state that nature hath provided and left it in, he hath mixed his labor with it, and joined to it something that is his own, and thereby makes it his property."

Protection of Property

Those who argue that property should be equally divided are advocating a political philosophy sharply contrary to that held by the Founding Fathers. James Madison held that, "The diversity in the faculties of men, from which the rights of property originate, is not less an insuperable obstacle to a uniformity of interest. The protection of these faculties is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results."

Property, it was believed at the time of the Revolution, was necessary because its protection insured that individual liberty and possibilities for achievement would survive. Professor Donald Devine, in his volume, *The Political Culture of the United States*, notes

that, "Property is a basic liberal value because its protection allows the individual to be free and secure."

During the colonial era, Americans became all too familiar with the dangers of unlimited and arbitrary government. The Revolution was fought to prevent such governmental abuses and to make certain that individual citizens might be secure in their lives and property. When the Articles of Confederation were being considered, fears of excessive concentration of authority were often expressed. The town of West Springfield, Massachusetts, to cite one example, reminded its representatives of the "weakness of human nature and growing thirst for power . . . It is *freedom*, Gentlemen, it is freedom, and not a choice of the forms of servitude for which we contend, and we rely on your fidelity, that you will not consent to the present plan of Union, til after the most calm and dispassionate examination you are fully convinced that it is well calculated to secure so great and desirable an object."

One of the early textbooks of the American patriots was *Cato's Letters*, the joint product of Thomas Gordon and John Trenchard. Written during 1720-23, it was widely read in the colonies together with James Burgh's *Polit-*

ical Disquisitions. The basic concept stressed in both of these works is the evil effect of power. "The love of power is natural," wrote Burgh, "it is insatiable; it is whetted, not cloyed by possession."

Gordon and Trenchard observed that, "Power renders man wanton, insolent to others, and fond of themselves . . . All history affords but few instances of men trusted with great power without abusing it, when with security they could." The people must retain power in their own hands, grant it sparingly, and then only under the strictest supervision. "The people can never be too jealous of their liberties," warned Burgh. "Power is of an elastic nature, ever extending itself and encroaching on the liberties of the subjects." *Cato* also believed that, "Political jealousy . . . in the people is a necessary and laudable passion." Therefore, the people must select their rulers with care, and these must be "narrowly watched and checked with Restraints stronger than their Temptation to break them."

Eternal Vigilance


The written and spoken words of the men who led the Revolution give us numerous examples of their fear and suspicion of power and the men who held it. Samuel Adams asserted that "there is a

degree of watchfulness over all men possessed of power or influence upon which the liberties of mankind much depend. It is necessary to guard against the infirmities of the best as well as the wickedness of the worst of men." Therefore, "Jealousy is the best security of public liberty."

The corruption of power, the oppression of strong government—these were the vital, immediate dangers felt by those who waged the Revolution.

Today, unfortunately, government seems to be out of our control. Non-elected officials—bureaucrats—make rules which have the effect of law, controlling more and more aspects of our lives. Government is no longer viewed in negative terms, but is now viewed positively, as the answer to almost all of our social, economic, and political problems.

In 1800, Jefferson wrote of his belief that "a single consolidated government would become the most corrupt government on earth." Twenty-one years later he remarked that, "Our government is now taking so steady a course as to show by what road it will pass to destruction, to wit: by consolidation first, and then corruption, its necessary consequence."

Perhaps by reviewing the political perceptions of the Founding Fathers as an important element in the Bicentennial celebration we will gain some of the wisdom which we have lost in the years since 1776. Many have lamented that America is the only nation in the world's history whose Golden Age was at the beginning. It is up to us to see that this lament does not become a self-fulfilling prophecy. 



What Does America Owe to the "Third World"



NEERA BADHWAR

IT ALL STARTED with the class-war which, if you remember, did not materialize even in Russia: the Revolution was the work of a tightly-organized intellectual elite resisted to the last by bourgeois, worker, aristocrat, soldier, peasant and sailor alike.

We are now told in solemn U. N. debate that there will be an international class-war unless the U. S. A. works out a plan for the distribution of her citizens' wealth. Presumably, the war will be waged against America by the "Third World's" armed forces — armed with American arms, and supported logistically by American sweaters, shoes, and powdered milk.

The "beautiful" Dr. Mubashir

"As a citizen of India, here as a graduate student of political science," explains Neera Badhwar, "I am particularly concerned with the issue of foreign aid — and interested in dissociating myself from its proponents."

Hasan (to quote from James Reston's "Impeaching at Turtle Bay," *The New York Times*, April 24, 1974), the Finance Minister of Pakistan, explained that increasing and sharing her production with the poor nations is not America's only alternative. She has the option of *reducing* her consumption and sharing the "surplus."

What conclusion can we draw from this proposal?

Marx's millennium was a fairy-tale world in which all were to be equally "free" from material need — a world to be reached through a distribution of capitalism's achievements: after capitalism had "solved" the "problem" of production for all time, communism would take over and "solve" the "problem" of distribution. In its ability to produce lay capitalism's historical "justification."

Beyond Marx

Modern collectivists in socialist "republics" have carried the Marxist dictum one step further.

Decades of evidence has forced them to abandon the naive claim that the production of wealth is set in motion in a certain historical period (capitalism), and that it becomes thereafter self-generating and automated — a process so simplified that it is a mere matter of filing cards and pushing buttons. They cannot escape the fact that production requires continuing thought and effort, continuing free enterprise; that capitalism cannot be superseded if poverty is to be superseded. But their political philosophies forbid capitalism in their own countries. So for Marxist history they substitute a neo-Marxist geography: for capitalism as a historical period they substitute America which, as still the freest and most productive country in the world, must now justify its existence by serving as the milch-cow for the neo-Communists of the "Third World" — who are familiar with distribution but not with creation. Thus they are not at all bashful about attempting to direct the distribution of America's wealth.

The suggestions of those — both Americans and non-Americans — who would shackle this country with a global responsibility for

overcoming poverty, range from the laughable (American aid for a worldwide campaign to restore breast-feeding) to the frighteningly dictatorial (forcing Americans to "change their rich diet and affluent life-style").

Is It Possible?

Is it even *possible* to believe that the poor nations can become rich merely by compelling America to reduce her consumption and share her "surplus"? Surely the billions of aid dollars poured into these countries with nary a rise in the standard of living constitutes definitive proof that they have to gear up their own production if they want to achieve prosperity. In the light of this fact one suspects that the motive of the international Robin Hoods is not so much a desire for "freedom" from material need for all, as a desire to reduce America to the level of the "Third World" countries, to pull it into the international brotherhood of poverty and suffering. Calls for a "redistribution" of America's wealth can mean nothing else. The spirit of such pronouncements can best be expressed by quoting Tocqueville's observation about pre-Revolutionary France: ". . . all were quite ready to sink their differences and to be integrated into a homogeneous whole, provided no one rose

above the common level." This is not an expression of a desire for the well-being of one's fellow man. It is an expression of hatred for affluence and achievement.

Unanswered Questions

Two questions are left unanswered — or never asked — when this involuntary charity is proposed for American citizens: Why? and By what right?

Why has the "Third World's" claim to America's wealth been accepted as a primary, a not-to-be-questioned absolute? And how has it happened that the same government which was instituted by its founders to protect the wealth and "the faculties of men, from which the rights of property originate," is now presumed to have the right to appropriate its citizens' property for any reason it chooses?

To answer the second question first: theft begins at home. The government has become inured to the practice of robbing some individuals for the sake of a "group" — in the name of the "good of society." Therefore the reckless suggestion that it now rob its citizens for overseas groups leaves no one breathless. It would be instructive to trace the history of this development.

Within the nation the class-war — the dethronement of individualism and the destruction of peace

— started with the New Deal which gave one a new deal — special privileges — if one belonged to a class or group called "poor." The 1960s were the years of a group named "black." The early '70s is the decade of a war of all against all.

Broken Coalition

As political scientists tell us, the "New Deal coalition" has broken up. Labor has taken issue with equal opportunity groups, the working-welfare poor with the only-welfare poor. Women's Lib has been berated by racial groups for gate-crashing into their special domain: *The Disadvantaged Minority*. Alvin F. Poussaint ("A Threat to Blacks," *The New York Times*, May 6, 1974) urges both groups to work together in their struggle for power and "accelerated social change." Typically, he fails to explain the meaning of that phrase or of the word "power." For the meaning, when stated explicitly, is not pretty. "Accelerated social change" is change by coercion — by legislative action — rather than by persuasion. Power politics is the politics of group warfare, of the "factious spirit," to use Madison's term. And the eternal casualty of this factious spirit is the individual.

The individual has been fragmented, divided, among groups, so

that now he is deemed to have no *individual* rights or interests, but only "group interests." In other words, nearly every aspect of his life is now subject to the majority vote of those who happen to share his various interests. He finds himself surrounded by his self-appointed representatives—labor unions, professional associations, sexist organizations, racial brotherhoods—to whom he never gave his consent, but with whom he must ally himself, often under legal compulsion.

The Marco De Funis case (wherein a white student with superior grades was initially refused admission by the University of Washington Law School as part of a policy to "make up" for earlier discrimination against blacks) highlighted the fact that reverse discrimination is discrimination still, although the Supreme Court refused to rule on it. It is debatable that the Court will recognize the root problem when such a case comes before it again.

Violation of Individual Rights

The root problem is that "group rights" are a violation of individual rights. Only the recognition and protection of individual rights can keep men anchored to the pursuit of their own interests. For individual rights are the radius which defines the circle of a man's

legitimate activities—and the point of origin of the radius is man's reason. A group is merely a collection of entities, it is not an entity in itself, it has no mind or reason—and therefore can have no rights distinct from the rights of the individual. As *The New York Times* editorialized on August 4, 1963, ". . . the question must be not whether a group recognizable in color, features or culture has its rights as a group. No, the question is whether any American individual, regardless of color, features or culture, is deprived of his rights as an American. If the individual has all the rights and privileges due him under the laws and the Constitution, we need not worry about groups and masses—those do not, in fact, exist, except as figures of speech." In attempting to transcend the individual, "group rights" transgress the delimited area of each man's rights and, by imposing on him actions alienated from his self-interest, they break the connection between the judgment of his mind and his actions. In the name of the group or society, a "higher good" takes precedence over the good of the individual—and necessarily sacrifices some for the sake of the others.

In a free society—*i.e.*, a society based on individual rights—neither individuals nor government

may initiate force. The actions of individuals are limited by the obligation to respect the rights of others, while the actions of government are limited to the obligation of protecting these rights. But when "group rights" and the "good of society" are accepted as valid concepts, this limitation is broken, government can claim with impunity a boundless power, and individuals become free to advocate the institutionalization of their whims in the form of law.

It is not surprising, then, that when this government proclaims an authority to tax its citizens for the benefit of humanity, for the good of all societies, anywhere, there are few protests. If the individual can be sacrificed for groups at home, he can be sacrificed for groups abroad.

Why the Duty?

This leads us to the first question: why America is assumed to have a duty towards the world, and why she accepts such a duty.

The ability of the "Third World" to make America feel responsible for the former is a result of the ethics that holds that the highest good consists in serving others — and the higher the cost to self, the more moral the action. It is true that in practice men do not always sacrifice themselves for others. But that is not the point. The

point is that they accept the tenet that such sacrifice is the definition of virtue — and that, having accepted this, they must feel guilt for not consistently practicing it. In the face of another's need, then, an affluent person or nation is especially vulnerable to guilt. For if it is easier for a camel to pass through the eye of a needle than for a rich man to get into heaven, the rich man — or nation — cannot but experience his wealth as a slur on his character, an ugly third hump that brands him for hell. So he apologizes for his productivity — even as he is being damned for not producing enough (*i.e.*, "according to his ability") for the satisfaction of others ("according to their needs").

Unearned Guilt

This guilt is the psychological basis of the support both for the political philosophy of the welfare state (of which the theory of group rights is an integral part) and for the thesis that America owes a debt to poorer nations. The assumption of an unearned guilt, the atonement for strength and ability, constitutes what philosopher Ayn Rand has called "the sanction of the victim" — an inevitable consequence of accepting the ethics of self-sacrifice (Ayn Rand, *Atlas Shrugged*).

America has given this sanction

to her spiritual enemies. She has accepted the onus of being her "brothers' keeper."

Recently the Senate took the unprecedented step of giving the "keeper's" guilt official stature by couching it in the form of a resolution. April 30, 1974, was declared a "National Day of Humiliation, Fasting and Prayer" set aside to repent "for our national sins."

It would be startling to hear such self-abnegation even from a starving Asian country — perhaps because no starving Asian country has any virtues for which to beg forgiveness. For these days it is virtues that people seek to expiate. Analogous to the Senate action is the Indian manner of rejecting a beggar's plea for alms: the rejection is accompanied by the words, "Forgive me." The beggar is presumed to have a natural right to your property, therefore your refusal to part with it must needs be apologized for.

It is clear that the "sins" of the resolution refer to the fact that America's citizens are not living in abject poverty, that this nation is most uniquely the nation that has never been touched by the fear of famine — or the fear of the boot. What is overlooked or evaded is the connection between the two, between the absence of the boot and the absence of famine.

Freedom to Think

Psychologists have long held that the mind can function efficiently only when it is unthreatened, is free to think. And that only in such a situation will the individual be motivated to perform optimally. Nearly everyone accepts this thesis on the individual, interpersonal, level. But most people forget or deny the connection between freedom and thinking and, therefore, productivity — and, conversely, the connection between lack of freedom and lack of productivity — when the question concerns a political system. Yet in talking about a political system — a certain form of government interacting with a collection of individuals — one is talking, ultimately, only about individuals for whom the principles of psychology still must hold true. Whether it is naked terror that prevails, or arbitrary law that shackles the economy, the connection between lack of freedom and lack of productivity has dramatic manifestation in the international world. For instance, it is no coincidence that the totalitarian Soviet Union, with some of the best agricultural land in the world, has already had two famines in its brief history (including the first government-engineered famine in the long history of Russia), and has to import wheat and technology from Amer-

ica. Neither is it an accident that capitalist* Japan is one of the richest countries in the world, while the official poverty line in socialist India (\$30 — a year) is exceeded by only a small part of the population.

A Matter of the Mind

It follows, then, that to repent for one's material well-being, one's productivity, is to repent for the unobstructed use of one's mind, for the freedom that makes it possible for men to translate the action of their minds into physical action — to translate mental efficacy into material goods. Moreover, "repenting for our national sins" — *i.e.*, wealth — makes it inexplicable why America should want other nations to accrue wealth, *i.e.*, sins.

The question therefore arises: are the advocates of global foreign aid really interested in seeing mankind everywhere prosper? If so, why have they never suggested that freedom instead of free rice be exported?

For only when America sus-

pends her charity will the leaders of the "Third World" learn that they cannot have their cookies and eat them too, that they cannot rely on free, capitalist* America to build up their muscles, while they continue to restrict their peoples' freedom in the name of the "good of society." Or is the purpose of the do-gooders not universal prosperity at all, but merely the draining of this country to the death? The fundamental issue is this: are the advocates of "group rights" (the "good of society") interested in seeing their countrymen happy — or merely in destroying whatever freedom there remains, by destroying the very concept of individual rights?

Is the goal of the collectivists the day when ". . . all [will be] quite ready to sink their differences and to be integrated into a homogeneous whole, provided no one [rises] above the common level"?

* There is no fully capitalist country in the world. The term is used here for America and Japan because their mixed economies are still predominantly free.

The Use of Capital

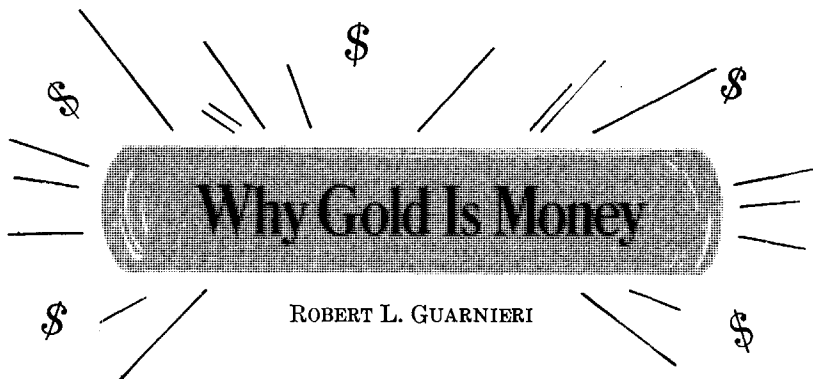
IDEAS ON



LIBERTY

THE FACTS ARE that every form of wealth is dedicated to the improvement and advancement of the so-called common man. Capital, with negligible exceptions, is used for the orderly production and distribution of goods, 95 per cent of which are consumed by those who claim to be disinherited.

From *The William Feather Magazine*



ROBERT L. GUARNIERI

THERE ARE THOSE who try to give the impression that money can be created by decree or covenant. They assert that an authority such as the state, or an agreement between individuals can willfully establish a currency unit. The most conspicuous recent example of this was the "creation" of "paper gold" or the SDR's (Special Drawing Rights) by the International Monetary Fund.

Historical evidence does not support the idea that a new form of money can be created by the mere passage of a law. There is much more to it than that. Money is not the product of a compact or of legislative acts. It evolved in the market. As primitive people became increasingly aware of their business interests, they came to understand the simple

fact that exchanging less-marketable goods for others of greater salability brought the trader closer to his ultimate economic goal.

In ancient Greece, as in some parts of Africa today, cattle were the most marketable commodity, and were used in exchange in addition to their use as sources of food and beasts of burden. Domestic animals such as cattle, horses, and sheep constituted the chief sign of wealth among ancient peoples, both nomadic and agricultural. Their marketability extended to all economic men. The lack of roads made transportation difficult, but cattle transported themselves almost without cost. This made them marketable over a wide geographic area and increased the constancy of the demand for them. A cow is a commodity of considerable durability, and its storage costs are

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negligible where pastures are abundant and cattle are kept outdoors. In societies where a large herd served as a status symbol and also afforded economic security, comparatively few animals would be offered for sale at one time and consequently found a ready market. Because of these factors and the fact that the actual trading in cattle was better developed than trade in any other commodity, cattle emerged as the most marketable commodity in the economy and hence the natural money of the people.

The division of labor and commercial development and the formation of cities with their highly industrial population had the effect of diminishing the marketability of cattle while increasing the salability of other commodities, especially the metals then in use. The city-dwelling manufacturer was not in a position to accept cattle in the course of trade with farmers. Cattle were no longer the most marketable commodity, and finally ceased to be money at all.

Metallic Money

Copper was the first metal from which tools and weapons were made. Along with copper, gold and silver were the earliest materials used for jewelry and ornamentation. Therefore, at the time

when the medium of exchange passed from cattle money to metallic money, copper, gold, and silver had become the goods of most general desire, largely because of primitive people's extensive use of jewelry. The marketability of the metals was greatly enhanced by their usefulness to all people and the fact that they could be readily transported throughout a wide market area. The fact that they were durable and could be stored or held without deteriorating gave them added salability.

As the area of world trade widened and the rate of turnover increased, the precious metals — gold and silver — became more and more desirable because of their high purchasing power per unit of weight. This led to obvious advantages in transportation, handling, and storage and meant that copper would cease to serve as money. With the increasing division of labor, higher turnover of commodities, and trade with all parts of the known world, each individual felt the need for carrying more purchasing power on his person. Under these conditions the precious metals, especially gold, became the most convenient medium of exchange and therefore became the money of the most highly developed economies. Thus money came into being, not

as the result of an agreement, legislative compulsion, or mere chance, but as the natural result of voluntary exchanges in the market place. It can only continue to serve as money as long as it proves acceptable under these conditions.

Neither can a newly created currency gain acceptance unless it is backed by something which has already proved itself in the market. The SDR paper met with some acceptance in international finance only because it was linked

to gold, of proven monetary qualities. The creation of Special Drawing Rights was claimed to be a new way for the International Monetary Fund to make easy credit loans to countries guilty of monetary mismanagement. But this was not the creation of a new international money. Gold is the only international money. A sound currency cannot be created by the mere passing of a law, and today's paper money managers would do well to keep this in mind. ☉

The Money Supply

WHILE AN increase in the money supply, like an increase in the supply of any good, lowers its price, the change *does not* — *unlike other goods* — *confer a social benefit*. The public at large is not made richer. Whereas new consumer or capital goods add to standards of living, new money only raises prices — i.e., dilutes its own purchasing power. The reason for this puzzle is that money is *only useful for its exchange-value*. Other goods have various “real” utilities, so that an increase in their supply satisfies more consumer wants. Money has only utility for prospective exchange; or “purchasing-power.” Our law — that an increase in money does not confer a social benefit — stems from its unique use as a medium of exchange.

IDEAS ON



LIBERTY

MURRAY N. ROTHBARD

What Has Government Done to Our Money?

Why Is Liberalism

Endemic?

CHARLES R. LADOW

LET IT BE CLEAR that the liberalism here in question is not classical liberalism, which is quite properly endemic throughout history among the minds and works that last. The question refers to what has passed for liberalism in the past century, mostly. This brand of liberalism has enjoyed such popularity, flattering the wish-fancies of the average mind as it does, that the distinction seems unneeded. But, the way words are misused today, it is best to nail it down. The new liberalism is socialism; or, as John Dewey put it: "Liberalism must now become radicalism."

It is not easy to understand the persistence of the socialistic brand of liberalism in the United States. When the failures of any system of control are as glaring as those of the leftish leadership during recent decades, it is difficult to see why the electorate allows it to proceed. However, this it does and, not inconceivably,

may continue to do—even to the point of national bankruptcy. Why?

Willingness of the habitually poor and handicapped to see the welfare state grow is understandable, if ill-advised. They are bound to suffer most in any beheading of the "hen that lays the golden egg": capitalism. Even the current inflation hits them hardest of all classes, just as the inordinate government spending which feeds them is the main cause of it. However, without aid of the vast middle classes, they would not be able to maintain the policies at the polls, especially since so many of them do not even trouble to vote.

Another reason given for the persistence of the political phenomenon is the guilty conscience of our population, which leads a majority to vote for policies of economic leveling. There is some evidence that this is a factor; but it is still hard to understand. The record of rising private philanthropy belies the reason for wide-

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.

spread guilty consciences. At the same time, a certain public callousness tends to make the matter moot. Although people feel concern for victims of chance or crime, there is still much disdain for those living in deserved squalor. Society's perennial pecking order is alive and doing well.

Labor unions have been the most conspicuous beneficiaries of the welfare state, having, perhaps, the most clear-cut interest in its survival. However, their rank-and-file represent an elite among the working force of the nation, most of whom have moved well up into the middle class. Although their dues may be used for liberal political purposes, their leaders may hardly count their votes at the polls. (Questioned at a student seminar in Claremont during the Goldwater campaign, a Teamster official admitted that many members in Los Angeles would vote for Goldwater.)

Tocqueville Saw It

Nearly a hundred and fifty years ago, French observer Alexis de Tocqueville noted that American sentiment favored equality even above liberty. Although this estimate seems to have been borne out in our subsequent political history, with its rise in populism, coincidental rise in extremes between wealth and poverty begs a

question about the sincerity of the sentiment. Especially this is so when we recall the rapt admiration of the crowd for the more fortunate, ranging from movie stars and professional athletes to the Kennedy family. Since this occurs with no evident regard for individual excellence, one may suspect that equality is a shibboleth. At any rate, since the voting pattern seems to lead toward enthronement of the superstate, the question seems to arise whether there is any real sentiment for *either* equality or liberty.

The late Albert Jay Nock wrote, some decades back, that "The simple truth is that our businessmen do not want a government that will let business alone. They want a government that they can use." Perhaps Nock got to the root of the matter of why government has grown so big. People want to use government to obtain benefits which the free choices of their fellows would not give them. Honest work and trade do not pay enough to satisfy their greed. What a grand shortcut it is to get the government to send out tax collectors, enforcers, raise tariffs, institute public programs — all to benefit the activities in which one is engaged!

Businessmen who once sought political benefits for their "infant industries" were not wise enough

to see, or did not care, that such tactics in a nation with a popular government could, in the long run, be practiced by most anyone. It was only a matter of time until a Franklin D. Roosevelt would arise to open the public purse to "the forgotten man." Although Roosevelt was an innovator, he was certainly not the inventor of the ancient scheme of public welfare which marked the fall of Athens and Rome. However, our politicians of both parties have since made Roosevelt look like a piker. We must be very close to the state of Athenian democracy at its nadir, when every third person was, somehow, on the public payroll. The ubiquitous civil services, public retirement, Social Security, Medicare-Medicaid, miscellaneous "programs" and public relief, as well as the necessary military, make it most likely. The tax load and national debt bear out the assumption.

It might be well to take time out to answer those who object that our taxes are lower than in other developed nations. When we consider that most of those other nations are in even deeper trouble than we, that is not much of an argument. Misery may love company; but who wants to be miserable? We were once a model of economical government, and should be so now.

Private Greed

To return to the point: It is private greed which has supported the growth of the welfare state. The pittance received by those at the welfare base is in sharp contrast to the millions amassed by those who play the bull market of inflation successfully. Hamburger chains, hula hoops, and frisbees; cheaply made goods, made for a day. Eight-lane freeways, at millions per mile, to be replaced by monorails? Scarce goods and resources wasted as if supply were endless. And yet, we cannot blame either the tycoon or the welfare recipient. Each is operating in obedience to the law of supply and demand. We take what we can get any time. To do otherwise is to fail to survive. If a sane economy is desired, with conservation of resources and a happy population, different policies are required. The legalization of greed must be replaced by the free market, where no one is allowed the aegis of government support in taking advantage of others. They will still compete, and that is good; but they will not be aided by outside force.

But self-interest is also guided by ideas. Any person with no moral concepts is a monster. "From each, according to his abilities; to each according to his needs," is a moral concept. Taken at its face value, perhaps it would

be acceptable to all persons of good will. In the good family, father and mother use their best abilities to see that the child gets all it needs. Other relatives, friends, or even strangers may similarly care for an individual's needs. Such services sometimes include the sacrifice of life itself. Then why, asks the liberal, should not the state perform similar services for us all? Apparently, many people do not have a clear answer to this question, because there is much confusion about politics. The answer is very simple. In the case of father, mother, relative, or stranger, there is no civilized society which would legally condone theft as a means of helping another. If government universally enjoins citizens against thievery, even of the Robin Hood variety, on what grounds is government enabled to act as a thief, taking from one and giving to another? The business of government is to *prevent* thievery and fraud and keep the peace, the expense of which covers its legitimate taxing power.

The nineteenth century saw the ascendancy of romantic ideas of politics and morals. The ideas of Rousseau and Marx replaced those of Locke and Adam Smith. From Horace Mann to John Dewey, public education in the United States has been dominated by the social

ideas of Rousseau and German philosophy and pedagogy. Many generations have become adult with scant tutelage in the empiricism of individual responsibility.

Everett Dean Martin

In his 1930 Book-of-the-Month, *Liberty*, Everett Dean Martin wrote:

In proclaiming the natural goodness of man, Rousseau gives primacy to instinct and emotion, and minimizes discipline and reason and distinction of worth among men. One man is by nature just as good as another. But the wisest men have taught that goodness is excellence; it must be achieved; it is that which marks distinction between higher men and lower, and between men and animals. It is not so with Rousseau. "Happy the people among whom one may be good without effort and just without virtue." As men are naturally good, it is not necessary that they excel in intelligence in order to do good. Indeed Rousseau seems to find that it is the simple-minded people who are the best. Therefore let men follow their natural inclinations, be inspired by noble sentiments, and they need have no doubts as to what is right. The sovereign people can do no wrong.

In the remainder of the chapter on "Romantic Ideas of Liberty," Dr. Martin continued a devastating criticism of the romantic notions of modern liberalism. It is

interesting to conjecture upon the chances of such a book to be Book-of-the-Month now, over four decades later. In 1930, men of the calibre of Martin, Nock, and H. L. Mencken were accorded wide audience — except on the platforms of public schools. In the meantime, the rising acceptance of Marxism and behavioristic psychology has hardened the environmental determinism of Rousseau into virtual orthodoxy. This is the philosophical basis of liberalism's strong hold.

In 1939, this writer attended a Claremont Colleges dinner-debate at which Everett Martin took on most of the top brass of the California State school system. Any witness to that discussion would have clearly seen the differences between the classical liberal, which Martin was, and the more recent pretenders to liberalism. There was no doubt that Dr. Martin was the winner on points of reason; but the schoolmen, to a man, went away preferring their instincts and emotions to disciplined reason. Since 1939 the public schools have regressed even farther into Rousseauism, as more orthodox teachers have gone into retirement, to the point where they have bred large groups of children at war with their parents and society and who worship at the shrine of primitivism.

The Role of the Schools in the Persistence of Liberalism

If one were to point to the most potent reason for the persistence of liberalism, one would have to choose our system of public schools. Whereas individual schoolmen may represent every school of political or philosophical thought, the general effect of the system is completely in accord with statism — which is a matter for no wonder at all. Besides having its roots in the romanticism of Rousseau and German philosophy, the huge system is a chief beneficiary of public funds. Unsatiated by state and local coffers, it knocks continually on Washington's door. Demise of liberalism would destroy the organizational game plan which proceeds regardless of individual educators' beliefs. The National Education Association is one of our most statist organizations. It is largest too!

The very success of organized public education may be its undoing, as well as the undoing of the welfare state. Because of its vacuous theories, it is doing such a poor job of bringing up articulate generations that there is a question of whence its future defenders may come. Able persons who find no education in school are likely to seek it elsewhere. Elsewhere is where most of the critics of liberalism are. Any self-

respecting able mind is likely to be turned off, eventually, by the mawkish sentiments and illogicality of the liberal line. Watering down of the curriculum has proceeded to the point where there is much more froth than substance to the whole operation. The time for liberalism may be running out, right at its grassroots.

But some would say that it is the media which holds the liberals in power just now. Certainly, the press and electronic efforts lend an air of omniscience to the liberal cause. Invading each household twenty-four hours a day, they exhibit such an overwhelming slant of liberalism that they would seem to be the propaganda force which carries the day. But this begs the question: Why do they do it? The answer would seem to lie in the previous suggestions here offered. Most managements, writers, and commentators are moved by the same motives and have been reared in the same intellectual tradition as their audiences. (Once asked what he thought was wrong with the movies, Everett Martin answered: "Mostly the audience.")

Muckraking Journalism

The social astigmatism which makes the persistence of liberalism possible could not survive without the press. That segment

of literature and journalism which lives on violence, gossip, innuendo, and the bizarre keeps alive the most execrable crowd suspicions which deny the good and emphasize the evil in the enterprise system. They carry on the work of Lincoln Steffens, Upton Sinclair, and the gaggle of muckrakers who set the standards of criticism for today's liberalism. So little do the observations of the original muckrakers apply to our era that even Norman Thomas came to feel that socialism was proceeding satisfactorily. Nevertheless, our pundits continue to whip a bewildered, if not dead, horse: American capitalism. Chapter 7 of Alexander Solzhenitsyn's *August 1914* shows the same ghastly appearance of a vacuous journalism in late Tsarist Russia. This suggests reminding our publishers that, although a great deal of money may be made by toadying to the basest tastes and prejudices of the crowd, the end of such a policy may very well be not only the loss of a fortune so made, but even the loss of such freedom of the press as made it possible.

However, public opinion shows many signs of overkill. Extremism of so much of the sources of public information has eroded credibility to the knowledgeable and surfeited the ignorant. It would be folly to predict just when

the long nightmare of monomania will be over. But, end it must be before we can begin to achieve economic and social sanity. Until that day, gestures toward cutting corruption in government will be empty gestures, calculated only to mislead fools, because the corruption to be found in any government, as Lord Acton suggested, is in direct proportion to the power it wields. In this respect, our government is very close to becoming *Leviathan*.

Signs that Public Opinion May Be Changing

We are indebted to Winston Churchill for an insight regarding absolute government. He suggested that if Hitler's Nazis were able to kill off all the men with free minds in Germany, a new crop would spring up in a generation. History has borne him out, relatively speaking. Although Adenauer and the founders of West Germany were not killed off, and were hardly of a new generation, still the political economy of renaissance Germany more nearly approaches free trade than those of many of her erstwhile conquerors. Harsh lessons are well learned. Even the long dark night of Soviet Russia has produced the likes of Alexander Solzhenitsyn.

Because opinion polls have done so much to create, as well as measure, the points of view of individuals, one hesitates to cite them affirmatively. After all, it may be that the "average mind," whatever that is, accepts ideas very much as it accepts clothing styles. Certainly, many individuals look upon politics as they do on a horse race, trying only to pick a winner. Nevertheless, so many polls have, over a period of years, discovered an underlying conservatism in most American voters that they may be redeeming past error. They now tell us that most New Yorkers are conservative; although Senator Javits and the *New York Times* do not appear to play to that constituency.

Be that as it may, rumblings of tax revolt, outrage (both black and white) over school busing, school boards firing striking teachers, businessmen (down to the smallest) crying out against government red tape, independent businessmen (the vast majority of business) becoming adamant against the excesses of labor unions (representing a minority of the working force), households harassed by taxes and prices raised by government bungling all suggest a tidal wave that our legislators may ignore to their regret.

Economic

Calculation

BRIAN SUMMERS

WHICH ECONOMIC SYSTEM produces what society wants in the manner society deems most efficient?

As with all economic questions, the answer is found by focusing one's attention on the actions of individuals. When one understands the actions of individuals, then one understands the actions of society, for society moves only as its individual members move.

The movement of rational beings is purposeful. People choose those courses of action they think will better their own situations from their own points of view. Of course, people make mistakes. Sometimes, due to a lack of understanding, they choose the wrong courses of action. The purpose of economics is to provide understanding that reduces such wrong choices by men seeking to maximize prosperity. That is, economics helps men to be efficient.

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To be efficient one must have a means of comparing possible courses of action. To cite an example, consider the proverbial widget manufacturer. Should his product be made of resource A or resource B? Should he use manufacturing process X or process Y? The only way to decide these questions in the manner society considers most efficient is to know the price society places on resource A, resource B, process X, process Y, and the final manufactured widget.

How does society determine prices? Most people seem to think that free market prices are determined by merchants. It is true that the merchant is the one who actually writes down a specific price. However, in a free market the merchant's hand is guided by society.

The widget manufacturer is well aware that he cannot arbitrarily set his price. He must constantly take into account the prices being charged by competing widget man-

ufacturers, manufacturers of substitute products, and all other merchants competing for the consumer's dollar. As the manufacturer raises his price, customers take their business elsewhere. As he lowers his price, customers return. Free market prices of consumers' goods are determined by the merchant's anticipation of the consumer's reaction to his price.

Pricing the Factors of Production

In a free market, consumers also indirectly determine prices of the factors of production: labor, natural resources, and capital goods. Businessmen, anticipating future prices of consumers' goods, bid among themselves for factors of production. Thus businessmen, in the role of competing buyers, determine the prices of the factors of production in the same way consumers set the prices of consumers' goods. However, the businessman is merely acting as an agent for the consumer, for he is guided by his estimation of the future prices of consumers' goods.

Using free market prices, the businessman attempts to calculate the manufacturing procedure that will maximize the difference between his final selling price and total production costs. That is, he uses society's prices to try to maximize his profits. Because his final selling price is set by competition,

this means that the businessman tries to maximize profits by minimizing costs of production. This, from the point of view of society, is what it means to be efficient. That is, in the free market the most efficient producer is the one earning the greatest profits.

Of course, many businessmen do not earn profits. Those businessmen whose balance sheets show losses are soon driven from the market and forced, by economic necessity, to try their hands at something else. This is how society, acting through the market, discourages the inefficient use of labor, natural resources, and capital goods.

Those businessmen who do earn profits are encouraged by their profits to continue in business and use their profits to expand their operations. This is how society encourages the efficient use of factors of production.

Interfering with Trade

The system of economic calculation just described presupposes that the market is free from governmental interference. When the government does intervene in the economy, inefficiencies are the inevitable result. The government can only influence the prices of consumers' goods and of the factors of production by overriding the prices determined by society

through the market. When the government does this, then the economy produces what the government wants in the manner the government considers best, rather than what society wants in the manner society deems most efficient.


In the United States today, the government influences prices in innumerable ways. Wage and price controls, minimum wage laws, laws discouraging the hiring of nonunion workers, rent controls, interest rate regulations, tariffs, and zoning laws are just a few of the ways the government contravenes free market pricing and thus distorts and disrupts economic calculation. Such laws, from the point of view of society, can only result in misallocations of scarce resources.

The farther an economy moves from free enterprise, the more wasteful it becomes. In a completely socialized economy, consumers have no influence over "prices" of consumers' goods. The government widget manufacturer can arbitrarily set his "price" because the government is the only

manufacturer of widgets. Customers have nowhere else to turn.

In a completely socialized economy, consumers also have no influence over the "prices" of labor, natural resources, and capital goods. These factors of production are controlled by the government, and the government decides their "prices."

How does a completely socialized government decide these "prices"? Well, it can guess. This is apparently a common procedure in communist countries. Another procedure communists often use is to charge whatever the going rate is in the relatively free markets of the West. Of course, free market prices vary from place to place, so the communists are at best approximating the prices that would prevail in their countries were their markets free. Should we ever completely lose our Western markets, no one anywhere in the world will know what to charge for anything.

Lacking a means of economic calculation, socialism is bound to fail. 

The Market Process

IDEAS ON



LIBERTY

THE EFFICIENCY of the price system . . . depends on the degree of success with which market forces can be relied upon to generate spontaneous corrections in the allocation patterns prevailing at times of disequilibrium.

ISRAEL KIRZNER, *Competition and Entrepreneurship*

Marx,

Mises

and
Socialism

DAVE OSTERFELD

KARL MARX and Frederick Engels defined socialism as that stage of economic development when production according to a consciously "settled plan" replaces the production of commodities. "Commodity production" exists when products are produced for sale on the *market*, i.e., when production is separated from use by an intervening exchange.¹ Since a commodity necessarily presupposes a market, the substitution of a planned economy for commodity production therefore entails the destruction of the market. And this is precisely what is demanded.

According to socialist theory, at the proper time, the proletariat will seize control of the means of

production. "With the seizing of the means of production," writes Engels, "production of commodities is done away with Anarchy in social production is replaced by systematic definite organization Socialized production upon a predetermined plan becomes henceforth possible."²

Thus, according to Marx and Engels, the production of commodities for exchange on the market would be replaced by a socialist system of planning and distribution where buying and selling would be terminated. For them, the essence of capitalism was production for the market, i.e., "commodity production"; that of socialism was a planned system of production and distribution.

Marx and Engels scoffed at the idea that their position was

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utopian. On the contrary, they characterized their writings as "scientific" and felt that there was strong empirical evidence for their belief in the ultimate transition from capitalistic market production to socialistic planned production. They reasoned as follows: In the Middle Ages peasants and handicraftsmen worked independently and then exchanged their products. There were no large factories. The tools of production were small and individually owned.

However, as capitalism developed, machines were invented that permitted the emergence of large factories. While production for society as a whole remained "anarchic," that *within* the factories became organized. Further, it was evident that large, well-organized factories were more productive than individual small producers. This, they felt, demonstrated the practical superiority of socialism.

All that was now required was to remove the increasingly social, i.e., organized, nature of production within the factory from the hands of the capitalists and then simply generalize the organization of production within the factory to the whole society. This would be accomplished by the proletarian revolution. It was assumed that socialism would end all economic problems.

Mises and Economic Calculation

The practicality of socialism went largely unchallenged until 1920 when Ludwig von Mises argued not simply its undesirability but its actual *impossibility*. Capitalism, he asserted, "is the only conceivable form of social economy." The "attempt to reform the world socialistically," he concluded, "might destroy civilization. It would never set up a successful socialist community."³

Mises pointed out that there was a fundamental difference between factory organization within a market framework and the conscious organization of the entire economic system.⁴ A factory is organized by referring its internal operations to "external" markets. The large factory, to cite just one example, produces many half-finished goods that are then used for the production of the final product. The only way one can determine whether it is economically sound to produce the half-finished goods within the factory or to buy them from other plants is to compare the cost that would be incurred in their production with the "external" market price.⁵ But if the entire society were to be, as Lenin recommended, organized like the postal system, there would be no external markets to which to refer one's internal operations. Thus it would be

impossible to generalize the principle of factory organization to the entire society; for with the entire society so organized, the very basis of its organization, the market, would be eliminated.

Profit (a net reduction in felt uneasiness) and loss (a net increase in felt uneasiness) are not arbitrary. They inhere in all actions of all individuals. Every society must therefore have some method for calculating profit and loss or end up destroying itself. The elimination of the market, Mises pointed out, would only serve to abolish the only known method of calculating profit and loss but it could never do away with profit and loss themselves. Unable to calculate, a socialist society could not proceed rationally. Thus, a "planned" economy, felt Mises, must inevitably produce chaos.

Having demonstrated the necessity of calculation for all societies, Mises argued that there were two prerequisites for rational calculation: the market and money.⁶

The Role of the Market

While a factory is characterized by its singleness of purpose and is therefore faced only with the more or less technical problem of applying means to ends, society is characterized by its multiplicity of purposes and is faced with the

economic problem of allocating scarce resources such that the production of less intensely desired goods does not prevent the production of more intensely needed goods. Under capitalism this problem is solved daily through the market and without anyone's conscious effort. Since people only buy what is useful for them, there can be no distinction between production for profit and production for use. Prices are the outcome of the interplay of peoples' decisions to buy and not to buy. Profits result from successfully supplying consumers with what they most intensely desire at the time of their valuations; losses from the failure to do so.

In the quest for profit, labor and capital perpetually flow to areas where they can reap the most lucrative return on investment and away from areas that manifest loss. In this way the market also determines prices for the factors of production in the same way that it forms them for consumers' goods. "The entrepreneurs," says Mises, "eager to earn profits, appear as bidders at an auction, as it were, in which the owners of the factors of production put up for sale land, capital goods and labor."⁷ Since what the entrepreneur can bid is limited by his expected return from the sale of his product, the factors of

production are thereby channeled into the production of the most intensely desired goods. It can be further seen that the price of any object is not determined by adding up the "costs" of the factors of production but that the prices for the factors of production are, in fact, derived from the prices of the final consumer goods. Only in this way can prices for all the factors of production be formed and the relative efficiency of the nearly infinite number of possible methods and combinations of production be ascertained. Only by means of the market can we determine what to produce, in what quantities and qualities, and by what methods.

The Role of Money

A second element is also required before we can successfully calculate: money. Since consumption goods provide us with immediate benefits we can value them directly, without monetary calculation. However, the means of production are valued only *indirectly*. And as production grows more complex it becomes simply impossible to ascertain, intuitively, their contribution to our well-being. Thus money, an auxiliary method of calculation, is required. Money reduces everything to a common unit, thereby permitting exact calculations. Only

then can we determine the appropriate methods of production, i.e., whether in a given circumstance to use, say, more steel, and less manpower, or vice versa. Without the ability, afforded us by money, to calculate and compare relative costs there would be no rational way to choose between the plethora of possible alternatives.

But even if some form of "money" were used in a socialist society it could never perform this essential function, for the utility of money implies the ability of the individual to act on his valuations. As Mises says, "the higgling of the market establishes substitution relations between commodities." This obviously presupposes the existence of private property throughout the economy. Thus, the existence of money and the market imply each other, and together, they enable us to calculate. And only economic calculation "provides a guide amid the bewildering throng of economic possibilities. It enables us to extend judgments of value which apply directly only to consumption goods . . . to all goods of higher orders. Without it, all production by lengthy and roundabout processes would be so many steps in the dark."⁸

But precisely because socialism endeavors to eliminate exchange,

money, and private ownership of the means of production, economic calculation is impossible under socialism. Hence a socialist society would be unable to determine what is profitable and what is not. The resulting inefficiencies and distortions, Mises felt, would lead to capital decumulation, in turn resulting in progressive impoverishment. "The paradox of 'planning,'" concluded Mises, "is that it cannot plan."⁹

"War Communism"

No sooner had Mises written than his theory received dramatic confirmation. The Bolsheviks seized power in Russia in 1917 and attempted to implement socialist principles. Exchange was outlawed, money was purposely inflated out of existence, over 37,000 enterprises were nationalized, and private holdings in agriculture were declared illegal. The results were disastrous. The iron ore and cast iron industries fell by 1920 to only 1.9 and 2.4 percent of their 1914 volume of production. Oil production fell to 41 percent and coal to 27 percent. The 1920 average productivity was ten to twenty percent of the 1914 total and the production of fully manufactured goods was 12.9 percent of 1913. In agriculture, production was halved and, despite the distribution of 700,000 tons of

food from the United States, people perished by the millions.¹⁰ The economic debacle now known as "War Communism" came to its end only with the advent of the "New Economic Policy" in the early 1920's, which reinstated a semblance of a market economy. By 1928 production was back to the 1914 levels. Since that time the "socialist" countries have learned to direct production (1) by means of restricted domestic markets, and (2) by coopting the methods determined by the foreign Western markets.

Oskar Lange

An attempt was made by the Marxist, Oskar Lange, in 1937 to demonstrate the viability of socialism. Lange allegedly "refuted" Mises by advocating what has come to be known as "market socialism" (although he never used that term). While the state would own the means of production, prices, according to Lange, would be determined by competition, and production would be extended to the point where marginal cost equaled price. There would be a Central Planning Board but the correct prices for the factors of production would be ostensibly found by a method of trial and error. Correct prices were considered to be the actual market prices. There would be wage in-

equality, rent and interest. However the state would appropriate the rent and interest and use them for social purposes.¹¹

The most interesting thing about Lange's "refutation" is that he defines socialism in terms of property, instead of market, relations. He is forced to maintain commodity production, exchange, interest, rent and wage inequality. Hence, Lange actually builds his "socialist" model on the very market principles it was the goal of socialism to replace,¹² thereby actually reinforcing Mises' assertion that a non-market society is impossible.

Paul Sweezy

Perhaps the pre-eminent American Marxist is Paul Sweezy who, without direct reference to Mises, claims that a non-market economy is possible. Sweezy believes that skilled labor is simply a multiple of unskilled labor whose value is determinable outside of the market by, for example, placing two men on the same assembly line and then measuring their values in terms of their outputs.¹³ But this does not even touch upon the essential point: the allocation of scarce resources. It only tells us if one man is more productive at the same job than another. It is silent on the questions of how many men should be employed on that partic-

ular assembly line? What materials should be used in the production of a particular good? By what methods should it be produced? In what quantity and quality should it be produced? Should a new plant be opened? If so, where? Should an old one be expanded, contracted, or discontinued altogether? Should a new invention be implemented at this time? Next week? Next year? Or not at all? etc., etc. The fact that one man is more productive on an assembly line than another is no help whatsoever in answering these crucial questions.


Thus, Sweezy falls into the very error that Mises warned of a half century ago: the confusion of technological with economic problems. Technology can only tell us the various ways to produce a thing. It cannot tell us which method we should adopt to produce it or if it should even be produced at all. These are economic problems. One can increase productivity in a given area by building a technologically modern plant. However, whether the plant was economically desirable or actually impeded the satisfaction of more important desires in other areas by diverting needed resources to the production of the new plant is an altogether separate question. The latter can be handled only by economic calculation. Technology

and value are distinct concepts. It is clear that Sweezy fails to understand the nature of the problem raised by Mises.

Conclusion

In 1920 Ludwig von Mises demonstrated the impossibility of socialism. Since that time there have been periodic attempts to refute Mises and establish socialism's practicality.¹⁴ Two of the more famous "refutations" were exam-

ined here and found to be lamentably deficient. Unfortunately, Mises' attack is simply ignored by most socialists. In Leo Huberman's presentation of the Marxian economic theory in *Monthly Review* as well as in Michael Harrington's recent *Socialism*, to cite just two examples,¹⁵ Mises is never mentioned, nor the possibility of socialism ever questioned.

Silence, however, cannot change economic law. 

• FOOTNOTES •

¹ See Paul Craig Roberts and Matthew Stephenson, *Marx's Theory of Exchange, Alienation and Crisis* (Stanford, California, 1973).

² Frederick Engels, *Socialism: Utopian and Scientific* (New York, 1972), pp. 72-5; also see Karl Marx, *The Critique of the Gotha Programme* (Peking, 1972), p. 14: "With the cooperative society based on common ownership of the means of production the producers do not exchange their products."

³ Ludwig von Mises, *Socialism* (London, 1969), pp. 220 and 137.

⁴ *Ibid.*, p. 215.

⁵ Ludwig von Mises, *Bureaucracy* (New Rochelle, 1969), p. 33.

⁶ Mises, *Socialism*, pp. 117-18.

⁷ Ludwig von Mises, *Human Action* (Chicago, 1966), p. 335.

⁸ Mises, *Socialism*, pp. 115-17.

⁹ Mises, *Human Action*, p. 600.

¹⁰ See, for example, Lancelot Lawton, *An Economic History of Soviet Russia* (London, 1932); and the same author's *The Russian Revolution* (London, 1927); and Michael Farbman, *Bolshevism in Retreat* (London, 1923).

¹¹ Oskar Lange, "On the Economic Theory of Socialism," *Soviet Economics*,

ed. Alec Nove and D. M. Nuti (Baltimore, 1972), pp. 92-110.

¹² Paul Craig Roberts, "Oskar Lange's Theory of Socialist Planning," *Journal of Political Economy* (May, 1971), p. 566. Roberts also points out that since the marginal rule is only an illustrative principle it does not provide any guidance for decision-making in the real world. Hence Lange's model isn't sound even on its own terms.

¹³ Paul Sweezy, *The Theory of Capitalist Development* (New York, 1942), pp. 41-5.

¹⁴ Others include H. D. Dickinson, "Price Formation in a Socialist Community" *Economic Journal* (June, 1933), pp. 237-50; and Jan Drenowski, "The Economic Theory of Socialism: A Suggestion for Reconsideration" *Journal of Political Economy* (August, 1961), pp. 341-54; for a critique of the latter's position see P. C. Roberts, "Drenowski's Economic Theory of Socialism," *Journal of Political Economy* (July, 1968), pp. 645-50.

¹⁵ Leo Huberman, "Value and Surplus Value," *Monthly Review* (July, 1949), pp. 90-6; and "The Accumulation of Capital," *Monthly Review* (August, 1949), pp. 123-28; and Michael Harrington, *Socialism* (New York, 1972).

REGULATION

Helps the Rich and Harms the Poor

BERNARD H. SIEGAN

THE BELIEF that we need governmental regulation to prevent the rich from exploiting the poor is at the basis of many laws. It happens to be wrong; usually regulation benefits the rich much more than the poor.

Fifty years of zoning experience in this country supports this conclusion. Zoning is one of our most pervasive forms of regulation, and its effects are by now apparent and beyond conjecture. They show that instead of providing for the public welfare, it has done well only for the private welfare of the well-to-do. It has generally been harmful to those of average and less income. The most

notable exceptions, it seems, are the fortunate ones who become politicians and planners controlling zoning. If they do not become rich, at least they become powerful.

This is how zoning has discriminated against the less affluent persons in our society:

1. The best means for lowering the cost of housing, both new and existing, is to increase the supply. Zoning does exactly the reverse. It restricts the production and supply of real estate from housing to stores. Hardest hit as a result, are those with the least money. For a family struggling to maintain financial solvency, almost any increase in rent can be a serious handicap.

Consider the case of two Texas cities separated by only 242 miles: Dallas and Houston. Dallas has been zoned since the early 30's and Houston has never adopted it.

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Both have quite similar economic profiles. There is one major exception however: cost of rent. Apartment rentals in Houston are distinctly lower because the supply of land for apartments is not restricted by political and planning considerations.

2. Most affluent suburban and rural communities erect zoning barriers to exclude apartments and townhouses. When apartments are permitted, they usually have to comply with rigorous "snob" construction and design standards that make them affordable only by the wealthier. Their practices with respect to mobile homes are worse. These units catering frequently to families that would otherwise seek government housing subsidies are excluded from vast portions of this country.


3. Typically, these communities also do not want inexpensive homes in their midst. So they require, among other things, large lots or large amounts of interior space per dwelling, both of which add to the bill.

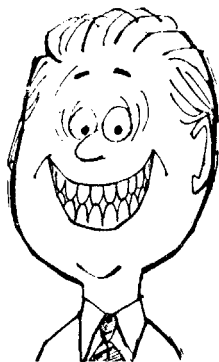
4. The practical operation of zoning raises development costs that are passed on to the consumer. When the local authorities rezone property for single or multiple family purposes, they are likely to extract conditions, legal and sometimes extra-legal, which can be quite expensive. The in-

stallation and maintenance of swimming pools and recreational facilities, for example, add significantly to the cost of housing. One of the motives behind these practices is to keep out projects that attract people of lower incomes.

5. Zoning prohibitions tend to curtail the construction of stores and repair shops within walking or short distances of homes and apartments. In areas lacking public transportation, this creates inconvenience and hardship for a family without a car or with only one older one, particularly if it is used by the husband during the day. The rise in gasoline prices adds to the problems.

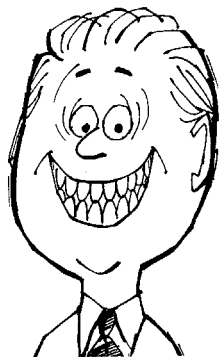
6. Zoning is harmful to the interests of small builders. There are now so many zoning rules and regulations that it requires the services of lawyers and sometimes planners to process almost any changes. Moreover, obtaining zoning approval may take months or years and that involves the expense of holding or optioning property. These conditions are eliminating small builders to the advantage of the large ones who are in a much better position to cope.

These facts hopefully should help put to rest a major myth of our society. The zoning story is not unique; it is duplicated in other areas of regulation. 



Dog-Eat-Dog Competition

M. NORTHRUP BUECHNER



THE CHARGE of "dog-eat-dog" or "cutthroat" competition is not among the heaviest weapons in the anti-capitalist arsenal, but neither is its significance trivial. It was an important factor behind the Interstate Commerce Act of 1887, the first major intervention by the Federal government into private business in this country. In the depression of the 1930's, during Roosevelt's first term, it was the major impetus behind the attempted cartelization of American business through the National Recovery Administration. It is the primary reasoning behind some statutes of the antitrust laws, especially the Robinson-Patman Act. And it is a not infrequent complaint of businessmen who have gone to Washington to seek subsidies or other forms of government support.

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Further, the concept of dog-eat-dog competition is used to support what *is* one of the heaviest weapons in the anti-capitalist arsenal, the charge that a free economy generates monopolies and monopoly power. Specifically, it is alleged that if left unrestricted, competition will result in firms destroying one another until every industry, and perhaps the entire economy, is dominated by one or a few firms.

But the most important influence of the dog-eat-dog view of competition is in its moral perspective. It projects and implies a view of competition as malicious, degraded and corrupt, and by extension, since competition is the motive power of a capitalist economy, the same view of capitalism. It is this view of competition as vicious, antisocial, destructive behavior that is a significant factor in the willingness of politicians, the courts, and the people generally to forcibly modify competitive

action through government law. And the same implicit view of the immoral nature of competition has served to undermine the willingness and ability of those who would defend capitalism. The subject of dog-eat-dog competition therefore is worthy of serious attention.

A Valid Concept of Competition:

First Step

The businessman is most likely to complain of dog-eat-dog competition when the process of competition seems to be reducing his profits and perhaps threatening the survival of his business. He feels himself attacked by his rivals in the market because their activity is in fact having the effect of damaging his economic welfare. It seems to him that the competing businesses are in the position of dogs fighting over the same scrap of meat and like dogs, in order for one of them to be free to eat or enjoy the trade in peace, he will have to kill off the others. This is the spectre that the concept of dog-eat-dog competition calls up: two or more parties each of which must destroy the others in order to survive. It is in fact a totally invalid view of competition.

However, to prove that the dog-eat-dog view of competition is invalid, it is first necessary to establish a valid concept of compe-

tion as a standard for evaluation. As a first step in that direction, everyone's concept or idea of competition will have the following as an essential, if implicit, element: the activity of two or more parties trying to acquire a value which only one can have.¹ For the meaning of value here and in the remainder of this paper, I follow Ayn Rand's definition, "that which one acts to gain and/or keep."²

There are a number of aspects to this approach to competition that need to be explicitly identified and emphasized. First, competition is a kind of *activity* or *action* (as distinguished from the usual economic approach that describes "pure competition" as a kind of condition or state of reality). Second, there cannot be competition where there is only one party or participant. A solitary individual or firm would have nobody to compete *with*. Third, and most important, competition is an activity that arises only when the value pursued can only be had by

¹ When I say "everyone," I exclude only modern economists whose concept of "pure competition" is the opposite of this; i.e., under "pure competition" there is no pursuit of values which only one can have.

² Ayn Rand, *The Virtue of Selfishness*, (New York: The New American Library, 1964), p. 5. It is not possible to do more than mention here the overwhelming significance that this concept of value has for the science of economics.

one, when the acquisition of that value by one of the competitors necessarily excludes everyone else from its possession.³

Viewed in this way, "competition" is a very broad concept covering a tremendously wide and disparate range of activities. However, this is entirely consistent with the way the term is used in reality, for "competition" is not restricted in its application to economics and business. It has been the habitual neglect of this very fact and the treatment of competition as if its meaning *were* limited to the business world that has been a major source of error on this subject. The economists' purely competitive view of competition could never have been accepted if any attempt had been made to integrate it with the other forms of competition. Therefore it is worthwhile reviewing some of the alternative uses of "competition" in connection with the definition advocated here.

Some Applications of "Competition"

Perhaps the most widely used alternative application is to games. In any game, the value pursued is "winning," the meaning of winning being defined by the rules of

the game. What makes the activity of a game competitive is that normally there can only be one winner. (Games are in a class by themselves as far as competition is concerned because of the artificial context, established by the rules, in which the competition takes place. We shall return to this shortly.)

The concept "competition" is also used in connection with the activity of a political campaign. One aspect of a political campaign which makes it a type of competition is that not both parties to the campaign can be elected. If both McGovern and Nixon could have become President at the same time, the election campaign would not have been competition, and obviously the nature of the entire proceeding would have been radically altered. And we can also talk about the competition of two men for the love of the same woman. Again, it is competition in part because in our society, she can only marry one of them. In a different society, where a woman could have two or more husbands, it would not necessarily be competition.

In the competition of the business world, the common value pursued by two or more firms is the customer's dollar. Two businesses are in competition with one another when their relationship is

³ I believe I am indebted to George Reisman for this point in my approach to competition.

such that the same customer in pursuit of some specific economic value could potentially spend his money with both of them. What makes their relationship competitive is that what is potential for both can only be actualized for one, i.e., the potential customer can actually spend a given dollar only once. It is this pursuit of the customer's dollar that gives rise to all the business activity that is commonly regarded as competitive: cutting prices, improving quality, offering better services, giving guarantees, running sales, advertising, providing attractive surroundings, etc. It is this type of activity that characterizes an entire capitalist economy from top to bottom and it is specific concrete actions of this kind that are subsumed under the concept of competition as it is applied to the business world.

**A Valid Concept of Competition:
Second Step**

There is something very important that all these concrete actions have in common. They all involve the creation and offering of values. A lower price is a value to a customer and so is a better product. Pleasant surroundings, good service, guarantees, are all values which the business offers as the *means of competing*. (Advertising is the way that businesses make

the public aware that the values they offer are available.) If competition is the *activity* of two or more parties trying to acquire a value which only one can have, the specific activity involved is making values available, offering values, creating values, putting values on display. It is this value-centered activity that is the content of "competition," the type of actions that are actually subsumed under the concept. That the value pursued can only be had by one sets the general context; that the method of pursuit is the offer of other values gives the specific meaning.

That the content of competition is making values available is true of every form of real world competition, not just business competition. The competition of a political campaign is putting values on display in the form of personal appearances by the candidate and offering values in the form of campaign promises and position papers. People vote for the candidate they think has the most values to offer. Two lovers trying to win the same girl do so by displaying the values of character and personality they have that they hope she will fall in love with. All competition is essentially a pro-value activity, in some way directed at announcing, creating, displaying or offering values.

Competition in Games

The only exception to this is the competition that occurs in games. It is an exception by virtue of the fact that the rules of the game normally carry the activity involved entirely outside the context of normal human interaction. In a game, the specific form that competitive action takes is entirely defined by the rules of the game and can be anything the rules prescribe. The rules of the game are in turn limited by the fact that the purpose of the game is to amuse and entertain the participants or spectators or both. But apart from that specific purpose, and as far as normal human relations are concerned, the rules of the game are arbitrary. Outside the context of the game, there is no rational basis for the furious dispute we see concerning the movement of a leather ball over the hundred yards of a football field. In the real world, to smash yourself head first into the body of a stranger is assault and battery. On a football field, it may be blocking or tackling and is part of the competitive activity defined by the rules. Similar examples could be drawn from almost any game.

The reason that a game's competition need not take the form of offering values is that the playing of the game itself presupposes the voluntary agreement that is the

raison d'être for the offer of values. In the absence of force, any kind of human interaction requires the consent of all parties, and values are offered in order to secure that consent. This is the root in reality of the fact that real world competition takes the form of offering values. But since the players of a game have already established the context of voluntary consent by agreeing to play, the interaction that takes place within the game need not require any further agreement and hence no further offering of values. By contrast, in the real world, there is no set of rules spelled out in advance and consequently most continuing human relationships depend on a continuing offer and acceptance of values.

Competition versus the Use of Physical Force

Competition in the real world does not include as a kind of activity the destruction or theft of values. Consequently, it does not include the use of physical force or violence or any derivatives thereof. The use of physical force is always essentially anti-value, being inevitably directed at either the destruction or confiscation of someone's life, liberty or property. This is true whether the force is used criminally, in initiation, or properly, in retaliation. Whether

he is an innocent victim or a hunted criminal, the recipient of force always experiences it as an attack on his values. It is the essentially anti-value nature of force that explains the reason for its existence, i.e., if it were not directed against somebody's values, the force would not be necessary.

There is another sense in which the retaliatory use of force by the victim against the criminal is pro-value, for the victim uses force to preserve and maintain values that are rightfully his. However, the anti-value basis of the efficacy of force can still be seen in the fact that the intended victim maintains his values only by threatening or destroying the life, liberty or property of the criminal, as does the government when it acts as the victim's surrogate. There is nothing competitive about the use of physical force.⁴

Thus, all the activities associated with "Watergate" are not considered a normal part of the competitive process of the past political campaign. Nor would it be considered competition if one political candidate had his opponent assassinated. And if one of a

woman's suitors should throw acid in the face of a competitor to disfigure him, that would not be a competitive process of wooing her love. Contrary to a leading economic principles text, war is *not* a form of competition.⁵ It fulfills the condition of the general context for competitive activity in that the value sought, victory, can only be reached by one of the parties. But war is essentially anti-value, destructive of values, the key to success being the extent of the destruction that can be inflicted or threatened against the enemy. As such, in terms of the fundamental meaning and significance of the activity involved, war is the opposite of competition.

Nor would it be considered part of the competitive process in the business world for a businessman to dynamite his competitor's plant or to murder the manager of a competing firm. Competition in business always takes place by means of the creation and offering of economic values in trade or exchange. It does not include any activity that involves the initiation of physical force, since such activity contradicts the basic nature and motive power of competition. Consequently, the suing of

⁴ This discussion of the use of physical force is much indebted to the writings of Ayn Rand. See especially *For The New Intellectual* (New York: Random House, 1961), pp. 164-66, and *Capitalism: The Unknown Ideal* (New York: The New American Library, Inc., 1966), pp. 39-41 and 299-300.

⁵ Armen A. Alchian and William R. Allen, *University Economics*, third edition (Belmont, California: Wadsworth Publishing Company, Inc., 1972), pp. 11-12.

a superior firm by an inferior under the antitrust laws, very popular today,⁶ is not competition either. Economic competition should be defined as *the activity of two or more firms pursuing the same customers' dollars by offering the highest values in exchange.*

Three Implications of Dog-Eat-Dog Competition

Now, having established a valid concept of competition, we are in a position to critically evaluate the view of competition as "dog-eat-dog." That label is intended to draw a parallel between the activity of dogs fighting over a piece of meat and businesses competing for customers and to suggest that there is no essential difference between the two cases. It is true that if one dog gets the meat, that necessarily means the other dog or dogs cannot have it. To that extent, and to that extent only, there is a parallel between the general contexts in which competition and a dog fight may take place. However, that general context is not the primary or essential issue. As we have seen, war and competition have that much in common. More important are the things suggested by the dog-

eat-dog view of competition which in fact are not true of any real world competitive relationship. There are in fact three such implications of the dog-eat-dog view.

First: Obsessive Concern with Other Firms

The first thing suggested by the dog-eat-dog view is that the primary focus of attention of competing firms is on each other, that each firm directs all its actions at the other firms in the industry. Of the three implications of "dog-eat-dog," this is the only one that is true even of dogs. If two dogs are fighting over a piece of meat, each dog must be primarily concerned with the other dog and direct all its actions at the other dog in order to win the fight. This is not the case in business. Competing businesses are not engaged in a fight, there normally is no winner at all, and the primary focus of attention and direction of action is not at the other firms. This is not to say that firms in competition with one another do not have to be concerned with what each other is doing, as they certainly do. But the primary method, the *action* of competition, is in the creation and offering of economic values, more concretely, in the production and sale of goods and services. And consequently, the primary activity and focus of

⁶ See *Business Week*, "Is John Sherman's Antitrust Obsolete?", March 23, 1974, p. 54.

concern of a business firm must be on the production and sale of its own goods.

Concern with what other firms are doing is a side issue. It comes up and is relevant only in so far as it may affect the firm's ability to sell its own goods. It is meaningless in fact for one firm to be concerned with another apart from that specific issue. Since competing firms are not engaged in a fight, in any direct physical contact, the only impact they can have on one another is through each other's sales. It is because of that impact that firms do have to be aware of changes in the quality of the competition's product, their prices, services, advertising campaigns, etc., not as an end in itself, but as relevant information for the firm's determination of its own quality, price, advertising, etc. But rationally, the firm's primary focus of concern must be on its own productive activity, not on what the competition is doing. The way the firm competes is through the offering of values. A firm or an entrepreneur obsessed with what the competition is doing, as suggested by "dog-eat-dog," would have no values to offer.

Second: Formalized Theft

The second thing suggested by the dog-eat-dog view is the idea that competition is the process of

one party struggling to take something away from someone else, a kind of formalized theft. This is not true even of two dogs fighting over a piece of meat. Since the meat does not belong to either of the dogs, the winner cannot be said to have taken it away from the loser. However, it has significantly greater plausibility with dogs than with human beings, since the concepts of individual rights and property do not apply to dogs. With human beings and business competition, the customer's dollar pursued is the *property* of the customer until he spends it. No businessman can have any prior claim on the customer's money, and consequently he has had nothing taken away from him if that customer or all customers choose to spend their money with his competitors.

Even if a business has a customer of long standing that it has come to count and rely on, that does not change the fact that in a free society all men are free agents and can belong to no other man. If that long-standing customer changes his mind and starts to patronize a competitor, nothing has been taken away from the business that loses the customer in any fundamental sense. The complaints in such a case arise from a refusal to acknowledge or recognize that the customer did

not *belong* to the business, the business did not *own* the customer, the customer was not the *property* of the business in the first place. Competition is not a process of businesses trying to take values away from one another but rather a process of creating values and offering them for exchange on the market.

Third: Destruction or Elimination of Competing Firms

The third and by far the most important implication of the dog-eat-dog view is that the goal of competing firms is the destruction of one another, that success in the market place means the elimination of the competition. Again, such a view is not true even of dogs. When two dogs fight over a scrap of meat, the success of one does not depend on the death of the other; it depends only on winning the fight. However, even this view of success in the dog world is not applicable to economic competition.

The concept of a "winner" in the dog-eat-dog sense has no relevance for competing firms. The obvious reason is that virtually all real world markets will support more than one firm. There may be some plausibility in calling the firm with the largest share of the market the temporary winner, but "winner" in this context does not mean the exclusion of everyone

else from the prize as it does for the two dogs. While in each specific case, a dollar spent with one firm cannot also be spent with another, one sale or one customer is not the condition of success or failure. The normal condition is that most of the firms in the market can continue to survive and prosper and make profits over the long run with a reasonably efficient performance. The success of one does not depend on the destruction of anyone else, but rather on the quality of the firm's own productive efforts.

The primary goal of the firm is not the destruction of other firms but the acquisition of the customer's dollar, the maximization of profits. The primary means to that goal is production of the best product possible at the lowest possible price. If other firms are driven out of business in the process of pursuing that goal, it is normally entirely incidental. The goal was not the destruction of other firms, but the maximization of profits. New firms are constantly opening for business and failing, not because competing firms set out to destroy them, but simply because they could not match the competition's quality and/or price at a cost which would allow them to make profits.

Cases do occur where one firm cuts its price expecting to drive

some competitors from the market, pick up their customers, and increase its own business and profits. I am not speaking here of predatory price cutting, which is another anti-capitalist myth, but of the case where one firm is genuinely more efficient than others and can continue to make profits at prices that drive other businesses into bankruptcy. Again, the focus of the price-cutting firm's concern is not on driving other firms out of business, but on increasing the size of its own market. The elimination of the other firms is incidental. The businesses being driven from the market under such circumstances may complain that it is "dog-eat-dog" or "cutthroat competition," but that is not its basic motive or purpose.

Dog-Eat-Dog Competition in the Real World

Is it possible for the conditions implied by "dog-eat-dog" to exist in the real world? Is it possible for there to be more firms in a market than the market can support so that the survival of some does depend on the elimination of others? Yes, it is possible. It can come about in essentially two alternative ways. First, a highly profitable new and/or growing industry may attract so many firms that everyone ends up making losses. The classic example is the

railroads in the 19th century. However, such a situation represents a serious error in business judgment about the potential long-run profits in the industry, and we should expect it to be rare in the free market. In the case of the railroads, they were overbuilt in the pursuit of government subsidies and land grants, not as the result of private errors in the pursuit of private profits.

The second alternative is that an industry which is not overbuilt to begin with may suffer a change in market conditions, most likely a decrease in demand, which results in all or most of the firms taking losses. The decrease in demand can occur for two reasons: (1) a shift in demand away from this product to something else, or (2) a general decrease in demand as a symptom of a recession or depression. In either case, the consequence may be too many firms in the industry for existing market conditions.

These are the conditions under which the cry of "dog-eat-dog competition" is most likely to be heard. The implication of the cry is that the process of competition itself is destroying the firms in the industry; and if we interpret competition as only the offer of values, then there is a sense in which competition is to blame. The problem is simply that too large a quantity of goods (values) is being

offered on the market, as we shall see.

But competition, aggressive competition, is not just the process of churning out goods. It is the pursuit of the customer's dollar by offering the highest values in exchange. In that context, firms may lose money as the result of competition if another firm or firms consistently offer higher values and attract most of the customers. But under the dog-eat-dog conditions described above, all or most of the firms are losing money and none of them is doing well. Their losses, therefore, cannot be the result of unusually aggressive competition because the firm initiating such competition, offering the higher values and attracting the customers, should be making good profits. No, the firms are losing money not because competition is abnormally intense, but because of the Law of Demand.

Dog-Eat-Dog versus the Law of Demand

The Law of Demand says that larger quantities can only be sold at lower prices and smaller quantities can be sold for higher prices. If all the firms in a market are losing money, the fundamental reason must be that under existing demand conditions, the total quantity the firms want to sell can only be sold at a price below costs. Ob-

viously, this is a situation that cannot continue. No firm can go on indefinitely producing at a loss. Eventually the least efficient firms will leave the industry and when they do this will reduce the total quantity to be sold on the market. The smaller quantity in turn can be sold for a higher price, and this process will continue until the firms remaining in the market can make profits. The crucial point for our purposes is that it is not competition that causes losses or drives firms from the market under such conditions, but the relation between the demand for the product and the cost conditions facing the firms.

This last point is the basis for the answer to the charge that dog-eat-dog competition results in monopolization. When existing firms are being driven out of a market under the circumstances described above, it is because of the conditions that exist in that market. Firms will stop leaving when those conditions change, and it is the process of firms leaving that is the means to changing those conditions, i.e., reducing the quantity sold and raising price. The cause of the problem is not in the competition, and there is nothing about the nature of competition that inevitably leads to monopolization. The only way that monopoly can result from competi-

tion is if one firm can outcompete everyone else in the market, offering higher values than any other firm can match. Such a monopoly is very rare in the open market and represents a significant achievement. It is also clearly to the interest of the market's customers.

Summary and Conclusion Concerning Economic Competition

The fundamental means by which economic competition proceeds in the real world is the offer of economic values, placing goods and services for sale on the market. The concept of dog-eat-dog competition implies that competition is characterized by a paranoid obsession with what other firms are doing and proceeds through formalized theft and the destruction of other firms. As such, dog-eat-dog competition has no connection with competition as it actually exists in the business world or with any other form of competition.


Moreover, from the broadest perspective, the dog-eat-dog view implies that competition is a process of destroying values; other firms, other firms' customers, other firms' goods. Blowing up a competitor's plant and murdering the manager would be entirely consistent with what is suggested by dog-eat-dog. As such, this view of competitive action is not mere-

ly mistaken, it is the reverse of competition as it is actually carried on in reality.

The heart of competition is making values available, and any concept that suggests the opposite is viciously antisocial and destructive. This is not an abstract characterization but a factual indictment. It can be seen in the consequences of the policies listed in the first paragraph of this article, policies that have flowed from the dog-eat-dog concept. The Interstate Commerce Commission was created in part to prevent dog-eat-dog competition among the railroads and in the process has virtually destroyed them. The National Recovery Administration, set up to prevent dog-eat-dog competition among American businesses generally during the Great Depression, would have turned the United States of America into a fascist state. And the Robinson-Patman Act, designed to prevent some firms from harming or destroying others through low prices, has in practice operated as an attack on all price competition. Such are the consequences of a false concept.

It is bitterly ironic that the destructiveness which the dog-eat-dog concept attributes to real world competition has in fact been the consequence of the policies

generated by the dog-eat-dog concept. It becomes mind-staggering when one grasps that this is only a minor instance of a process which operates on a global scale. It is a process whereby a charge against capitalism generates government action which creates the evil alleged in the charge (e.g., the

charge that capitalism is economically unstable has led to government policies which have destabilized the economy). This perverse sequence of events can be found to have resulted from virtually all the attacks that have been directed against the capitalist system. 

The Nature of Monopoly

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

In my opinion, however . . . positions of monopoly power tend to be short-lived and relatively ineffective, except as they receive the positive assistance and protection of government. Or phrased another way, government in the United States has done far more to promote monopoly than to promote and permit competition.

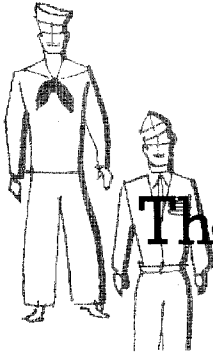
BENJAMIN A. ROGGE, "Is Economic Freedom Possible?"

IDEAS ON



LIBERTY

ROBERT MCNOWN
AND
DWIGHT LEE



The High Cost of the Draft

WITH THE EXCEPTION of the recent post-war period, the United States has always maintained an army of volunteers in times of peace. But it is claimed that our need for a large standing army because of the cold war would make an all-volunteer force prohibitively expensive. No one would deny that it is possible to staff an army of most any size with quality personnel if we were willing to offer sufficiently generous salaries. The objection is that this would simply be too expensive.

That an all-volunteer force is more costly than a system with conscription is an illusion. Manpower costs are not less under the draft, they are simply shifted onto one particular group, namely the draftees. The cost of a young

man's service in the military is measured by the value of those opportunities forgone. Generally the opportunity sacrificed here is a civilian job, with a value equal to the salary he could expect to receive. The President's Commission on an All-Volunteer Armed Force estimated that the military pay for draftees is only half that which they could receive in civilian work. Add to this salary discrepancy a possible preference for civilian over military employment, and it is apparent that the true cost of the draft is quite high. To the individual draftee the opportunity cost of military service is equal to the salary which he would have to be offered in order to be attracted to military service. Thus whatever savings the taxpayers garner through the lower military pay permitted by conscription appears as a cost to the individual draftee. Military budgets may be lower with a system based on conscription, but this does not imply

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that the social costs are lower. The draft merely shifts the burden of manpower costs from the taxpayers onto the young men of draft age.

Suppose, for example, that it would require a salary increase of \$3000 per man to attract volunteers equal in number to the present volume of draftees. For every man drafted to serve, the taxpayers save \$3000, but the individual draftee suffers a cost in terms of income forgone and aversion to military duty valued at \$3000. Manpower costs to society as a whole are no different in either case. The only difference is in who pays the costs — the taxpayers as a whole or the men who are unfortunate enough to be drafted.

Less Costly

Actually there are strong reasons for believing that an all-volunteer system will involve lower social costs than a system with conscription. Budget outlays will be higher of course, but this is not indicative of true relative social costs.

The most important savings to society will come in the form of lower rates of induction of those men with the highest opportunity costs. Those most productive in civilian life are those who earn handsome salaries. These are of

course the ones least likely to be attracted by military service, unless the military is willing to offer them comparable salaries. With the exception of medical doctors, however, the military will not generally be interested in paying salaries which would attract those who are unusually productive in civilian life. Movie actors, corporate executives, scientists, and writers, for example, are unlikely to make contributions to the military which are comparable to those made in civilian life, and it would be highly inefficient to have them inducted.

There will be additional savings through a more efficient use of all men of draft age, including those threatened by the draft but never inducted. Many men subject to the draft have gone to great lengths to redesign their lives in order to avoid conscription. Enrollment in colleges and seminaries, employment in draft deferred positions, and legal action to avoid the draft cost society \$2.50 for every \$1.00 saved the taxpayers through the draft.¹ The entire social fabric has been strained by military conscription, for in no other sphere of activity in our society do we permit such

¹ *The Report of the President's Commission on an All-Volunteer Armed Force*, Washington, D.C. 1970.

an arbitrary system of involuntary servitude.

Another reason for anticipating lower manpower costs would be that volunteers are likely to have a substantially higher reenlistment rate than draftees. Thus with an all-volunteer force there will be considerable savings in training costs as a result of the lower turnover rates. With a two-year tour of duty involving six months of basic training and a couple of months of processing for discharge, the military actually receives very little benefit from draftees who do not reenlist.

Finally, with manpower costs accurately portrayed by the salaries paid, the branches of the armed forces will have an incentive to utilize men more efficiently. When all inductees, from college graduate to high school drop-out, are paid a token wage of \$115 per month, and when an ample supply of men is guaranteed by conscription, there is virtually no incentive for the service to economize on the use of manpower. Stories of highly skilled or educated draftees being sent off to do menial labor were commonplace in the "old army." With the military paying the true cost of labor services there will be an incentive to allocate scarce labor resources to lines of activity for which they are most suited. It will

also become worthwhile to substitute non-human resources and civilian personnel for military manpower in those cases where such tasks can be performed more cheaply. When the cost to the army of an enlisted man is a nominal \$115 per month, there is little reason to seek ways to economize on the use of this resource.

The All-Volunteer System Under Trial

Largely on the basis of such arguments, the Congress was induced to try out the all-volunteer system. As of January, 1973, the armed forces have officially been attempting to fill their manpower needs without use of conscription. Higher salaries, more attractive life-styles, and large promotional activities have been employed in the effort to attract volunteers. After about one year of this system, the all-volunteer army has come under attack from several influential military officials and congressmen. They cite several reasons why they believe the all-volunteer army is bound to fail.

Firstly, they bring up the old argument that it is just too expensive to support a two-million-plus army on a voluntary basis. But we have seen that this argument is fallacious. Whatever savings the taxpayers realize is a burden imposed directly on the

draftees. The issue is not concerning a difference in total costs; it is rather over who incurs those costs.

The critics of the all-volunteer system also contend that neither quality nor quantity quotas are being satisfied with present recruitment programs; that a return to conscription is needed to acquire the educational and skill backgrounds needed in today's army. This could be merely a problem of transition. Re-enlistment rates for draftees are understandably lower than those for volunteers. As we move towards an all-volunteer army, the overall re-enlistment rate should rise as the proportion of draftees in the army from previous years is gradually reduced. Once transition is completed some of the quality and quantity deficiencies should be overcome through higher re-enlistment rates. It is also likely that salaries are still inadequate to attract the high caliber of personnel the army desires. A recruit today is paid \$307 per month, and a sergeant with four years of service makes about \$450 plus \$80 to \$120 per month in housing benefits. While this is a considerable improvement over wages of four years back, it is not hard to imagine that more attractive salaries may need to be offered if skilled and educated men are to

be attracted into a highly disciplined, often dangerous career. The military pay bill which was to permit us to move towards an all-volunteer system did not provide for a level of pay which the President's Commission on an All-Volunteer Armed Force recommended. Compromises were made particularly at the expense of the new enlistees. Considering that this group received no pay increases between 1952 and 1965, we might expect that salary increases will need to be somewhat more generous if we are to attract the caliber of personnel desired by our armed forces.

Some also fear that the higher manpower costs will lead to cutbacks in non-personnel defense expenditures. If this were to come about, it could only be a result of citizens and congressmen reacting to new information about the true cost of military activities to society. If the only way in which citizens can be convinced to maintain an extravagant military is by hiding some of the costs behind the blanket of conscription, then it seems clear that too many resources are in fact being allocated to military purposes.

Minority Control

Finally, there is the fear that an all-volunteer army would become dominated by blacks and

other disadvantaged minority groups. It certainly is the case that economically disadvantaged groups will be attracted in disproportionate numbers because of their relatively low alternative income earning opportunities. Blacks have in fact accounted for 20 per cent of enlistments in recent months, while they comprise only 14 per cent of the service-age population. A disproportionate number of blacks in the armed forces may or may not be an undesirable thing. Some would take the position that the army is interested in particular skills and abilities, and the color of the body in which these attributes are housed should make little difference. What is objectionable about a disproportionate number of black enlistees is the underlying economic condition which this reflects. It is appropriate to try to deal with economic inequalities at

the source, not to circumvent a result of these inequalities by imposing a new inequity, namely involuntary servitude.

In conclusion, it is apparent that most of the objections to an all-volunteer force derive from the position that it is simply too expensive. This is, however, an illusion. A reasonable measure of the social costs of a standing army obtained by any method is the value of the opportunities forgone. The social costs of a standing army of 2.2 million men is approximately equal to the incomes sacrificed when these men are taken from the civilian sector. A \$5 billion savings to the taxpayers in lower military pay as the result of conscription is merely a transfer from one group—the draftees—to another, namely the taxpayers. A less equitable system could hardly be imagined. ❁

Equality vs. Liberty

It is *equality of freedom and independence* that gives unto man his opportunity to be rich or poor or to be good or bad. Equality of men leaves no choice, because if all men are equal by nature or inherently there can be no differences and no distinctions. All have an equal right to stand at the judgment bars of God and man — but all are not entitled to the same judgment. Virtue and depravity are not entitled to the same rewards on earth or in Heaven.

IDEAS ON



LIBERTY

LAW VERSUS TYRANNY

Morality once shattered destroys the people and the ruler. Outside of prison and this side of hell men are not bound together by the club but by the consciousness of moral obligations.

— Walter A. Lunden

ACCORDING to Thomas Fuller, the 17th century Royalist historian and preacher: "Law governs man; reason the law." This doesn't seem right to me or, at least, seems contradictory to Professor Lunden's observation about moral obligations.

Does reason govern law? If so, reason would appear to be a low-grade faculty, for there are as many varying conceptions of "law" as there are persons who use the term. Indeed, most of us use "law" loosely, meaning now this and then that. Were reason to govern, it would seem, at the very least, that we should have a sounder conception of what law is than is now the case.

In this context, what is law? Is it a body of legal edicts backed by force? Or a consciousness of moral obligations? Or, if some combination of the two, which takes precedence?

These and many other related questions need some careful reflection if reason is to govern.

Lord Keynes, in 1938, speaking of the time when he was twenty, said of himself and his friends:

We repudiated entirely customary morals, conventions, and traditional wisdom. We were . . . in the strict sense of the term, immoralists . . . we recognized no moral obligation, no inner sanction, to conform or obey. Before heaven we claimed to be our own judge in our own case. So far as I am concerned, it is too late to change; I remain and always will remain, an immoralist . . .

In a recent comment on that passage, Henry Hazlitt suggests that "it is the spread of precisely this attitude since then to ever-widening circles that helps to explain the moral and political decay in the last few decades."

As to which takes precedence —

a body of legal edicts backed by force, or a consciousness of moral obligations – I say, contrary to Keynes, the latter. In describing himself as an immoralist, Lord Keynes was saying that no moral laws or ethical imperatives are to stand in the way of desires and actions or to otherwise restrict his thoughts and deeds. And the result is an outpouring of legal edicts inspired by him and his disciples and designed to control the affairs of society.

Now to my faith. I am a moralist. I subscribe to the proposition that there are laws of nature and the universe, of Creation, that should be discovered and respected. I believe that all man-made laws – legal edicts – which go beyond codifying and complementing the moral law, serve not to bind men together but to spread them asunder, creating chaos rather than harmony, tyranny rather than peaceful order.

Fundamental to my faith is the rejection of government as the *sovereign* power. This puts me on the side of the writers of the Declaration of Independence:

. . . that all men are . . . endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness.

By proclaiming the Creator as the endower of men's rights, they proclaimed the Creator as sovereign, denying government that ancient and medieval role. Moralists!

Being a moralist also links me with Walter Lunden, F. A. Hayek, Henry Hazlitt, and an encouraging number of other moralists and ethicists of increasing influence. However, this does not mean that all of us see precisely eye to eye. That would be as undesirable as it is impossible. Why? It is our differences that serve as steppingstones to truth, an infinite pursuit. We agree on being moralists, not immoralists, moral values being the correct vantage point from which to look for improvement, refinement. Thus, let each share whatever his best thoughts reveal – the upgrading procedure, that is, learning from each other, catholicity the rule.

Foundations of Morality

What are the foundations of morality? Moralists have varying answers to this question. My foundations are the Golden Rule and the Ten Commandments. The Golden Rule, in my view, is the prime tenet of sound economics and, doubtless, the oldest ethical proposition of distinctly universal character. Let no one do to others that which he would not have them do to him; that would be

just about the ideal, economically, socially, morally, ethically. Admittedly, this is more a goal than a likelihood, but it is goals we are considering.

There are moral values which are appropriately reinforced by man-made law, and other moral values which do not lend themselves to legal implementation. Let us examine the Ten Commandments to find where man-made laws are appropriate, that is, where they are complementary to the moral law, and where not.

Man-made laws — legal edicts backed by force — are inappropriate when directed at what the individual thinks or believes or does to himself. A man's inner life can only be impaired, never improved, by coercive forces. Government is but an arm of society and its only proper role is to codify and inhibit injuries inflicted on society, that is, on others than self. Self-injury is subject to self-correction — none other!

Take the Commandment, "Thou shalt not covet." Enforce this by a man-made law? The absurdity is obvious. Envy is the root of many evils — stealing, killing, and the like — yet it cannot be done away with by the gun, billy club, fist, or any other physical force. Might as well pass a law against stress or worry or despair or man's thoughts about the hereafter or

against suicide for that matter. The you's and I's — society — may lament the ills many people inflict on themselves but we cannot correct them by legal concoctions.

The moralist concedes that there is good and evil in the world — in man — in any man — that there is a moral law by which one may distinguish the good from the evil. But he knows that he is powerless to relieve any individual of the certain consequences of that person's immoral actions. Would he try to enact legislation to the effect that a person shall not be burned if he touches a hot stove or drown if he stays indefinitely under water without air? Such human enactments would be inconsistent with the moral laws of cause and consequence — would indeed be a form of tyranny, an invitation to lawlessness in the mistaken belief that one might violate the moral law with impunity.

Protective Prohibitions

Here are a few samplings of prohibitions by a government out of bounds, minding your and my business: driving a car without seat belts, staying away from school, working for less than \$2.00 an hour, laboring more than 40 hours a week, keeping stores open on the Sabbath, exchanging the fruits of one's labor for gold, on and on. All in the name of protect-

ing the you's and me's against ourselves. Law? Not the way a moralist would define it! These are tyrannies.

Clearly, the moral law takes precedence over the legal edicts of civil law. The latter serves a useful purpose *provided* its limited role is understood and heeded. When statutory law invades the domain of the moral law, it is itself ineffective and it paralyzes moral action; it creates a vacuum.

Coercively enforce an observation of the Golden Rule when only self-enforcement is possible? Nonsensical! Can the government stop covetousness by making it illegal? Of course not! The role of civil law should be limited exclusively to inhibiting such injuries as some inflict on others, never directed at injuries we inflict on ourselves.

My moral code is founded on the Golden Rule and the Ten Commandments, and I would call upon the civil law to help enforce only these: "Thou shalt not kill," "Thou shalt not steal," and "Thou shalt not bear false witness."

Conceded, killing, stealing, and bearing false witness inflict self-injury: the destruction of one's soul, the loss of neighborly respect, the reduction of projects for cooperation. However, each of these evils inflicts injuries on others and thus becomes a societal problem.

Such destructive behavior should be inhibited, insofar as possible, by the organized and legal arm of society — government.

Mass Murder

All but the mentally deficient stand against the murder of one by another and more or less agree that one means of minimizing the practice is to oblige the murderer to pay the penalty for his crime.

Mass murder, on the other hand — killings by the millions — is not so much frowned upon. Why? These are done in the name of a collective and thus are thoughtlessly regarded as impersonal. I didn't do it; the nation (or some other abstraction) did it! Witness the Crusades in the name of Christianity or the Thirty Years' War in Central Europe, or what goes on more and more in our time.¹ The Commandment, "Thou shalt not kill," is no less broken when done in the name of a collective than when one man kills another. What is the explanation for this calamitous trend? In my view, omnipotent government, that is government, not the Creator, as sovereign.

¹ For further reflection on this complex matter, see my "Conscience on the Battlefield." (Copy on request.) The Thirty Years' War witnessed the slaughter of millions of people "to the glory of God"! See *Grey Eminence* by Aldous Huxley (New York: Harper & Bros., 1941).

Only those who reason clearly from cause to consequence stand foursquare in support of "Thou shalt not steal." True, not one in a thousand would steal a penny from a child's bank or a neighbor's goose or another's loaf of bread. Full respect for private property at the you-and-me level! Yet, people by the millions will ask the government to do the taking for them — billions upon billions of dollars annually. Plunder at the impersonal level! Why? The same old reason: government out of bounds, that is, government as sovereign. "The king can do no wrong; therefore, what he does for me at the expense of others is right." Sound reasoning? Hardly!

Those who cherish liberty are well advised to respect and defend the rightful claims of others. As Santayana wrote, "The man who is not permitted to own is owned." Observe that "Thou shalt not steal" presupposes private ownership, the bedrock or foundation of individual liberty. Why this assertion? How possibly could one steal were nothing owned! To disregard this moral law is to deny being one's own man; disobedience in-

vites enslavement — being owned. Merely observe how the fruits of individual effort are increasingly expropriated by the collective, how our options of ownership are being diminished. And the way to reverse this dreadful trend is to heed the Commandment against theft. Government's role here, as in the case of murder, is to inhibit these infractions of the moral law, not to promote them.

"Thou shalt not bear false witness" means not to misrepresent or defraud or falsify. Make a contract, keep it. Let all representations be truthful, whether they pertain to persons or to goods and services. False witness, having to do with injury to others, rationally warrants that the civil law help rescue us from this evil.

To my way of thinking, morality, once shattered, destroys the people and whoever or whatever presumes to rule. It is only the *consciousness* of moral obligations that binds men together. This is one reason why I am an unabashed moralist and why I hope that our tribe may increase in number and improve in consciousness. Amen!



Gibbon for Moderns



Gibbon for Moderns is the title chosen by Peter P. Witonski for his one-volume abridgement of Eighteenth-Century Edward Gibbon's famous history of the decline and fall of the Roman Empire (Arlington House, \$8.95). And, as part of his didactic purpose, Witonski adds a brief notice that he is presenting the more important parts of an always fascinating historical work for their "lessons for America today."

Since Rome, with its eastern extension in the Byzantine Empire, lasted for a couple of millennia, the "lessons" that are to be learned from Gibbon, Mommsen or any other historian of the rise, spread and decline of Latin civilization have a thousand faces. More than thirty years ago an American newspaper man, H. J. Haskell of the *Kansas City Star*, wrote a delightful book called *The New Deal in Old Rome*. His "lesson" was

that Henry Wallace, Harold Ickes, Rexford Tugwell and Franklin D. Roosevelt had had previous incarnations in the age when Gaius Gracchus was championing the Ever Normal Granary and when Augustus Caesar was going strong on the public works that changed Rome from a city of brick to a city of marble. If the New Deal (with its own modern version of "bread and circuses") hoped to succeed, it would have to do better than Rome. The problem was to build a society which, in Mr. Haskell's words, would provide "reasonable incentives for the free rise of a general staff of competent managers whose ranks are always open to fresh recruits." Writing in 1938, Haskell sounded a dubious note. Who and what would come after Wallace, Tugwell and Company?

Albert Jay Nock was more definite. He delighted in pointing out that all the panaceas had been

tried by the Romans and all had failed. Nero clipped the Roman coins, but inflation solved nothing. Diocletian tried unsuccessfully to fix prices. "Empire," in the form of extracting treasure from conquered provinces, ran out when the "movables" had all been removed, leaving only the slaves. The dependence on slave labor ultimately took its own toll by undercutting the free peasantry, who turned up in Rome to live on the dole.

Antisocial Solutions

Dero Saunders, a bright editor of *Fortune Magazine* whose avocation was dabbling in the history of antiquity, pushed the New Deal comparisons in the edition of Mommsen's *History of Rome* which he prepared with John H. Collins, a classical student. Mommsen's main "lesson," as passed along by Saunders, was that Robin Hood methods of solving the "social problem" end by tearing society apart, the result being anarchy that finds its Draconian cure in dictatorship.

Witonski's "lessons" are a bit more subtle than those advanced by Haskell, Nock, Dero Saunders and other Roman buffs of the past generation. Eschewing the "economic interpretation," Witonski identifies Rome not only with the decline and fall of a temporal em-

pire but also with the rise of Christianity. He holds, with the late Frank Meyer (to whom he dedicates *Gibbon for Moderns*), that Roman law and Christian ethics have combined to create the concept of the "West," which, though it is now under seige, is still alive and kicking against the efforts of the new barbarian "counter-culture" to undermine it.

The Fall of Constantinople

Gibbon, a man of the Eighteenth Century "enlightenment," was a free thinker with a Deist prejudice against any religious specificity. He was inclined to blame the Christians for sapping the morals of the old pagan society, which had its many household gods. Even so, if the conversion of the Emperor Constantine had been able to keep the Turks forever at bay before Constantinople, Gibbon would have held Christianity in the same affection that Voltaire cynically maintained for the God whom "necessity" demanded. The "fall" of the Roman Empire bemoaned by Gibbon was material; it came because the empire, after the Antonines, could not longer fend off the barbarians from the North and the Moslems from the East.

When Mohammed II took Constantinople, it was the end for Gibbon. His descriptions of the ultimate failure of pomp and pow-

er are marvelously evocative, and one never tires of the balanced rhythms of the Eighteenth Century style. As for Gibbon's disparagement of the moral pretensions of the Crusades, it is good for our souls that we be reminded of the often non-Christian behavior of the defenders of the Western chivalric order. For pragmatic reasons, Gibbon had to accept the Crusades as good: after all, they gave Constantinople a "breather" of some three centuries which it might not otherwise have had.

Witonski raises points that are merely implicit in Gibbon. The "breather" of the Crusades allowed the West, as the inheritor of Roman civilization, to develop the nation-State. Rome, in a sense, was pushed into the North by the spread of Islam, which, as Henri Pirenne has pointed out, turned the Mediterranean for a period into a Moslem lake. The "barbarians" from the Gothic North took over enough of the Latin culture to sustain "Rome" as part of Charlemagne's Frankish Empire. Latinity persisted in Spanish, French and even Rhineland German customs. The Moors took Spain, but Gallic Latinity was saved by the Pyrenees. And the big comeback which, with the Crusades, was to retake the Mediterranean for the "West" was powered by such northern "Romans"

as Robert, Duke of Normandy, and Richard the Lion Hearted of England, along with ex-barbarians who had come within the civilizing influence of contact with both Rome and Christianity after they had invaded Lombardy and the Italian peninsula.

The West Again Under Seige

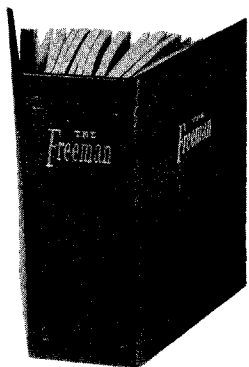
So "Rome" never actually died. It survived in Constantinople until 1453, and it revived in the West when the Moslems were pushed back in the Mediterranean. All of which points to a "lesson" that Peter Witonski does not unduly stress, partly because he wrote his introduction to *Gibbon for Moderns* before the Arab-Israeli Yom Kippur War. The "West" is under seige again from the East, with the Soviets threatening a complete takeover in the Balkans (a second "fall of Constantinople"?) when Yugoslavia's Tito dies. Elsewhere the Soviets have cleverly arranged to create the turmoil that resulted last Fall in the Arab oil embargo, which hit at all the Western European states that have inherited the Roman and Christian traditions. The Mediterranean could become a part-Islamic "lake" if Henry Kissinger's diplomacy, which is directed toward driving a permanent wedge between the Russians and the Arabs, should fail.

If the West would save itself

once more, it needs a new Henri Pirenne and a new Edward Gibbon to point to the consequences of losing the Mediterranean to collaborating Communist and Arab jihads. Western Europe consists of small and vulnerable peninsulas (Iberia, Italy, Scandinavia) joined to a shrunken trunk (France, the low countries, West Germany, Switzerland). Loss of the Medi-

terranean would effectively outflank the European West.

If this should ever happen, a new Gibbon would be required to write a real "decline and fall." The stakes are big, as the late Frank Meyer and his disciple Peter Wittonski have tried to bring home to a world that has read all too little of Edward Gibbon.



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A call to exchange the welfare state for the personal liberty guaranteed in the Constitution.
- Who Owns the Job?** Cecil V. Grove 652
No one; the job is done as owners voluntarily exchange what is theirs.
- Castles in the Air** Leonard E. Read 654
Progress comes as men put foundations under worthy dreams.
- "It's for Real"** William H. Peterson 658
How Los Angeles youngsters start in the lower grades to do business in a free society.
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Concerning some of the abuses of majoritarianism against which Tocqueville warned.
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The regulatory process invariably curtails development.
- The Right to Feel Alienated** Robert J. Rubanowice 670
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Afford every talent an equal chance to earn another.
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How are individual welfares to be measured in order to arrive at "the general welfare"?
- Book Reviews:** 695
"United Nations Journal: A Delegate's Odyssey" by William F. Buckley, Jr.
"An Introduction of Christian Economics" by Gary North
"Economic Growth and Stability: An Analysis of Economic Change and Policies" by Gottfried Haberler
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CHARLES R. LADOW



The Blindness of MACRO-ECONOMICS

THERE IS a charming little allegory of Hans Christian Anderson which fits very well the efforts of macro-economists and others who have directed public policy in recent years. In *The Emperor's New Clothes*, a group of self-styled magic weavers undertook to weave clothes for the emperor which would make him invisible. When the invisible clothes were finished, they went through the motions of dressing the ruler and he strolled out among his subjects to check the result. Like any "silent majority," the people were loath to speak out questioning their government. However, one little child broke the spell by crying: "The emperor is naked!" Like the emperor's new clothes, the impressive weaving of our political economists has had a denuding effect on the exchequer. The childlike simplicity of individualism is called for to show them up.

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.

No less charming was a talk of William James to teachers and students: "On a Certain Blindness in Human Beings." James demonstrated, including an example of his own lack of perception, how impossible it is to plumb another individual's motives (what makes him tick). Let anyone who questions the universality of this blindness read this essay in William James' little book: *Talks to Teachers*. Indeed, macro-economists are aware of this shortcoming in their trade. They are commonly fond of proclaiming their modesty by suggesting: "Let the political philosophers tell us what kind of an economy they want and we will produce the model." However, this shrugging of responsibility provides us with an empty alternative when most of our political philosophers are, themselves, tied up in analytical generalities which ignore the realities of individual existence. Somehow, classes, races, sexes,

and other kinds of groups are all that remain within the brackets of their consideration. The individual exception is filtered out—something with which they are unprepared to deal. Since each of us is an individual exception, by definition as well as in reality, these macro-sociologists are poorly equipped to manage the realities of human existence.

Not Even Governments Can Long Flout Public Opinion

While man is a gregarious animal whose very existence depends upon political organization, the viability of any political organization is dependent upon the voluntary support of its individual members. There have never been enough jails and concentration camps in any tyrannous state to hold all its dissidents. Custom is the accretion of individual compromises found necessary to essentially different beings in order to survive living together. (Current violence in our society is a warning.) Law can be successful only when it complements such long-standing customs and adopts new rules only when they are clearly in accord with a previous development of custom. In other words, effective reform can come about only from within society, by the voluntary consent of individuals, and cannot be successfully brought

about by government decree, or the judgment of a court.

A case in point is the current hiatus in improved race relations in this nation. Following World War II, one could see remarkable voluntary improvement in race relations; but massive government intervention has precipitated strife and has hopelessly muddled its progress, splintering what might have become a genuine consensus. There is scarcely a facet of our governments' recent operations which does not bear this onus. "Giving government back to the people" is more than a political slogan. It is a practical necessity if we wish to avert social chaos.

Since the overriding bugaboo of our ruling macro-economists has been unemployment, it is incumbent upon us to show how its evils may be avoided. They have seen nothing better to do than to proliferate publicly funded programs to ameliorate the unemployment which their unwise policies created in the first place. By granting monopoly rights to the minority of unionized labor and raising minimum pay laws, they have disemployed marginal workers and taxed the consumer with higher prices, which fall hardest on the poor. Escalation of public relief has created a real option of unemployment to many who might other-

wise find employment. Even in a period of rising unemployment, many positions stand unfilled. These policies must revert to the free, competitive market before we can achieve full employment. Figures on unemployment are meaningless in the current mix created by public policy.

No consideration appears to be given to the truth that, while many individuals are unemployed, by choice or necessity, just as many individuals are over-employed. The wartime necessity of "moonlighting" has become a family habit for many. To pay increasing taxes and meet family goals, working wives have become the rule rather than the exception, while the hiring of household help, once a haven for the unskilled, is outside the budget of most of the middle class. Working wives and husbands must face household chores when they get home. Whole industries have risen catering to the do-it-yourselfer. While plumbers, painters, and carpenters are claiming outrageous prices for their services, the average man is doing more and more of this work for himself. That this massive effort is not, and cannot be, counted in the GNP assures us that its impact on unemployment is never counted. The Keynesian inflation fathered by the macro-economists and their profligate spending of the people's

money has guaranteed that all the willing horses shall be overworked to support their programs. After all, the bulk of the tax load falls on this over-employed middle class.

Work to be Done

There is no need to bring in statistics to show that the official concern over unemployment is a red herring. All that is needed is to look around you. There is plenty of work to be done. Only two requirements exist for putting everyone to work: 1. The money to hire their services and 2. Their individual willingness to go to work at what the market offers.

1. Let us consider first what is necessary to provide the funds to hire the work done. In order to accomplish this, all that needs to be done is to abolish all government funding of so-called anti-poverty programs and unemployment relief. The resultant possibility of lowering taxes by at least fifty per cent should leave enough money in the hands of individuals and firms, the productive factors in the economy, to take up any slack in employment and allow people to get the work done that they need instead of what government decides to do for them. This should even take care of displaced civil servants and appointed personnel and would put them into

productive work, providing a much-needed boost to our lagging GNP. Also, the reduced bookkeeping and red tape suffered by businesses should boost their productivity and provide a boon to the consumer in lowered prices, which are universally raised by the fixed costs of government meddling.

2. While there are some individuals who would work even if there were no necessity to do so, it may be generally agreed that the urge to work is directly proportional to the need for making the effort. Otherwise, there would be few labor-saving devices and much less enthusiasm for vacations. So, if we remove the various governmental programs which encourage people to get along without working, or to join some nonproductive bureaucracy, we are likely to see a renaissance of the work ethic. After all, the reign of this virtue among our ancestry was more due to the raw necessities incidental to taming a continent than to an industriousness peculiar to their genes. We honor them for their courage in facing hunger, thirst, and many hardships unknown to even the poorest of us. Should we deny to any of our contemporaries the honor due to the courage of facing necessity? After all, if we deny it to them in the productive workaday world, they will seek it

in daredevilry, violence, and crime, as is now being demonstrated. If you look at individuals, rather than sociologists' evanescent groups, you will have to admit that most of them would go to work at whatever the market offers their talents — if they had to. In a universe fraught with dangers, the most sincere and useful tutor is necessity. To remove it from a person is to disarm him in the midst of war.

Why the Great Depression?

At this point, we anticipate the cries of those who revert to the "Great Depression" and a memory of people "selling apples on the street" and saying that we can't have that happen again. To begin with, honest economists are agreed that the great slump was caused by inept manipulations of government itself, most particularly those of the Federal Reserve Board which allowed the banking system to become paralyzed. Following that, Federal controls were applied to hamstringing enterprise, which has had to learn to live with its hamstrings ever since. That is why people were selling apples on the street. But, even at that, what is wrong with selling apples, if that is the best thing you can think of to occupy yourself? Isn't that a better scene than the punks today ripping off old ladies' purses

in broad daylight, or smoking pot on a tenement step while collecting relief? Governments which appropriate, in one way or another, 40 per cent of their productive citizens' earnings are poor moral examples, either to the industrious or to the idle. We need not be surprised that the former favor us with endless strikes, while the latter do it with riot and crime.

But, some will say that removal of government crutches would bring wages down to a starvation level — the old socialist argument. Well, two factors contribute to rising wages: inflation and technological advance. The inflationary factor is controlled by government by means of taxation and the money supply. Technological advance is altogether provided by industry, although it is aggravated by the selective inflationary intrusion of government, such as the mandating of smog devices, seat belt interlocks, space engineering, public transport, and others too numerous to mention. (That some of these intrusions may be legitimate does not erase the probability that most of them are not.)

Henry Ford was the first to raise wages to five dollars minimum per 8-hour day. This was a revolutionary, totally voluntary, step up at that time, made feasible by technological advance and wise merchandising in the pure free

market sense. True, Mr. Ford was a benevolent despot who fought labor unions with his own police; but he was way ahead of the unions in an honest wage raise which still left his product, the Model T, cheapest and best to the consumer. The labor unions are the first to protest that their wages never keep up to inflation; but they lead in efforts to support inflationary government policies, which leads to a questioning of the intelligence and knowledge of their leaders and members.

Real Wages at Stake

It can be positively stated that wages and prices are inextricably related; for, as all economists agree, all we have to split up is what we produce. Whether the laborer gets the 40 cents per hour of the 1920s, or the \$5.00 per hour of today, and whatever his "fair share" may be considered to be, it must still be diminished in the proportion appropriated by government by taxation and inflation. We may be sure that such advances in his standard of living as have occurred in the past four decades are solely due to the technological advances in the private sector under the vast handicaps of political intervention and legalized seizure by the public sector. Whatever dollar wages may be in a free market, real wages will be

increased in the degree to which government withdraws its interventions and taxes. The individual will always claim the highest wages available to his personal capacities in a competitive market, because firms and households are literally helpless without help.

The most that unions and government can do is to enforce equal splitting of the income pie — an outcome no one really wants. Any general rate of wages for a particular class of work has always been, and will always be, established by the market; so forceful intervention in the process is fruitless in the first place. At some price, there is work for everybody; but there is no form of government short of slavery which can force people to hire workers at over the market price. There is always the option of closing shop or doing the work oneself. Nobody should deny the right of any individual to hold out for the highest price for his services. Neither can anyone deny the right of all other individuals to refuse to hire him.

Perhaps unions perform some service to firms in removing their need to bargain individually with workers. Bossed labor crews have long provided such services, as in field labor; but such arrangements have never been considered particularly favorable to individual

workers. This writer worked in military construction during World War II. A union shop steward was overheard suggesting to an officer that raised military pay was due to union efforts. The officer replied: "Without our war, you wouldn't have such high pay." This illustrates the inexorable effect of supply and demand on general salaries and wages. Those who claim credit for increases must look to their arguments.

Macro-Metaphysics

Macro-economics is a metaphysical art providing an ideal vehicle for such brilliant expositions as those of Professor Paul A. Samuelson, author of the textbook bible in the field. A sample occurred in *The Morgan Guaranty Survey*, for June, 1974, adapted from a memorandum to the West German Council of Economic Advisers. One cannot help admiring Dr. Samuelson's breezy style and broad-brush technique in painting the generalities of the world economic situation. Coining the term "stagflation," he correctly discerns that the current worldwide state of economic stagnation combined with inflation is not to be described with one simple formula, but is an extremely complex situation, which he describes very well. He suggests, in closing, that a domestic cooling off might be in

order, but questions that the political climate would allow that. In a scholar, such disinterestedness is academically virtuous; but it fails to point out that the descriptive technique of macro-economics, when applied to practical affairs, is largely responsible for the public paralysis which grips us.

At the close of Ernest A. Moody's book, *The Logic of William of Ockham*, there is a summation of Ockham's work which is germane to this discussion: "Problems, as Aristotle indicates in the *Topics*, are propositions; hence existence, and our awareness of what exists, are not problems to be solved, but means of solving our problems." While one would not go so far as to suggest that Professor Samuelson was attempting to enunciate a problem in the above considered analysis, it is illustrative of that certain blindness here attributed to macro-analysis. What we need is problems to solve. Perhaps he has given us the means of solving such problems as we are capable of bringing up; but it is a shame to see all that intelligence used only to show us the bad news that exists. It reminds one of Demosthenes' *Third Philippic*, where he challenged the Athenians to offer a motion to do something to protect themselves against the advances of Philip of Macedon, in-

stead of paltering with one another. There must be a motion leading to some action, or there is no problem. All the analysis of the general "isness" of the universe leads us nowhere until some problem is clearly stated.

Sociological Legislation

The obligation of government to protect us from one another's aggressions, and even from destroying our mutual environment, is generally accepted as established custom. The laws on fraud and crime, when evenly enforced, are as effective as might be expected in an imperfect world. With the law on torts, they provide for reasonable protection and redress for individuals. However, the tortuous decisions of courts, in recent years, often invaded by ambiguous sociological considerations, are long overdue for an overhaul to fit a society made up of individuals.

As for the laws to prevent us from ruining our general environment, fines charging us, within reason, for any harm we do would be more effective than the piecemeal, and often conflicting, regulations which have harassed us in this era of macro-decisions. If we look to land use, government itself already controls the largest area in the nation. If government would perform the rules of conservation in lands and installations under its

control, which it would enforce upon the rest of us, any abuse which we might apply to our own private property would certainly not be so considerable as to call for draconian controls, or bribes to comply. Improper use of one's own property creates its own penalty; and damaged neighbors may, and do, sue.

Macro-economists' prevailing view of pollution and waste of natural resources is another case of astigmatism. Fractional reserves allowed by the Federal Reserve with the resulting multiplier effect on credit and the monetization of debt have provided artificial stimulation of consumption. Long term inflation has made certain that people will turn money into goods and commodities as rapidly as possible. These are the policies which have reigned under the advice of the macro-economists and over which firms and individuals have no control, except at the ballot box. If over-consumption be desirable, then pollution and waste must be accepted as a necessary cost.

What is the sense in belaboring citizens and firms for conditions solely due to public policy? Make it easy to borrow, constantly cheapen the people's money; then blame them as a bunch of wastrels! It doesn't make sense. All that is required to bring pollution


and waste under control is to hold each bank fully responsible to depositors and halt the governmental creation of inconvertible currency. One is not sure that banks, with branches on every corner, or a lot of multiplying enterprises and conglomerates, would like this prospect very well; but they might prefer it to an eventual credit collapse, with resultant bankruptcy. If the emperor isn't naked, he is certainly doing a strip-tease.

Let Us Try Freedom

Micro-economics has a proposition to offer: We move that we accept the reality of the free market and deny politicians the option to control it. While it may be true, as Macaulay suggested in 1824, that "Free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular," still Americans have enjoyed its blessings more than most and they have a tradition of its support among their great men, from Thomas Jefferson on down, so they are far better equipped to understand its options than most nations of men. The advocates of a "mixed economy" need to be reminded of Lincoln's aphorism: "I believe this government cannot endure permanently half slave and half free." Although this was applied to physical servitude, it is certainly

equally applicable to economics where our civil rights as persons are usurped by government, placing over a third of our productive efforts in bondage to the state (a form of part-time slavery).

While we have never enjoyed a truly free market in the United States, in recent decades we have been moving away from that desirable policy with increasing acceleration. A real opportunity for statesmanship is clearly before our politicians and voters. Keynesianism has had its chance. Its programs are failures in every department and are bleeding our economy slowly to death. Let us remove our blinders.

All of this world's problems are created and solved by individuals doing their own thing, making macro-analysis an impossible maze. Give the individual a chance. Admittedly, such a drastic change in policy cannot be accomplished in a day; but, if we know where we are headed, we can get there sooner than anyone suspects. Just as means can be found to adjust a household budget to a sudden crisis, a nation can put its house in order to meet a new set of priorities. We will all be happier when we have exchanged the welfare state for the personal liberty guaranteed by our original Constitution. 

Power Corrupts Leaders

POWER ACQUIRED by force and subject to no continuing functional check is bound to corrupt. Corporate managements are kept in line by the right of stockholders to move their equities when they are dissatisfied and by the right of consumers and other purchasers to take their patronage elsewhere without let or hindrance when price or quality are poor. If the house of labor is to be clean, the same general principles must be applied there, with the workmen of the nation in the position of stockholders and consumers.

It is as absurd to expect good clean unionism in conditions of extensive compulsory unionism, as it would be to expect good government in a society where the divine right of kings or the dictatorship of the proletariat was the central political principle.

SYLVESTER PETRO, "Can Labor Clean Its Own House?"

IDEAS ON



LIBERTY

Who Owns the Job



CECIL V. GROVE

THAT QUESTION has generated all manner of controversy and frictions over the years.

Labor bosses, presuming to speak for all union members, maintain that jobs are owned by the workers. Although the claim is seldom made in such plain terms, when unions go out on strike, making use of threat and violence to prevent anyone else from doing the jobs they have just refused to perform, it is evident that both union leaders and members consider jobs to be the property of the unions.

Management, on the other hand, tends to argue just the reverse. Pointing out that it is the company or corporation which does the employing and furnishes the necessary capital involved, manage-

ment contends that the job belongs to the company or corporation.

Government, of course, goes them all one better. Regulating both employes and employers and taking its "cut" off the top in taxes, government acts on the assumption that it owns, not only the job, but the human beings involved, as well.

What is the truth of the matter? Who, indeed, *does* own the job?

Well, as usual, when you ask the wrong question, you are likely to get the wrong answer.

In truth, no one owns a job. A job is something to be *done*, not something to be owned. A job is not property. And only property can be owned.

And that, we believe, puts the entire question into its proper perspective.

We can now ask, not who owns the job, but who owns the property

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involved and who should control it?

The employe, as the owner of his own body, life and energy, is the only proper authority to decide how *his* property should be used.

Likewise with the employer. As the owner of the property his capital has bought and paid for (buildings, tools, equipment etc.), he is the only proper authority to decide how *his* property should be used.

Getting the job *done* involves a coming together of the two and the use of the property involved on a basis mutually acceptable to the owners concerned.

And how is this accomplished? The process occurs in the market place based on the principle of voluntary exchange — a place where, and a process in which, *owners* come together and peacefully decide to exchange what is *theirs*.

Who, then, should *do* the job? The answer comes fast and clear: The *owner* who can, and will, do it to the satisfaction of the *owner* with whom he makes the voluntary exchange; both of whom, in a free market, would be free to seek *other* owners who might do it better. 

Production and Wages

WITH A FREE market, in an advanced economy, most of the returns from production go to the workers — roughly 85 to 90 per cent. Competition *forces* this. If workers are supplied with good tools and equipment, they are more productive and their wage level is higher than it would be otherwise. This is a generalization regarding all workers. The general wage level is higher in a country where there is a relatively high investment in tools and equipment per worker. It is just that simple! In the United States, the investment per worker in tools may be \$20,000, and it is not unheard of to find a particular business with an investment of \$100,000 in tools and equipment per worker.

The road, then, to a higher wage level is through savings and investment in the tools of production. There is no other.

IDEAS ON



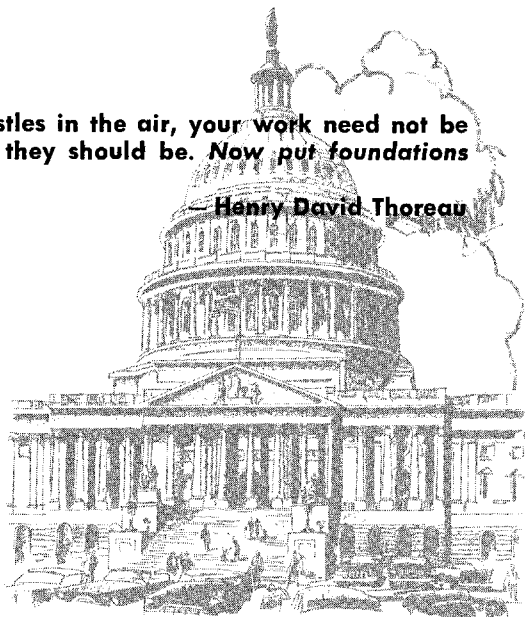
LIBERTY

If you have built castles in the air, your work need not be lost; there is where they should be. Now put foundations under them.

— Henry David Thoreau

Castles in the Air

LEONARD E. READ



SCRUTINIZE TRADITION and assess it, for it bears witness both true and false; to be blindly guided by it is to risk being led astray. So, beware of conventional thinking; break with tradition whenever reason shows its folly! As Ortega warned:

The so-called Renaissance was, for the moment, the attempt to let go of the traditional culture which, formed during the Middle Ages, had begun to stiffen and to quench man's spontaneity . . . man must periodically shake himself free of his own culture.¹

Thoreau was a hardheaded

¹ See *Man and Culture* by José Ortega y Gasset (New York: W. W. Norton & Company, Inc., 1962), pp. 72-73.

searcher for truth; he did his own thinking. His comment on castles in the air is a sample, a break with the conventional definition of day-dreaming: "Anything imagined and desired but not likely to be realized."

Thoreau is right. Contrary to popular notions, castles in the air are the birthplaces of human evolution; all progress (and all regress), be it material, intellectual, moral, or spiritual, involves a break with the prevailing ideology. Not to break with the current conventions — to go on our dizzy way — means a headlong plunge into all-out socialism!

Castles in the air might indeed become chambers of horror. On

the other hand, they encompass man's unrealized goals and aspirations, the dreams not yet attained but not necessarily unattainable. An example from the past may help show their role for the future: In 1898 it was thought that intensive farming depended on the nitrate mines in Chile, and that their eventual exhaustion would bring world famine. Why did not this disaster come to pass? Three great scientists built castles in the air. *They put foundations under them* and thereby "solved the problem of nitrogen via ammonia synthesis from air and water."² Result? More intensive farming than ever before! So we are not now dependent on nitrate from communist Chile; we do not face famine.

As to the future, such normal sources of energy as coal and oil are believed to be in critical shortage. "Energy crisis" is the talk of our time. Thank heaven for castles in the air. It has been known for centuries that all heat, light, and energy for the entire solar system comes from the sun. Coal and oil are but by-products thereof, the secondary sources we have used to survive. Very well! Why not anticipate the end of coal and oil and go directly to the sun for man-

kind's energy? Harness energy at its source! *Put foundations under it!* Long steps in that direction have been taken, and it's now only a matter of time — assuming some other castles in the air — before we will be capable of extracting more energy from the sun than human beings may ever need.³

Freedom Required

Why the reservation, "assuming some other castles in the air"? It is this: If we persist in coming to be more and more like communist Chile, solar energy for mankind is a daydream without foundation. Tapping this source on a meaningful scale is out of the question except as there be at least one country in the world where men are free. Put this stark fact another way: Solar energy will not grace mankind unless we remove our restraints against the release of creative human energy; solar energy and creative human energy are inseparably linked!

Freedom does not make people strong; rather, it makes strength possible. It gives everyone an

³ "Although less than half the earth's sunlight entering the earth's atmosphere reaches its surface, just 40 minutes of that solar input equals all the energy mankind consumes in an entire year." In a word, 13,140 times as much solar energy as needed to serve present requirements. See "Tapping the Sun's Energy" by David G. Lee (*National Wildlife*, August-September, 1974).

² See "Energy: The Ultimate Raw Material" by James Wei (*The Freeman*, August, 1972).

opening for intellectual, moral, and spiritual strength. With freedom, many will develop their faculties, some will not. The outcome depends on one's inner strength. Indeed, this inner strength occasionally shows forth in persons living under extreme authoritarianism.

While such rare stalwarts as a Solzhenitsyn may keep a few sparks aglow, it is only when freedom's flame is high and bright — when millions are free to act creatively — that such miracles as tapping solar energy are a possibility. The ones who get the credit — the scientists out front — actually ride on the shoulders of others with their thoughts, insights, intuitive flashes — countless thousands of unknown persons. For instance, did Johann Gutenberg invent the printing press? He is given the credit. The fact is that his was but a crowning achievement, a final touch to literally millions of antecedents — including the unknown hero who harnessed fire.

In view of the politico-economic trend in all nations toward all-out statism, any prospect for progress requires a turnabout in at least one nation. And the nation on which each of us must focus is his own. Only at home may one expect to put foundations under his dreams.

The American Dream

More than two centuries ago in this land of ours men built castles in the air. What was their dream? A country free from authoritarian tyranny; each citizen free to act creatively as he pleased, government limited to inhibiting destructive actions, invoking a common justice, keeping the peace! No political arrangement had ever matched this dream, even remotely. Castles in the air, indeed!

The challenge they faced was to *put foundations under their dreams!* And they did: The Declaration of Independence unseated government as the sovereign power and put the Creator there: “. . . all men are . . . endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty . . .”

The Declaration, however, was only the first stage in laying the greatest politico-economic foundation in the history of mankind. The next step — cementing the foundation — was the Constitution, further supported by the Bill of Rights. These political instruments held government to a more limited role than ever before. Result? The greatest outburst of creative energy ever known — the American miracle!

What has happened? Our foundations are crumbling. We are reverting to the same type of

authoritarianism from which our forefathers fled. We give it new names: the planned economy, the welfare state, socialism, communism. But tyranny is tyranny whether the master be a King James, a feudal lord, a Hitler, or a majority gone mad!

The remedy? Once again, castles in the air! Required is a lodestar — “a guiding ideal” — similar to that of our founding fathers, along with the will and the understanding to put foundations under that ideal.

Built into this foundation structure are gems of thought. The mortar holding the gems in place is composed of the several virtues: steadfastness of purpose; thinking for self rather than imitating others; an insatiable desire to learn, realizing that the more one learns the more there is to learn; an ability to explain the fallacies of all dictatorial behavior; an understanding of and a devotion to the creative process; and, this above all, integrity — the accurate reflection in word and deed of whatever one's highest conscience dictates as righteous.

Repeal the Restraints

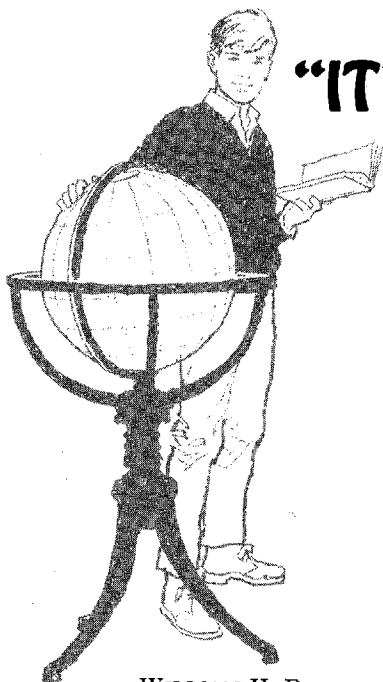
Given such a foundation, what sequence of events might be expected to follow? A repeal of all laws that restrain or prohibit creative activity. A precedent for

such a wholesome turn of events occurred in England following the Napoleonic wars. Richard Cobden and John Bright and a few enthusiastic supporters who understood the folly of mercantilism and the merit of freedom in transactions began the greatest reform movement in British history: the wholesale repeal of restrictive laws. As a consequence, England stood as a giant among nations until just before World War I when her foundations began to crumble, as ours are now crumbling. However, what happened once to achieve freedom in England can happen again there and also here. It can happen if there is the will to prevail, a faith that we can succeed.

Given a return to freedom, what about the harnessing of solar energy? It will be as commonplace a few years hence as delivering the human voice around the earth at the speed of light is today. Taken for granted! And who knows what other things free men can and will accomplish!

But far more important than these countless material blessings will be a freeing of the human spirit — tens of millions no longer wards of government but growing, emerging, self-responsible citizens, each his own man. Castles in the air? Let us build foundations under those worth keeping.





WILLIAM H. PETERSON

LOS ANGELEANS Jim and Bob run an advertising agency. Lisa and Yolanda make jewelry. Ivan builds ships. Edna publishes a newspaper. John operates a savings and loan company.

No big deal.

But these and other business people operate in districts that don't usually appear on maps of

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"IT'S FOR REAL"

Los Angeles. Districts like Poohville, Economyville, Kookie Kounty and Land of Knowledge — districts or lands or miniature societies that fly their own flags, issue their own passports and create their own money.

Jim and Bob and the other business people, you see, are from 8 to 12 years of age. They are part of an experimental program by the Los Angeles public schools in teaching economics. The program has been dubbed "The Mini Society" by two of its creators, Drs. Marilyn Kourilsky of UCLA's education department and James Claybourn LaForce, chairman of UCLA's economics department.

Professors Kourilsky and LaForce, with the help of the Foundation for Research in Economics and Education (FREE), headed by Dr. LaForce, and the Invest-in-America National Council, Inc., a Philadelphia-based nonprofit educational organization, have produced a documentary film on the Los Angeles program. The film features an introduction by Robert J. Buckley, president of Allegheny Ludlum Industries and of Invest-in-America, and is now being

shown to school teachers around the country.

"The Mini Society" makes clear Los Angeles school children are not just role-playing or simulating business. They mean business. Indeed, they are business. As one very young business woman explained to a slightly bemused adult visitor to Economyville, "It's for real."

**Business in Practice —
All in the Classroom**

And so it is. Real goods and services are produced and exchange hands — at a price. Scarcity is confronted. Resources are limited. Supply and demand hold sway, prices fluctuate, competition reigns, profits are made, losses are incurred. Businesses are born, and businesses die. Cost-benefit analysis is stressed throughout. All in the classroom for one or two periods a day during the traditional curriculum.

Now and then an auction is held. The bidding gets heated, with a young auctioneer typically using a couple of spotters to assure that all bids win recognition. (One bidder got so excited that he bid on his own microscope which he had put up for sale.)

The embryonic societies find it necessary to pass laws protecting private property and the sanctity of contract. They have also found

it necessary, alas, to deal with counterfeiters and deadbeats.

But such "crime" is very low, while responsibility, involvement and true learning experience are evidently very high. Also high are self-development and a sense of being useful to one's peers — to "society." Ivan, the model-ship builder, for example, told a visitor: "This ship is not for sale because I don't like it. It's not made right."

Thus, the spin-offs from these junior market places in the City of the Angels are interesting if not downright heartening. For apart from inducing desirable personal qualities, the mini societies apparently reinforce the 3 R's in meaningful ways. Says Paul F. Dunleavy, 5th grade teacher at the Armacost Street School: "Reading the terms of a credit card contract or filling out a job application form, as my pupils do, certainly boosts reading skills. Similarly, toting up deposits and calculating interest rates at our classroom Seal Bank sharpens math skills; and putting out *The Economyville News* quickens writing skills."

At the 92nd Street School in Watts, Kookie enterprises thrive in Kookie Kounty. Its citizens found their own self-styled money wanting and switched to U.S. coins and currency — the nearest they

could get to the real thing. And with an eye on the rising cost of living, some junior black entrepreneurs set up a consumer information service. Now the faculty and families of the 92nd Street School look to the mini-economy class for up-to-date comparative prices on meat and produce in neighborhood stores.

Most school parents in Los Angeles are excited about the program but a few parents worry that their children are learning the economic facts of life all too early. Yet even though there had been concern that the mini society would engender materialism, researchers on the program reported:

"Ends which the children seek are not especially materialistic. Children participating in the model tend to spend as much of their money as possible on what adults call the 'finer things' — such as art, music and recreational pursuits."

The final upshot of the program is, of course, yet unclear. But this

much seems certain: Among the fledgling bankers, entrepreneurs, professionals, craftsmen and craftswomen is a deeper appreciation and understanding of the world of business as well as some new-found career aspirations for the reality-that-is and the reality-to-come. The citizens of the mini economy have already come to grips with scarcity, inflation, cost-benefit analysis and, of their own design, the free enterprise system. Indeed, in terms of economic acuity these citizens may surpass many of their parents and elected representatives.

Concludes Louis Milione, executive vice president of Invest-in-America, in talking to one summer institute of elementary and secondary school teachers: "I know of no better way to invest in America than in getting across sound economics to young Americans."

I agree. The future belongs to the young. As they think and act today, so will they be tomorrow. ☉

Unlimited Opportunity

IDEAS ON



LIBERTY

HIGH-BROWS turn up their noses at Horatio Alger's philosophy. Yet Alger succeeded better than anybody else in stressing the most characteristic point of capitalist society. Capitalism is a system under which everybody has the chance of acquiring wealth; it gives everybody unlimited opportunity.



The Individual and Majority Rule



BELIEF IN MAJORITY RULE as an eternal verity is so pervasive, devotion to it is so complete and unquestioned, that to offer demurrals is viewed as almost a kind of heresy. What began as a formula of utility has risen by degrees to a national article of faith. One hears constantly reiterated the concept, "majority rule and minority rights," (foremost, apparently, being the right to follow the dictates of the majority). Majority rule has the approval of the majority, and it seems no more need be said. Yet the doubts remain; the nagging questions cry out to be answered. Where is majority rule permissible? Where is it impermissible? What, in short, is its purpose? Does that purpose have limits, and if so, what are they? Can majority rule be reconciled with individual and minority rights?

Underlying these questions is the paradox of every government. Man in a state of nature has maximum freedom limited only by his strength and ability to survive. For protection he establishes a government which, to endure, must limit his freedom. One against the other, liberty and security are in constant conflict. The dilemma becomes acute whenever the forces of safety and order outweigh those of freedom, when even the most trifling human activity is regulated by the State, or conversely, whenever the abuses of liberty bid fair to destroy society, when civil war — in Hobbes' phrase of "every man against every man" — or anarchy threatens. How to steer between the two extremes, tyranny and anarchy, how to conserve the State for its essential functions and an ultimate of liberty, this is at the bottom of the controversy between the individual and majority rule.

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A majority taken collectively may be regarded as a being whose opinions, and most frequently whose interests, are opposed to those of another being, which is styled a minority. If it be admitted that a man, possessing absolute power, may misuse that power by wrongdoing his adversaries, why should a majority not be liable to the same reproach? Men are not apt to change their characters by agglomeration; nor does their patience in the presence of obstacles increase with the consciousness of their strength. And for these reasons I can never willingly invest any number of my fellow-creatures with that unlimited authority which I should refuse to any one of them.

This eloquent passage is taken from Alexis de Tocqueville's classic *Democracy In America*. In that work, the author speculated on, among other matters, the phenomenon he called "the despotism of the majority," to which, he felt, popular government was uniquely prone. Tocqueville believed that the potentiality for a *democratic* tyranny was greater in the United States than anywhere else, for it was the major extant democracy. Ironically, he saw in the very strength and stability of American democratic institutions, in its public opinion, its legislatures, its executive branch, even its courts, the seeds of oppression. These were not a danger to freedom because they were weak, but because

they were (and are) so strong, and because they took that strength from a majority of the people. In the face of such total domination, Tocqueville said, a person who felt he had been wronged had no recourse but to the establishments directly or indirectly controlled by the majority. Tocqueville's concern revolved around the problem of how to preserve liberty where the majority held this immense and irresistible dominance.

Doubts About Democratic Rule

Tocqueville's apprehension was, in one way, nothing new. Beginning with Plato, political philosophers of an anti-democratic or aristocratic bent had a dread and loathing of popular rule. Plato himself envisioned a perfect state headed by a philosopher king and a carefully chosen and specially trained aristocratic elite, with entrance from the lower classes severely confined. Aristotle after him wanted to alloy as much as possible government of the people with monarchy and aristocracy. But his objections, like those of Plato, were largely theoretical since at that time there were no truly democratic governments worthy of the name. Tocqueville, it must be remembered, was surveying a living democratic republic and sounding, in the name of liberty, a similar cautionary note.

In his discussion of American institutions, Tocqueville possibly had in mind the theories of Jean-Jacques Rousseau. The heart of Rousseau's radical democracy was the idea of the General Will. More than simply another name for the will of the majority to do whatever it wishes, this general will takes on in Rousseau's hands the patina of a moral imperative. Infallible, inviolable, completely sovereign and independent, the general will is always a force of the good and the just. Rousseau would allow no disobedience of the general will once its decision had been made. Out of this belief sprang the curious doctrine of compelling a man to be free, of subordinating his will and abiding by the general will even though he may disagree with it. Here, indeed, was democracy—and with a vengeance.

Safeguards Against Tyranny

Although Rousseau had some influence on the Founding Fathers in America, his passion concerning majority rule and majority virtue was not so readily transferable. True, men such as Jefferson and Madison believed in popular government, but they were also realistic enough to see how overweening majority power could quickly become mob-rule. They tried to avoid such an occurrence by building provisions into the machinery

of government for the separation and diffusion of power, with authority distributed among three branches. Tocqueville was aware of this, and yet he saw nonetheless a wide latitude remaining for the abuse of power. Later observers of American republican government would make a different argument, remarking that the system of checks and balances and separation of powers made it difficult to pass legislation for the "good" of the community. To what extent those prophecies have been fulfilled (in other words, how well we have been saved from our saviors), is open to debate; one wonders what would be our situation today had not those safeguards existed. If the burden of social legislation is less now than it might be, we owe yet another debt of gratitude to the Founding Fathers.

Besides the foregoing, Tocqueville perceived other difficulties which, while not novel to the American milieu, were characteristic of majoritarian democracies. What happens, for instance when the majority, operating fully within the law, sanctions and puts into effect an unjust law, a law that violates an individual's personal notions of right and equity, one he cannot obey in good conscience? Does he yield, recognizing the higher morality and pur-

pose of the general will, or does he defy the law, thus affirming the superiority of conscience as a guide? Either the majority is supreme, and hence may enact any laws it deems fitting, or there is a power above the majority and distinct from it, to which the citizen may apply for judgment. What is this power, and who is to take the role of vanquished and of victor in the test of wills? Tocqueville answers this way:

When I refuse to obey an unjust law, I do not contest the right which the majority has of commanding, but I simply appeal from the sovereignty of the people to the sovereignty of mankind. It has been asserted that a people can never entirely outstep the boundaries of justice and of reason in those affairs which are more peculiarly its own; and that consequently full power may fearlessly be given to the majority by which it is represented. But this language is that of a slave.

Stated differently, the majority may command but only consonant with reason and justice. If the majority acts to serve the causes of injustice and unreason, the person (or people) so misserved must appeal to mankind at large, to state the case for right and truth in the larger court of humanity. The issue is left to one's fellow men and their common sense of

decency to decide. The type of mentality that would invest in a majority the full capacity for making unjust laws, and an equal capacity to pass on the morality or legality of those laws, is one, Tocqueville firmly believed, more than half way to accepting tyranny.

The Power of Public Opinion

Of less dramatic interest perhaps — but of no less significance — than the collision between the individual conscience and the wrongful decrees of the majority, is the intimate relationship of public opinion and majority rule. The salient difference between Europe and America in this regard is the attitude toward dissenting or unpopular opinions. In Europe, “every sort of religious and political theory may be advocated and propagated abroad,” and the man who speaks them has several allies:

If he is unfortunate enough to live under an absolute government, the people is upon his side; if he inhabits a free country, he may find a shelter behind the authority of the throne, if he require one. The aristocratic part of society supports him in some countries, and the democracy in others. But in a nation where democratic institutions exist, organized like those of the United States, there is but one sole authority, one single element of strength and of success, with nothing beyond it.

Tocqueville concedes a certain freedom of thought and expression exists here, but insists it does so at the sufferance of the majority and its "very formidable barriers to the liberty of opinion." To publish and broadcast an opinion outside the pale of majority regulation is to invite "the slights and persecutions of daily obloquy." Tocqueville cites the discrepancy between the methods of monarchical tyranny to prohibit free thought and discussion, and those utilized by the majority in a democratic republic, noting that while "the authority of a king is purely physical . . . the majority possesses a power which is physical and moral at the same time."

European despots persecuted the body to imprison the soul, but the technique in America is milder, indirect, furtive, and subtle. The majority disciplines unpopular opinions — meaning those it does not share — by narrowing the opportunity for their expression, and by stifling, through group-pressure, the will that inspires them. Tocqueville lived too early to witness the horror of modern totalitarian states, which employ slave-labor camps and indoctrination, subjugating at once the body and the mind.

Tocqueville observes the equality of conditions in America, and advances the theory that such

equality leads to a centralization of power in the State. So long as inequality is the rule, scattered instances of privilege engender little popular indignation. But when equality prevails, "the slightest dissimilarity is odious." Under a monarchy, the people look to the king, as the head of the State, to rectify the inequity. Under a democracy, the people look directly to the State itself, the rationale being, "that each of them thinks that he strips his equals of the prerogative which he concedes to the crown." Considering the power thus rendered, it is not so unusual that the State began to enforce equality from above, prompting Tocqueville to say: "The American people would rather be equal in slavery than unequal in freedom."

"Benign Despotism"

Given this extreme equality, and given too this ever-expanding State-power, the chances for a form of despotism — one new in the world — are greatly enhanced. Unlike the tyrannies of old, a democratic-egalitarian dictatorship would wear a benign aspect. It would order the life of the people for their benefit; it would have their interests in mind at all times. While it maintained an outward semblance of freedom, "under the wing of the sovereignty

of the people," it would quietly — and without resort to the rack or thumbscrews — extend its authority into every corner of human life, regulating, managing, and dictating each activity, important and minor alike. The new dispensation "renders the exercise of the free agency of men less useful and less frequent," the end result being that "each nation is reduced to be nothing better than a flock of timid and industrious animals, of which the government is the shepherd." A chilling prospect to contemplate this is, and none the less so since it describes precisely the state of America today — or at the very least the state to which it is tending.

As Tocqueville realized in his diagnosis of the democratic malady, the question of the individual and majority rule cannot be separated from the more pertinent subject of the individual and the State. One can hardly speak of limiting the power of the majority without implying a restriction on the State's domain, for in a democracy the two are inseparably fused. The majority *is* the State and the State *is* the majority. And, like the confusion surrounding the proper sphere of the State, there is an equally gross misconception with respect to what majority rule is meant to do, what it may do, and what it may not do. It is, in

fact, a utilitarian principle intended to expedite the operation of government, to aid in the transfer of the reins of power, and to give a raw consensus for proposed legislation. It is not a *carte blanche* for one transiently ascendant group to violate the rights of any minority or individual. At most, it is supreme in those matters that are the necessary and correct duties of the State, those which the State alone can discharge, and more especially in those whose design is the defense and survival, in freedom, of the nation.


A Legacy to Keep

Perhaps it will be argued, in response to the preceding, that if the warrants of the Bill of Rights remain intact, freedom will be amply protected, and consequently all this talk of the dangers of majority rule is so much supererogation. The intention here is to find fault neither with the Bill of Rights nor with the men who gave us our government. The Founding Fathers were wise and prescient men who believed in limited government, in Jefferson's oft-quoted but still resonant words, "the government which governs best governs least." Having themselves escaped the grip of monarchical tyranny, they were cognizant also of the possibility of a

democratic tyranny arising in America. They knew a despotism bearing the imprimatur of a numerical majority was a despotism still, and that sheer weight of numbers sanctified nothing. To avert both types of oppression, by one man or by many men, was the aim of the Bill of Rights.

But we have witnessed how even the Bill of Rights may be turned against freedom, as in the Dred Scott case where the Fifth Amendment was used to keep millions of blacks in bondage, and how far, especially in the last forty years, government can go while remaining, on the surface, faithful to Constitutional guarantees (Tocqueville's comment concerning the "outward forms of freedom" has a piercing aptness here). And it could be that placing restraints on the State is not a matter for legislation at all but an attitude

of mind which must grow out of the people themselves. The Founding Fathers had this attitude, but somehow the legacy has been lost.

It may be that the impulse to bestow absolute supremacy upon a majority, like the related urge to confer unrestricted power upon the State, admits of no easy remedy. It is too deeply rooted in the common conviction that because today government is conceived to be a force for good, it can be entrusted with power it will not use for evil tomorrow; that because the majority now shares this conception, it will always share it; that because ours is a democracy and the majority chooses our leaders, it will never choose one who will misuse the power once given with such good faith and with such fond hope, so freely and so willingly. 

Constitutional Barriers

IDEAS ON



LIBERTY

FORTUNATE it is for the body of a people, if they can continue attentive to their liberties, long enough to erect for them a temple, and constitutional barriers for their permanent security: when they are well fixed between the powers of the rulers and the rights of the people, they become visible boundaries, constantly seen by all, and any transgression of them is immediately discovered: they serve as sentinels for the people at all times, and especially in those unavoidable intervals of inattention.

RICHARD HENRY LEE, during debates concerning the Constitution and Bill of Rights.

IMPOSSIBLE RIDDLES

BERNARD H. SIEGAN

CITIES AND TOWNS do not come packaged in boxes like erector sets.

I hope this revelation does not unduly shock the journalistic profession. Reading the newspapers and watching TV have led me to the conclusion that the reporters think that's about the way cities are created.

Cities are arising in the West near new mining operations, and reporters seem disturbed that housing, schools and shopping facilities are not standing in these desolate areas waiting for people to arrive. They keep interviewing the new inhabitants who say what most should be expected to say, that conditions are not very pleasant. The reporters are quite surprised by it all.

But how can it be otherwise? Anyone who would have demanded the creation of housing in these areas several years ago, before the energy and resources crisis made such areas economically impor-

tant, might have been committed as a looney. On the other hand, if mining and production are delayed until all workers are comfortably ensconced in their respective dream homes, the resources will not be mined for years to come — if ever. The workers would suffer along with the rest of us.

It is inevitable that boom towns bring living problems for those attracted by the prospect of new riches and lush jobs. This was the story of the American West, now probably the best housed section of the country. The settlers usually anticipated the kinds of hardship they found, but chose them in preference to the life they left behind in the East. They developed great portions of the country and succeeding generations were well served.

The best to be hoped for in these situations is that the developers and builders will be allowed to respond to the demand for housing and shopping, and not be hamstrung by zoning and building regulations. Schools and other facilities will follow.

This course of action, however, can bring added fury from the

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press. They may charge that the builders and speculators are desecrating the landscape, selecting sites that are scenic attractions or perhaps the habitat of unique four-legged creatures. And it may well be true of some of these potential sites.

However, the buildings will have to go somewhere on earth; no one has yet invented any which float in the sky or are subterranean. If new construction is required to bypass the challenged areas, houses will be located longer distances from other housing, shopping and employment. These are the characteristics of that notorious villain: Urban Sprawl. And the arguments about how the land should be used will delay considerably new construction.

Well, what do we do now? The usual way out of this dilemma is to demand planning and regulation, and then more and more of the same when the prior doses don't work. That's today's automatic cure-all for those who keep insisting on perfect solutions to these problems, with the same probability of success as the bottled stuff the hucksters used to sell.

Greater and greater powers will then be given to politicians, bureaucrats, and planners, hardly a winning combination. But regardless of their knowledge or wisdom,

they will be unable to accomplish the politically or physically impossible. Yet, that is what will be demanded of them.

Thus, to conserve land by obtaining a greater yield per acre requires taller structures. The mere mention of this, however, tends to evoke deletable expletives from environmentalists and planners. They prefer bigger lots to provide more open space, but want them to cost less and take up less land. They would like more housing but less construction. Even Albert Einstein couldn't have solved those riddles.

The regulatory process invariably curtails development. Fewer housing units will be created and there will be additional horrors to report.

A more realistic and responsible approach to these difficulties is required. While new growth may create problems for people, the history of new development in this country shows that most of them will be solved within a few years. I doubt that conditions in life were idyllic where these people previously lived — else why did they migrate? When individuals move they usually do so to better themselves.

The more we allow normal market processes to operate unhampered, the quicker the solutions will arrive. ●

The Right to Feel Alienated

ROBERT J. RUBANOWICE

LIFE, LIBERTY, and the pursuit of happiness are not the only basic rights man should enjoy. The right to feel alienated must be added to the list of man's inherent rights. Out of alienation can come great fruition. As the saying goes: Better Socrates dissatisfied than a pig satisfied.

Those who fashionably portray alienation in our age as an individual defect or sickness which must be uprooted or overcome at all costs miss a fundamental point. A sense of alienation in today's society is not necessarily a bugaboo, an undesirable affliction like halitosis or dandruff to make one feel ashamed or inferior. It frequently is not a clinical disease of weak persons or neurotics. Rather, alienation in today's society can be an early warning sign that something is wrong with the world.

Alienation is a legitimate response of an individual to institutions and practices which deny him the maximization of meaning in his life. To repress the right to feel alienated is to repress freedom of choice for the individual. In the face of dehumanizing pressures and demands, the right to feel alienated may be the most important basic defense mechanism to reaffirm one's individual humanity.

Collectivist institutions alienate because they curb the latitude of the individual's freedom of choice. When one feels alienated in the face of collectivist pressures, where does the fault lie? Not in the individual, but in those very inhuman or ahuman institutions that are intervening in his life. Shakespeare wrote: "The fault, dear Brutus, lies not in the stars, but in ourselves." It is necessary to widen this viewpoint to entertain a *third* possibility — that the fault lies in the oppressive politi-

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cal, economic, social, and educational institutions and their practices that surround the individual and suppress his freedom. In an age of bigness — of big government, big management, big labor, big education — to stand alone and resist being gobbled up by huge institutions which feed on masses of people is a right to be cherished, not a plight to be lamented.

Alienated from what?

Alienation involves feelings of estrangement, anxiety, isolation, pessimism, disenchantment, and frustration. Are these feelings wrong? Should one feel guilty or inferior when one feels estranged from remote bureaucratic concentrations of power; when one feels anxious about being trapped in a workaday-world rat-race; when one feels isolated rather than willing to be absorbed into a nihilistic social order; when one feels pessimistic in light of growing stockpiles of overkill bombs; when one feels disenchanting by irresponsible political structures and processes; or when one feels stifled by authoritarian institutions? The real problem is not to be alienated, but to be adjusted to such a sorry state of affairs.

If we live today in a veritable "Age of Alienation," as many cultural critics suggest, I think we are amiss in rushing to conclude

that something is wrong with us as individuals. It is not necessarily *we* who are wrong thinkers. It is the system that is wrong. If we tamper with the right to feel alienated, and allow the state or any collectivist institution to be the final arbiter in these judgments, we dangerously let powerful forces further batter individual freedom, which already is a fragile thing.

Concentrations of power tend to be self-aggrandizing, self-perpetuating juggernauts. Political controls devised to ensure the protection of the nation, the species, or whatever the group might be, regard personal individuality as an undesirable, divisive, centrifugal force to be exterminated. Earlier in this century, the sociologist Max Weber predicted that the growing bureaucratic cast of society would eventually stifle all spontaneous individual activity. This danger should be our concern today, as we view the growth over recent decades of greedy, large-scale institutions which intervene crushingly in the lives of individuals.

Removing Individuality

When I hear talk about the need to end alienation, I cannot help but recall the case of Adolf Hitler. Among Hitler's primary goals was the end of alienation, by coordi-

nating all activities of the nation into one gigantic Volk-community where group identity and loyalty to the state took precedence over the needs of the individual person. There is an insidious connection between the desire to end alienation and the desire to abrogate individual rights.

But the zealous wish to overcome and eradicate alienation does not appear in totalitarian fascist regimes alone. One need not be in an already established garrison state to suffer loss of liberties. One should not forget that when George Orwell wrote *1984* he had in mind not to describe totalitarianism as such, but to warn against the collectivist and interventionist tendencies which he saw around him in allegedly democratic systems. Orwell's *1984* is essentially a story about Big Brother's attempt to stamp out alienation. It certainly does happen in a totalitarian dictatorship, but it can also happen in a totalitarian democratic setting as well.

Is a return to "community" the answer? Not necessarily. True communities are hard to come by, wherein the individual is totally respected and can properly retain and develop his full personality. To escape from freedom into the illusion of community may result in the loss of a feeling of alienation but the gain of a Big Brother


— what William H. Whyte calls the "imprisonment of brotherhood." The cure could be fatal.

When one gets engulfed by a group, regardless of the size, the authentic human self is lost. Too much "togetherness" spells the death of the individual. Becoming enmeshed in any institutionalized role can lead one to forget — or never learn — to know himself. A popular ballad today, about a girl who both loves someone yet reluctantly consents to get married, has the memorable line: "But I'll never learn to be first just me by myself." It is human to need relations, but not to be fettered by these. It is human to need roots, but not to the extent that they immobilize.

Return to Basics

We must return to basics. From at least Rousseau's time to the present, original thinkers have detected the tendency in the modern world to separate, on the one hand, the meaning of an inner life, and, on the other hand, the outward reality of institutionalized roles. When there is a serious cleavage between these two spheres, alienation can occur. At that point, we might heed Pascal's advice, given several centuries ago: Try one of the most difficult things for a person to do, namely, withdraw alone to a place where

no distractions or diversions occur except one's own thoughts and feelings. Withdraw to find the core of one's inner life, rather than forcing that inner life to correspond to dehumanizing outward institutions. And then, once more

in the world outside, set about curing alienation by dismantling those oppressive man-made institutional monstrosities which kill the spirit, and rebuild with a closer look at the human element and individual needs. 

In Defense of the Individual

ONE of the great practitioners of the inner life has told us, "To mount to God is to enter into oneself. For he who so mounts and enters and goes beyond himself, he truly mounts up to God." There are certain things that no one can do for us but ourselves. But we are not encapsulated monads which develop in a shell insulated from social contacts. We are born into a family and a community. An immense social heritage is put at our disposal — a storehouse into which has been distilled the contributions of an enormous number of individual men and women, some famous and some nameless. Knowledge, wisdom, skill, and some of the very thought-forms by which we may avail ourselves of this treasure are handed down to us. The problem here is not analogous to rationing a given quantity of goods to a certain number of people; it is analogous to keeping a conduit open so that the spiritual accumulations of previous generations can flow unimpeded, to be enriched through understanding and application by this generation and passed on to those to come. Diminution of political liberty is comparable to the silting up of the conduit; freedom is the removal of obstructions to the flow of energy.

IDEAS ON



LIBERTY

BRITISH BOOKSELLERS Learn to compete

WILLIE E. NELMS

MANY PEOPLE who supposedly support the concept of the free market are bitterly opposed to what they consider "cutthroat competition." According to these individuals, competition is acceptable, as long as it is not completely unbridled. If totally unregulated price reduction is allowed to occur, the industry or business in question will be ruined, the quality of goods will decline, and small entrepreneurs will be driven out of existence by larger producers. Thus, not only consumers but also businessmen are harmed when price decisions are left solely to the parties involved. The solution suggested is always the same: the state should regulate prices to "protect" both buyers and sellers.

Any student of freedom readily recognizes the errors in the above argument. It is only through the

working of the market that the true price of goods and services can be established. If the government interferes, it can only confuse the issue, inhibit efficiency in production, cause shortages, and prevent consumers from getting the best available products.

An excellent example of how the interests of both businessmen and consumers are best served by the competitive free market is the British bookselling trade of the nineteenth century. A careful review of this story will demonstrate how, without government interference, monopolies were avoided, consumers were provided inexpensive reading matter, and an acceptable income was earned by retail merchants.

The history of English bookselling is rooted in the eighteenth century. The Enlightenment, with its emphasis on intellectual improvement and industrialization,

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promoted the cause of literacy. Despite the increasing level of education, however, by the turn of the nineteenth century, books could still be purchased only by the wealthy. Most publishers preferred to issue expensive limited editions of books, instead of producing cheaper works for the expanding middle class. As one literary historian has observed: "ironically, as a climax to a century that prided itself on its unprecedented diffusion of learning, new published books were completely out of the ordinary man's reach."¹

An Innovator

An interesting exception to this trend in the book trade was James Lackington, "an ex-shoemaker, random amorist, and converted Methodist." Lackington scandalized the conservative book trade by buying volumes which other bookmen could not market and selling them at very low prices. Instead of maintaining the high prices and mark-ups of his competitors, he hung a sign over his bookstore proclaiming, "Cheapest Bookseller in the World." No one challenged his claim, and his business grew until he had the largest bookstore in London.²

Lackington's success encouraged other retailers who were willing to accept his belief that "small

profits do great things." Ignoring the protests of the older bookmen that underselling was against the best interests of the book trade, these entrepreneurs reaped acceptable profits, provided reading material to people with moderate incomes, and helped spread literacy throughout England.

Alarmed by the practice of competitive pricing, several leading members of the London Booksellers' Association met on December 9, 1829 to formally approve a document sanctioning control of retail book prices. According to this agreement, no retailer was to sell new books or reprints below the price suggested by the publisher; if he did, publishers could refuse to supply him with works at trade or wholesale prices. A permanent committee was established to enforce these regulations, and within a year 560 members of the book trade had promised to abide by the regulations.

The 1829 agreement brought outcries from booksellers who were unwilling to sacrifice themselves to save the more inefficient members of their trade. Many of these hardy individuals fought the regulations and continued to cut prices.³

The Committee of the Booksellers' Association was determined to enforce the 1829 accords, and it promptly responded to stop

underselling. In addition to boycotts and blacklisting, publishers were told to deny obstreperous sellers credit, and habitual offenders were excluded from public auctions and trade sales. The Committee later began issuing trade tickets to members who abided by the regulations. If a dealer violated the prescribed standards, his ticket was revoked and all privileges of the trade withheld.

Without a doubt, the most obnoxious of all techniques used by the organized book trade was espionage. Not only were merchants encouraged to report to the Committee any violations by fellow members of the profession, but spies were also hired to harass undersellers.⁴

As the harshness of the Booksellers' Association increased, the determination of the undersellers also hardened. This explains the necessity of the Committee to meet on July 12, 1850 to reaffirm its 1829 agreement. Such a gathering would have been unnecessary if members had faithfully obeyed the dictates of the organized trade. The truth is that while only a handful of merchants openly refused to obey the Committee's commands, many did so covertly. As in any market where prices are held artificially high, the profit motive encouraged producers to

engage in black market operations.

The covert undersellers were encouraged by the booksellers who openly defied the Committee. Needless to say, many of these men paid heavily for their actions, and some even went bankrupt. But the profitability of underselling was great enough to make the risk worthwhile for the few who courageously battled the organized book trade.

Bucking the Association

Among the most remarkable of these men was John Chapman, a publisher and importer of American books, who was only twenty-eight in 1850. Although threatened with blacklisting, boycotting and a cutoff of supplies, he continued to sell at less than the list price. Once, when the Committee promised to take sterner action against him, Chapman replied, "I'd gladly give ten pounds toward the expense of commencing hostilities against your association." He often smuggled books from other areas and bought indirectly from publishers trying to put him out of business.⁵

Chapman continued his defiance of the Association, and he printed several letters about its coercive activities in the *London Times*. These letters attracted such public attention that two of the Committee's most respected members,

William Longman and John Murray, felt compelled to respond. They replied that the Booksellers' Association represented a majority of the London bookmen and that the question of the Committee's activities was being considered by several prominent London literary figures. Although this last statement was untrue, the publicity it generated forced the Committee to submit the controversy to formal arbitration. A mutually agreeable group of arbiters was selected, and both parties began preparing their cases.⁶

Encouraged by the possibility of victory through arbitration, Chapman and other undersellers set out to convince the authors of the books they sold that the Association did not serve their best interests. The Committee responded with a circular expounding the dire consequences of unrestricted competition.⁷

From this debate came a most notable occurrence. On May 4, 1852, while the question of the Committee's actions was still awaiting arbitration, Chapman called a meeting of distinguished authors to get their opinions of the Booksellers' Association. Those present included Charles Dickens, Wilkie Collins, and Herbert Spencer. All of the authors decried price fixing and called for the institution of free trade. The

words of Henry Cole, a contemporary art critic who was at the meeting, aptly expressed the feeling of all present. He said, "I think the price of books should be allowed to find its own natural level, as in all other manufactures."⁸

Free Trade Prevails

When the question finally came before the arbiters, the undersellers argued that the regulations were monopolistic, oppressive, inefficient, and contrary to the principles of free trade. The Committee replied that it represented a vast majority of the booksellers and that if "cutthroat competition" continued, publishing and bookselling would suffer irreparable damage. They graphically described a future in which booksellers would be forced out of business and in which the number of books in circulation would be drastically reduced.

After hearing the arguments of each side, the arbiters adjourned to make their decision, which was delivered on May 19, 1852. Their judgment was unequivocal: the Committee's regulations were criticized as "harmful and vexatious," and inconsistent with the principles of free trade. As a result of this decision, the Committee was disbanded, and the Booksellers' Association was dissolved.⁹

Following the breakup of the Association, free trade returned to bookselling with predictable results. Price competition caused discounts to grow, and they were applied to nearly all books in the trade. Between 1852 and 1890 the discount rate rose from two pence to three pence on the shilling, and in some places these rates were exceeded. This process was not confined to London, but extended into the provinces. Provincial booksellers not only competed among themselves but also faced the challenge of London merchants. The rate of gross profit secured by booksellers was eventually half of what it was during the days of the Booksellers' Association. Naturally, this was to the advantage of the consumers as books became available to people with even the most modest of incomes.¹⁰

Many members of the book trade moaned the fall in profit margins and argued that it was no longer possible to make an adequate income. This argument has been cited by many historians to show the horrors of unrestricted competition.¹¹ In reality, however, a comparison of the figures available for the period discloses that profits were such that the number of booksellers actually increased by nearly 25 per cent, instead of decreasing as the critics have

claimed. As the most careful student of the nineteenth-century book trade has observed: "it is unlikely that there could have been any decline in the number of bookshops; and it may be conjectured that the average size of bookshop must have been increasing. This conclusion would not be surprising in view of the growth of the economy and the continuing spread of literacy."¹²

Another criticism of the price competition of the period is that booksellers were forced to supplement their earnings by selling other merchandise, such as second-hand books, fancy goods, and stationery. This was quite natural, however, as the traditional divisions between different branches of retail business were beginning to break down under the impact of changes in sale methods and the growing standardization of products. This argument further loses its significance when one realizes that similar circumstances obtained when there was regulation of the trade by the Booksellers' Association.¹³

Having dealt with the arguments against free trade, it is necessary to assess the benefits of such freedom. As price competition increased, inefficient publishers and retailers were forced to either become more productive or retire from the business. The

drive for efficiency led to numerous technological innovations, especially in the binding of books, which further decreased the cost of printed matter to consumers. In addition, novel advertising methods were used to inform the public of new works, and advances were also made in the distribution of books.

Bookmen began to realize the vast market formed by the middle and lower classes, who were eager for reading material. With the developments in technology and the increased efficiency promoted by the free market, the rewards to the consumer were great. In the words of one historian, "whatever its effects on the professional bookseller, the discount system encouraged the reading habit both by reducing actual prices and by increasing the availability of books."¹⁴

All of the above circumstances were possible because of the unhampered workings of the free market. Without governmental interference, it was impossible for the Booksellers' Association to maintain fixed prices. The lure of substantial profits was very tempting, and there were always businessmen willing to risk the displeasure of the organized trade. Even if the Association had not agreed to have its activities arbitrated, it would not have been able to maintain its control. The market for cheap printed matter was expanding, the technological advances were available, and undersellers were ready, willing and able to respond to the public's needs. These bookmen deserve much credit for their courage, and they deserve our thanks for demonstrating how the free market can solve the problems of production and consumption.

• FOOTNOTES •

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2 Paul Hollister, Comp., *The Author's Wallet* (New York, 1934), pp. 8-12.

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4 Barnes, *Free Trade in Books*, pp. 15-17, 22.

5 Hollister, *The Author's Wallet*, pp. 36-38.

6 Barnes, *Free Trade in Books*, pp. 24-25.

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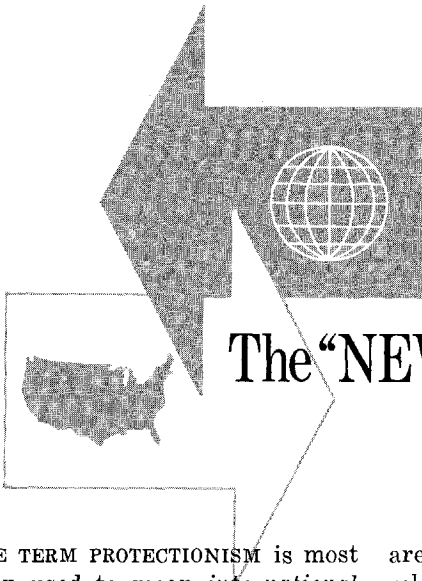
10 Taraporevala, *Competition and its Control*, pp. 21-26.

11 *Ibid.*, p. 28-29; Thomas Joy, *The Truth About Bookselling* (London, 1964), p. 20.

12 Taraporevala, *Competition and its Control*, p. 27.

13 *Ibid.*, pp. 29-30.

14 Altick, *The English Common Reader*, p. 305.



The "NEW" Protectionism

THE TERM PROTECTIONISM is most often used to mean *international* trade restrictions. However, its root is implanted in government power to "protect" men from competition and the free market. Thus, *protectionism begins at home*. Wage and price controls are a form of protectionism in that government tries to "protect" men from the effects of inflation. *Rationing*, too, is a form of protectionism in that government tries to "protect" men from shortages.

Both the domestic and international aspects of protectionism arise from the same assumption: that government must enter the economy and make decisions for its citizens, which they allegedly

are incapable of making for themselves.

When governments (politicians) attain the power to impose their ideas and values on other men domestically, it is not surprising to see the same kind of protectionist policies extended into the international economic and monetary spheres. And for the same reasons that men are not protected by protectionism internationally, they are not thereby protected domestically.

Though our main concern may be with the international repercussions of a recently renewed interest in protectionism, the root of the matter lies embedded in domestic political economic theory. It is at this root that we must begin pulling if we wish to reach a major source of today's economic and monetary problems.

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The Essence of Protectionism

The essence of protectionism is compulsion. For example, some men expect and demand that government provide public programs, services, and favors to certain citizens. This will allegedly protect men from an "uncertain world" and provide guarantees against the "harmful" consequences of "change." Such services as unemployment benefits, welfare hand-outs, health care, business subsidies, and the like can be provided only at the expense of other citizens; and government, by taxation, *compels* men to finance these services. Since men do not like taxes, the government resorts to inflation as a method of financing expensive programs. Thus, government must also compel men to accept paper money which government controls and depreciates. But men dislike inflation, too, and usually demand that price rises be reduced or eliminated. Since today's generally rising prices are simply an effect of inflation, there can be no cure to rising prices unless the artificial creation of money substitutes and credit by government is halted.

In the guise of protecting men from inflationary effects, government *compels* men to buy and sell goods at government-decreed prices and work for government-decreed wages. Such political com-

pulsion does not protect anyone — it violates man's right to defend himself and his property. Clearly, buying and selling or working at voluntarily established and mutually agreeable prices does not entail coercion. But the *prohibition* of such peaceful and voluntary action is coercive.

Controls on wages and prices, then, result in certain economic effects, i.e., shortages. Men dislike shortages, and again, when social pressure mounts for government to protect men against these government-caused effects, government enters the economy and imposes rationing. Men are then compelled to produce and trade at government-decreed rates, and they are told what they can and cannot do with their property. Again, the call for government action against economic *effects* leads to compulsion (a loss of freedom) but not to a *cure* for the immediate *cause* of shortages — not to a cure for inflation combined with wage and price controls.

Another example of domestic protectionism is consumer protection. The result of freedom, free enterprise and free markets is economic diversity and an abundance and variety of goods and services for consumers to choose from. Not all goods and services are of the quality that consumers anticipate; some goods are of

poor quality, others are better than expected.

In a free society, the consumer must *learn* to shop in the market place. He can have no prior experience with or knowledge of many new products, and since the economic world is forever a changing and uncertain place to live in, a consumer must constantly decide which actions best serve his self-interest. To help him make these decisions there are magazines, books, and private organizations supplying information on how to shop and what to buy.

If the consumer buys a product and is disappointed with it, he will not buy it again. If the product *harms* him in any objectively measurable way, he can sue for damages. But when the government attempts to "protect" men from purchasing shoddy or "*potentially*" harmful products, economic diversity is reduced and profit (the incentive to produce) dwindles. Government thus gains a monopoly on "shopping sense", i.e., what *politicians* consider shoddy or "*potentially*" dangerous merchandise. This kind of regimentation subordinates the majority of men's freely chosen values to the values of a few "omniscient" politicians. This leads to injustice because the government is necessarily arbitrary. This leads to a reduced standard of living as the market

place is constricted and confined to government-determined "standards" of what should be produced and its quality. Again, the act of producing and selling products or services does not entail coercion, but *preventing* peaceful and voluntary production, sales, and purchases *is* coercive.

In all forms of domestic protectionism where the government enters the economy to protect men from the effects or "potential" effects of an economically uncertain future, there exists government-initiated force, i.e., government's attempt to subordinate the consumer's judgment and actions to the judgments and decrees of politicians. This is the antithesis of government's proper role — the protection of individual rights. The protection of individual rights means protection from compulsion, be it initiated by private citizens *or* government agencies.

Domestic Protectionism At Work

All economic controls and regulations are established in the name of protecting some men, yet all economic controls and regulations result in the loss of freedom and economic well-being for all men. As decisions, judgments, and choices are taken out of the hands of individuals and regimented by government, the economy shifts from a market economy to a gov-

ernment controlled economy; and to control an economy means to control men.

One of the great economic benefits of a market economy is the efficient production and distribution of goods and services. Domestic protectionism (i.e., controls and regulations over production, prices, wages, and consumer choices) strangles the economy to the point of economic stagnation — depression.

Domestic protectionism has always existed to some extent in the United States, but its recent alarming growth comes with the assumption that government has an obligation to care for and protect its citizens *economically*. The movement toward economic protectionism is not new — it has been developing most rapidly in this country since the turn of the century. The signs of economic deterioration are becoming more and more visible domestically, yet the results of applying protectionist policies internationally are only now surfacing.

Governments have so completely adopted the political philosophy of controls and regulations to "solve" domestic economic problems, that the same kinds of controls have been extended without question into the international economic and monetary spheres. But, just as domestic protectionist

policies have the power to cause a depression nationally, international protectionist policies can cause a world-wide depression. To understand the nature and potential danger of international protectionism, a brief history of its development and the role it played in contributing to the Great Depression is in order.

International Protectionism At Work

The world has never achieved a period of free, unregulated international trade. It has, moreover, vacillated between periods of greater freedom in, and greater restrictions on, trade. It is not merely coincidental that freer international trade was more prevalent during times of greater domestic freedom, and that restrictions on international trade were more prevalent during times of greater domestic statist controls and inflation.

Prior to the 18th century movement toward greater individual freedom, the trade policies of the world developed as an extension of statism. The years from 1500-1700 were in general an era of mercantilism, which dominated trade policies of governments. Both domestic and international economic activity during this era can only be described as stagnant.

But during the 18th century

there developed a genuine intellectual movement against statist domination and for greater personal and economic liberty. From the works of a series of writers, there began a movement toward *laissez-faire* which resulted in political revolution (culminating in the Industrial Revolution).

The free-trade movement emerged from men's interest in greater individual liberty. Mercantilist theories which had dominated the policies of state were thoroughly and expertly demolished. By the 1800's, the world's major powers embraced both a philosophy of freer domestic trade and greater political liberty. This led to an unprecedented expansion of world trade and productivity and to over a century of peace between nations. Statism, fiat money, and protectionism had given way to capitalism, an international gold standard, and an era of international free trade.

But this transition was not complete. Statist principles were not entirely rejected; the gold standard was not free of government meddling; and free trade was only *more* free — not fully free. These remnants of statism were not eliminated, so they continued to grow. Toward the end of the nineteenth century, statist trends began to again dominate the world — a condition which

later led to abolition of the gold standard and free trade.

The U.S., a bastion of freedom and a growing world power, proved no exception to the statist trend. Greater government intervention into the economy led to greater restrictions over domestic exchange. A growing populist movement urged government to engage extensively in economic matters. Inflationists began propagating massive government programs that would not likely gain popular support if financed through direct taxation.

By the 1920's, government had gained total control over the issuance of money substitutes and was using this power to finance new and ever-growing government programs. Although the gold standard was not officially abandoned, for all intents and purposes it became non-operational. Meanwhile, international trade was faltering; the accumulated debts of major nations and the undercutting of gold flows (which, under normal circumstances, would lead to price equilibrium among nations), were creating serious international economic and monetary distortions.

The Depression hit the world after only a relatively few years of implementing statist-inflationist policies. And the political response was a resort to greater domestic and international protec-

tionism to "solve" the world's problems.

In 1930, protective tariffs were raised to the highest level in United States history — an average of over 52 per cent on dutiable imports. Of course, foreign nations retaliated with their own import restrictions. As a result, between 1929 and the third quarter of 1932, the volume of world trade contracted by one-third while the gold value of world trade fell by nearly two-thirds.

One of the main justifications offered for raising tariffs was to increase exports. Did the increased tariffs increase exports? Not at all. In 1932, the volume of United States exports had in fact *declined* by 53 per cent from the 1929 level. The trade "war" of the early 1930's is just one more eloquent illustration of how protectionist measures contract world trade and reduce men's standard of living.

How could the world move toward such an insane trade policy? How, after centuries of evidence on the vices of trade restrictions and the virtues of free trade, could such protectionist policies be re-enacted into law? The answer is that when governments chose statism and inflation as a way to deal with social, economic, and monetary problems domestically, they chose force as their primary meth-

od of dealing with men. And domestic problems and policies soon enough became international policies and problems. In a time of emergency, good sense, reason, and truth became "impractical" — nothing less than brute force would do. Protectionism, a world trade "war," and economic chaos were (and will always be) the product of this kind of thinking.

Past Folly and Current Nonsense

Unfortunately, the lessons of history and common sense seem seldom sufficient to prevent a recurrence of past folly.

Ask any economist if wage and price controls work or have *ever* worked. With rare exceptions, the answer will be, "No; wage and price controls are only a temporary panacea that attempts to deal with the symptoms of inflation rather than the cause and, at best, leads to economic dislocations and shortages." Ask if rationing is the best way to deal with shortages and, again with exceptions, the answer will be, "No; rationing requires an army of bureaucrats and this is no substitute for the free market. It's expensive to ration, it's inequitable to ration, and it is economically dangerous to ration."

Such policies as wage and price controls and rationing are not scientific or reasoned approaches to problems, nor are they historically

proven solutions. Why, then, are they forever plaguing men, like a recurring disease? The answer becomes apparent if one goes to the root of today's political action. There he will find statism at work and a statist mentality to generate it. "The nation is in a crisis, inflation is raging, *something* must be done. This is an emergency!" Whenever one hears these words, he can be sure that new statist measures are about to be advocated. The statist sees there is a pressing problem, but has *no* idea of the solution. He offers, with great confidence and moral indignation, "*something* must be done," in place of exactly *what* should be done to end the emergency. He cannot be bothered to check into causes, scientific investigations, rational or historical evidence. His only concern is to forcibly prevent men from doing whatever it is *they're* doing to cause a crisis.

While rationing and other related proposals are being advocated to meet problems such as the energy crisis, the one potential proposal that has the power to do perhaps the greatest economic harm lingers in the background. It is rarely mentioned by politicians, yet is a very real threat to the world. The threat is that politicians may repeat the past follies of the 30's, and by dramatically increasing trade restrictions,

throw the world into a new trade "war."

Toward a "New" Era of Protectionism

Despite much talk about (and even some action on) reducing trade and money barriers, there is a growing protectionist mood in the world. The European Economic Community (EEC) has been hailed for its increased free trade policies, but these policies are of dubious merit. While trade *between* EEC nations has been liberalized, trade policy between the EEC and other nations has changed little since World War II. Further, the kind of "free" trade that exists *within* the EEC is highly suspect: it is enveloped in controls over men, money, and markets in an attempt to legally fix exchange rates and support controlled prices.

The EEC has for years shown artificial export surpluses, by restricting imports, discouraging foreign investment, and undervaluing their currencies. EEC intervention to keep the value of its currencies at unrealistic rates indicates the true sentiment in Europe. Europe demands from the rest of the world both the right to inflate and to export, but governments refuse to allow their citizens the use of export revenues to freely import foreign goods.

Japan likewise has erected in-

surmountable trade barriers for many goods, and has imposed a protectionist web of exchange controls.

Meanwhile, the United States imposed a temporary 20 per cent surcharge on all foreign goods at the first sign of "trouble" in 1971. The fact that this surcharge has ended would be encouraging except for another fact: Congress granted the President power to determine trade policy, which means the power to decrease or increase tariffs and quotas as he sees fit.

In the past, trade "wars" have been sparked by currency depreciation and the attempt to legally fix exchange rates. This caused great distortions and disequilibria, which resulted in devaluations, then in a series of "competitive" devaluations, and finally in a trade "war" as all nations attempted to "protect" the home industries from competition. While it is certainly possible that a trade "war" could result once again from the monetary turmoil of "competitive" devaluations and the attempt to artificially increase exports and restrict imports, a new factor on the horizon warrants examination: the energy crisis.

The Mid East's oil embargo represented a major step toward protectionism. Oil is now often referred to as a "weapon." The ex-

port ban on oil led to a renewed awareness of the importance of energy and natural resources. The energy crisis began to cause shortages of goods throughout the world, and the massive amounts of existing fiat money (plus the newly created fiat money printed to "stimulate" national economies) resulted in hoarding of goods and to skyrocketing prices.

Call for Intervention

It is always in this kind of panic atmosphere that protectionists step forth: "The government must do something! We must preserve our natural resources and combat the threat from the Mid East." Governments have not yet seriously increased protectionist restrictions, but the mood in the world is ominous. Here are a few of the questions that nations must face: How will nations obtain more oil? Will they encourage the domestic exploration and production of oil by decreasing restrictions on production domestically, or will they increase international protectionist policies and restrict exports of scarce goods? How will nations pay for the higher-priced oil they must obtain? Will they increase their national money supplies (inflate) to pay for oil, will they restrict imports of other foreign products in order to run artificial trade surpluses, or will they re-

duce trade barriers in order to achieve maximum exports? What will become of the billions of dollars that flow to the oil-abundant Arab nations? Will Arabs be allowed to freely invest and spend this money in other nations, or will they be discouraged from doing so by "new" protectionist policies? How will the balance of payments problems (the huge deficits of oil importing nations) be handled? Will the currencies of deficit nations be free to seek their market level, or will they be legally prevented from doing so? The answers to these questions and others like them will help determine whether the world embraces a new era of free trade or a new era of protectionism.

The potential sparks that can kindle a new world trade "war" are numerous. Governmental refusal to allow the free export of natural resources is one potential spark. When nations jealously protect natural resources it is only a matter of time before other nations retaliate with similar protectionist measures. The attempt to artificially increase imports and decrease exports — or vice versa — never increases natural resources; it only serves to reduce world trade and contract the amount of imports on which nations depend.

Attempts to pay for higher-priced oil by means of inflation is

another potential spark. The Arab nations are very conscious of monetary depreciation and thus will not tolerate massive artificial increases of money. This can only add an inflationary strain to an international monetary system that is already being strained to the breaking point. Similarly, any attempt to artificially devalue national currencies in order to stimulate exports or artificially revalue national currencies in order to pay for oil and "solve" balance of payments problems, can only result in "competitive" devaluations or revaluations by other nations. And this could lead to the kind of monetary turmoil that sparked the trade "war" of the 30's.

What can be done to head off or combat the threat of a world trade "war"? Men must speak out against *irrational* fears with rational arguments. It must be urged that nations begin to decrease restrictions on men, money, and markets. This is the only moral and economically practical course of action open to nations.

Men must realize that the attempt to solve economic problems by imposing progressively greater protectionist policies will fail as it has always failed, and that it has the potential of culminating in a world trade "war." Such a trade "war" will *not* end adverse economic effects such as shortages, or

balance of payments problems, nor will it stimulate exports or imports. It will only multiply present problems, just as past problems were increased during the trade "war" of the 30's.

One point must be stressed: while it appears the world is certainly moving toward a "new" era of protectionism, a trade "war" is not *inevitable*. It can only occur through submitting to ignorance and fear and can be averted by combatting statist-inflationist policies in general and protectionist policies in particular.

Toward a New Era of Intellectualism

The free trade movement did not come to the world accidentally — it came as the result of applying reason to the political and economic sciences, i.e., as a result of moving toward capitalism. Likewise, *protectionism* did not come to the world accidentally, but resulted from increased coercive government power and men's failure to properly challenge that power, i.e., as a result of moving toward statism.

The proper way to suppress government power in a free society is with ideas. *One* good idea by *one* thinking individual is worth more than any number of guns and laws aimed at forcing men to blindly take actions. It is far easier for men to identify

with common sense and facts than with blind force. Men are receptive to reason, and as such are likely to learn, to correct errors of thinking, and to act rationally and productively. When men are commanded to obey laws, they are more likely to be confused, frustrated, apathetic or rebellious.

This nation was born as the result of an intellectual revolution. Ideas on liberty led to economic heights previously inconceivable. Then came the anti-intellectual "revolution" of the twentieth century, and with it regression toward ignorance, concern for effects rather than causes, and the political-economic expression of such regression: increased statist controls. The result of the anti-intellectual "revolution" has been greater economic and political problems and the beginning of a steady decline in the material well-being of United States citizens.

But not all men are satisfied with their political leaders and the stale, meaningless "answers" supplied by today's "intellectuals." Increasingly, men question the credibility and worth of their leaders' statements. There may be only a handful of true intellectuals today, but from these men of reason, and out of the dissatisfaction and questioning of millions of Americans, there can evolve a new intellectual revolution.

A new era of protectionism may well be awaiting the world; but this time, to combat it, hopefully to avert it, and perhaps to end it once and for all, a new era of intellectualism may also be awaiting.

It has always been characteristic of Americans that when they

are given the choice between force and reason as a way of life, they will in the last analysis choose reason. The main task today is to rationally speak out against the government initiated coercion that fuels economic controls and regulations, so that Americans will be provided with that choice. (8)

"Why don't you propose something constructive?"

FROM TIME TO TIME, readers of *analysis* urge upon me the espousal of some program they are pleased to call "constructive." . . .

Every one of the proposed reforms has something to commend it, while the sincerity of the proponents makes one wish that they might succeed. The fact remains, however, that the reform invariably rests its case on the good-will, intelligence and selflessness of men who, invested with the power to do so, will put the reform into operation. And the lesson of history is that power is never so used. Never. I am convinced, on the other hand, that all of the evils of which these honest people complain can be traced to the misuse of power, and am therefore inclined to distrust political power of any kind. . . . The only "constructive" idea that I can in all conscience advance, then, is that the individual put his trust in himself, not in power; that he seek to better his understanding and lift his values to a higher and still higher level; that he assume responsibility for his behavior and not shift his responsibility to committees, organizations and, above all, a superpersonal State. Such reforms as are necessary will come of themselves when, or if, men act as intelligent and responsible human beings. There cannot be a "good" society until there are "good" men.

IDEAS ON



LIBERTY

All Different

GEORGE ELLIS

CRITICS of the United States are quick to point out that ours is not a truly democratic system because people are not all on a level and alike. But when did democracy offer to guarantee the similarity of people or grade mankind down to a dead flat? Democracy declares that men, unequal in their endowments, shall be equal in their right to develop those endowments.

Classes must exist in every social order. The moment you have men developed by different kinds of work, on different sides of their nature, you have classes.


What democracy says is that there shall be no locked door between these classes. Every stairway shall be open. Every opportunity shall be free. Every talent shall have an equal chance to earn another talent. Democracy is based upon the conviction that there are extraordinary possibilities in ordinary people.

Our system may not be perfect,

but it is the best thing we have developed so far. It would be physically impossible for all the farmers' sons in the country to become President. But any of them may do so, and several of them have done so.

These cases are not accidents. They are logical evidences of an equality among men in the only sense in which equality is possible — equality of opportunity.

The malcontent who has given nothing to his country, but protests against its principles in spite of the fact it has given him the best life in the world, must be taught that we have created on this continent, in less than two centuries, a civilization that is the envy and inspiration of nations five or ten times as old.

They must be made to remember that men do not make bloody footprints crossing a frozen Delaware River just to see what is on the other side. They do it to leave a well-marked trail that others may follow toward a worthwhile destination — Freedom. 

Mr. Ellis is a free-lance writer from Aurora, Illinois.

VALUE and the WELFARE STATE

BRIAN SUMMERS

SOCIETY MOVES as its individual members move. And individuals act according to their ideas.

Thus if one wants to know where society is going, one needs to examine the ideas held by its members. If one wishes to change the course society seems to be taking, one must present one's fellow men — society — with better ideas.

The ideas that nurture and sustain the welfare state are innumerable, but a few basic conceptions run through them all. And one such notion is that welfare programs somehow "increase the general welfare."

In conventional usage, "general welfare" is taken to mean some sort of sum of the welfares of the individuals composing society. To form any such sum, one must assume that the welfares of individuals can somehow be measured.

The "welfare of the individual" is a subjective value judgment.

Unless one considers himself somehow superior to his fellow men, he will readily assert that the only judgment of the welfare of the individual that matters is the judgment of the individual himself.

Can a person measure his own welfare and then report the resulting number back to the state? Welfarism is based on the assumption that an individual not only can do this for himself, but a case worker can do it for him.

The measure used, of course, is the material well-being of an individual — in rough terms, how much money he has. That is, the material wealth of a person is taken as the measure of his welfare. The state, using these figures, then forcibly takes from those with "too much" wealth and gives to those with "too little."

Thus are the actions of the welfare state founded on the assumption that an individual can measure the values he places on goods and services. That is, state wel-

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farism is based on the notion that personal values can be measured and that the appropriate measure is money.

Subjective Values Change

This notion is false. For money to be a measure of value, the value an individual places on a unit of money, say a dollar, would have to be constant. In reality, as an individual changes, and as his economic circumstances change, the value he places on each dollar also changes.

To confirm this, merely reflect on your own experiences. If you received a raise, did not the value of each dollar in your eyes decline? Were you not more willing to spend these dollars for luxuries you wouldn't have bought in the past? Also, as prices change, does not the value of each dollar in your eyes also change? Reflection upon your own experiences, and your own changing tastes and values, will show that a unit of money is no more a standard of measurement than is an elastic ruler.

Thus it is seen that the welfare of the individual is not amenable to measurement. This reveals the folly of egalitarian leveling schemes, for they are based on the assumption that individual welfares can be measured and compared, usually in terms of dollars. There is no reason to believe that

equally wealthy people are "equally happy" people. In fact, one has only to look among his acquaintances to find graphic evidence to the contrary.

The immeasurable nature of human welfare also demonstrates that there is no way of determining if the welfare state helps beneficiaries more than it harms taxpayers because there is no way to measure the help and the harm. That is, there is no way of telling if welfare programs "increase the general welfare." In fact, "general welfare" — viewed as a sum of the welfares of the individuals comprising society — is a meaningless expression.

One may thus conclude that the welfare state has no meaningful criterion to judge its effects on the welfares of the people.


Voluntary Charity As Alternative to Welfarism

Fortunately, welfare is not the only way that people may give direct aid to the needy. There is one alternative: charity. Charitable acts are voluntary acts. An individual accepts charity because he feels he is better off doing so than not. That is, he feels his welfare is improved. A bestower of charity does so because he betters his own standing in his own eyes. That is, he experiences a psychic profit. Hence he also feels that his

welfare is improved. Thus in charitable transactions, as in all free market transactions, each party feels that he is better off. If both parties didn't feel this way, they wouldn't have made the transaction.

We may thus conclude that in charitable acts all parties involved

improve their own welfares from their own points of view—the only points of view that matter.

The voluntary nature of charity, in contrast to the coercive “pay these taxes or else” nature of welfare, convinces me that charity is far the better alternative. 

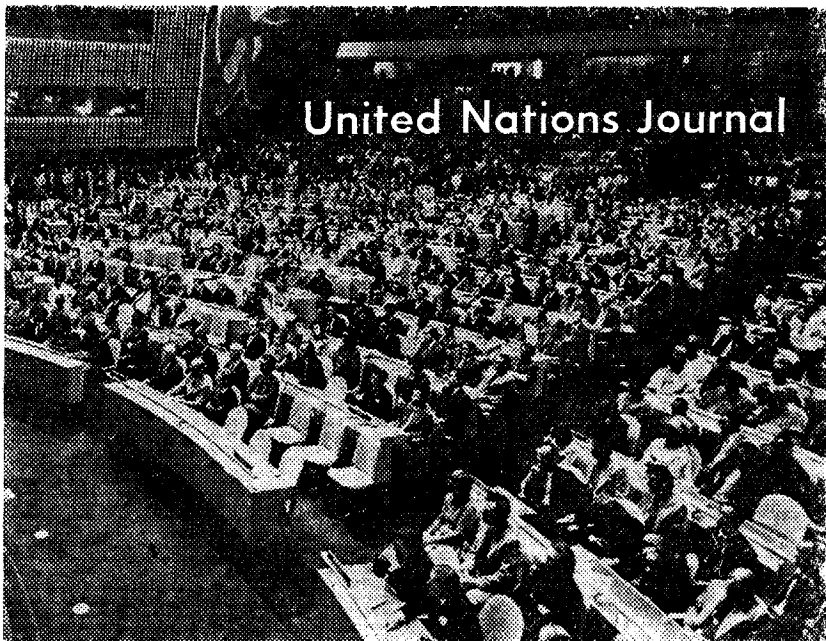
Hope for the Oppressed

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

IDEAS ON



LIBERTY



WHAT IS the justification for the United Nations? It is hard to see what it has done to further any interests that might be helpful in preserving the values that have made western civilization what it is. Clarence Streit's "Atlantic union" would have done better. The UN, as it has evolved, has become the happy hunting ground of all the two-bit bully boys who talk about liberty and use stolen property to bolster their one-party regimes. So why do the inheritors of the Judeo-Christian-Greek tra-

dition put up with it? Abba Eban, the civilized Israeli who was Golda Meir's Foreign Minister, when pressed to explain why he made his periodic visits to the UN slab in New York City, put it wittily when he said that "if one is to work behind the scene, one must have a scene to work behind." That just about sums it up: the UN is a scene.

William F. Buckley, Jr., who has a sound theatrical instinct, saw it as such when, against his own first impulse, he decided to

accept an appointment, in 1973, as a public delegate member of the U.S.A.'s UN mission. Bill differed with Abba Eban on one thing: he wanted to work in front of the scene. In what he calls his "only experience . . . in pure, undiluted Walter Mittyism," he saw himself dramatically exposing hypocrisy as a missionary to the Third Committee (the one that deals with human rights). He had never visited the great assembly at the UN in his twenty years in New York, but he saw no reason why he couldn't use the rostrum to read to the world certain passages from Solzhenitsyn or to plead the case of the trapped Soviet dancer Panov. After all, Mrs. Franklin D. Roosevelt had unexpectedly used the UN scene to fight the Cold War in a day when not every Liberal was categorically expected to be in favor of detente, so why couldn't a worthy tradition be revived to fight for western values within the limits imposed by Richard Nixon's "low profile" foreign policy stance?

Alas, Bill Buckley discovered that he was not a free agent to conduct a Mittyesque operation of any consequence. In an age that is concerned with ethnic sensibilities and national appearances rather than with individual rights, Mittyism on behalf of Christian values or John Locke's old triad of "life,

liberty and estate" would not be understood. "Race" had become the overwhelming preoccupation of the UN since Mrs. Roosevelt's day, and working for Mr. Nixon and Henry Kissinger had to be accepted in a limiting context that Harry Truman and Dean Acheson had only dimly foreseen.

A Delegate's Diary

At this point Bill Buckley would surely have offered his resignation if he had not formed a most admiring opinion of John Scali, who was doing his best to fight rear-guard actions in defense of Eighteenth Century individualist values as the U.S. Permanent Representative to Abba Eban's "scene." Having elected to stay on and see it out, Bill decided on the limited Mittyism of keeping a diary. It is now published as *United Nations Journal: A Delegate's Odyssey* (Putnam, \$6.95), and it says everything that Bill couldn't say in the open on the few occasions that he was called upon to address the "scene."

The result is that the tone and texture of a period in the UN's affairs has been caught with exquisite sensitivity. Human rights, in the year of the Buckley odyssey, made no appreciable advances, for the manipulators behind Abba Eban's "scene" were too busy concerting the maneuvers that were

to end in pushing all the old "colonial" powers of the West up against the wall in the little matter of assuring their economic systems of enough energy to keep going. The Arabs and the African dictatorships worked in harmony with the Soviet Union to exploit the Yom Kippur War with the Israelis in a way that has drastically altered an ancient economic balance of power.

Bill Buckley does not say in so many words that the Afro-Asian bloc, edged along by the Communists, has been singularly successful in using the excuse of the Israeli war to defeat the whole West in a relatively bloodless battle. But the theme peeks out from the Buckley descriptions of such events as General Mobutu's appearance before the General Assembly or Saudi Arabia's Ambassador Baroody's interminable incursions into what Buckley calls "pop history." The diarist quotes and observes, setting down the minutiae. Buckley is here engaged in beautiful intaglio work. The broad-stroking can be left to those who use the diarist's notations to substantiate the general conclusions of the historian and analyst.

Oil on Troubled Waters

What interests me as an analyst is that Bill has caught the UN at

a period that is certainly destined to pass into history within short order. The rise of the Arab money power will surely cause great splits in what, to date, has been the Afro-Asian united front. The so-called Third World, which has been utilized by both the Soviet and the Chinese Communists to fight the "capitalists," will soon be convulsed with arguments about disposition of the greatly enhanced income that is now accruing to hitherto "underdeveloped" countries such as Nigeria, Kuwait and Saudi Arabia, which have oil. The needs of India, which has little to pay for fertilizer, or of the sub-Saharan poverty zones, are no longer identical with the needs of the "have" nations in the Third World. And with capital flowing into their treasuries, the new Third World "haves" must face the truth that neither Moscow nor Peking offers an investment area that will pay nine per cent for the use of the money surplus that is now being conjured out of the possession of oil and other natural resources. People with funds to invest inevitably become capitalists.

Strange New Alliances

In the new power struggles that are even now shaping up, the UN is bound to see some strange new alliances. The old "colonial" pow-

ers — the United States, the nations of western Europe — will be using their technological and managerial advantages to bid for position. They still have something to use in a trade. The communists, who have shamelessly utilized what has been an Afro-Asian united bloc to further their own strategies, cannot talk about “recycling” possibilities to the new Third World “haves.” Starvation in the Third World “have-not” countries will pose special complications. So, too, will the disappearance of the Portuguese Empire. Israel, which has been the butt of history, may, curiously enough, find itself in a somewhat better position now that huge oil profits have satiated some of the Arab countries. With money to spend, the “have” Arabs must come to look upon future wars as unwelcome interruptions in more important business. Jamil Baroodi may have to get some new speeches.

In the coming struggles for position at the UN, what will be the fate of the human rights which were Bill Buckley's big concern when he accepted his UN assignment? No doubt the rhetoric will continue as usual. I suspect, however, that the fight for human rights must be won everywhere as a local struggle. The UN in its very nature remains Abba Eban's “scene.”

▶ AN INTRODUCTION TO CHRISTIAN ECONOMICS by Gary North, The Craig Press, Nutley, New Jersey, 413 pp., \$6.50, paper.

Reviewed by Edmund A. Opitz

THE SOLID CORE of this excellent book — nearly half of it — consists of the brilliant articles contributed by North to *The Freeman*. They treat expertly of such matters as inflation, urban renewal, property taxes, money and banking, and even range afield into such delicate areas as women's lib and the family. The writing has verve and wit.

Some potential readers of this book may be put off by the title. An “introduction” connotes an elementary treatment of a subject, and easy reading — which this book is not. The writing is clear, but it is in the nature of the subject matter treated here to make demands of the reader. Economics, and especially monetary theory, are tough going. The book, however, will repay the effort put into it.

The adjective “Christian” will, in the second place, mislead many of our contemporaries who have only the vaguest of notions of what the term means. North is clear on this point, and pretty hard nosed about his own commitment to Christianity and what this portends for economic theory. What

he refers to as "the starting point for all economic analysis," is the curse upon the earth recorded in the third chapter of Genesis, resulting in a scarcity of almost everything we need to survive. Because things are scarce, men must learn to cooperate with one another. (Something of a blessing, one would think!) And because the earth now does not yield up its fruits unless human effort is expended, labor is an unavoidable necessity. "If any would not work," wrote St. Paul, "neither should he eat." Impossible to square welfarist policies with the New Testament! Economics, then, is the human effort to mitigate the curse of scarcity, and its primary ethical mandate requires that every able-bodied person contribute his labor.

There are some things no Christian economist will spend a moment's time on, the author points out. He will, for instance, spend no time trying to devise ingenious ways of inflating the money supply, nor will he try to provide a rationale for fractional reserve banking. To the contrary, he will denounce the immorality of inflation and work toward sound banking practices and the use of real money, gold and silver.

A significant portion of this book deals with monetary theory, so the author felt called upon to

devote a lengthy chapter to the funny money people, by whom some conservatives are led astray. The Social Credit scheme associated with the name of C. H. Douglas has gained many disciples, and so have the monetary panaceas of Frederick Soddy and Silvio Gesell. These ideas come together in the writings of one Gertrude Coogan, and it is her two books which North dissects and disposes of.

Gary North offers interesting discussions of usury, the limited liability corporation, education and the schools, philanthropy, and even a little handbook of economic survival when and if the crunch comes. There is a freshness of approach to these various topics that makes this book recommended reading for even the well-schooled libertarian or conservative. The author's earlier work, *Marx's Religion of Revolution*, has here a worthy successor.



► **ECONOMIC GROWTH AND STABILITY: *An Analysis of Economic Change and Policies*** by Gottfried Haberler (Los Angeles: Nash Publishing, 1974) 291 pp., \$10.

Reviewed by Tommy W. Rogers

DR. HABERLER'S WORK is the eighth volume in the Principles of Freedom series, sponsored by the Institute for Humane Studies, Inc., of Menlo Park, California. The purpose of this study is to identify the public policies and the monetary and financial instruments that are best suited to achieve the two economic objectives of stability and growth, grounded in what Haberler considers the more basic objective of personal freedom. In other words, the economic objectives of stability and growth must be restricted to those which preserve the personal freedom of the individual and are consistent with the *modus operandi* of the free enterprise system.

. . . freedom of consumer choice, freedom of choosing one's residence and occupation, and free enterprise are values and policy objectives more important than those of growth and stability. Their preservation requires free markets and absence of price controls. Fortunately, these freedoms, far from being in conflict with the goals of growth and stability, are conducive to bringing about rapid

growth and stability. These freedoms, thus, are means and ends at the same time.

In a chapter on "Growth and Growth Policy," Haberler deals with the meaning and measurement of growth, determinants of growth, the influence of government policies in promoting or retarding growth, and a discussion of recent popular attitudes toward economic growth. "Policies for Stabilization" looks at business cycle and anti-depression policies, the effects of "fine tuning" discretionary measures, the "monetarist position" of Milton Friedman and others, the Keynesian position of "functional finance," and the argument of "monetary" vs. "fiscalist" policy. In other chapters, Haberler identifies the inflationary practices followed by various mature industrial nations as well as the governmental attempts to set "wage guideposts" and "incomes policies" and other forms of protectionism, as distinguished from free markets and international free trade. The ideal of the gold standard is discussed, along with the Bretton Woods or "adjustable peg" system, and the propensity to impose controls under a system of fixed rates.

The concepts, principles, and instruments are clearly defined to give the reader a history of the application of different approaches to

economic stability and growth. The compilation will be of interest and value to more advanced students of economics as well as to intelligent citizens with no formal training in the subject.

- ▶ **ROOTS OF THE NEW REPUBLIC: A NEW PERSPECTIVE ON EARLY AMERICAN CONSTITUTIONALISM** by George Dargo. (New York: Praeger Books, 1974), 187 pp. \$8.00

Reviewed by Allan C. Brownfeld

AT A TIME when the Constitutional processes have been severely tested, it is proper that we recall the beginnings of the nation and gain some perspective on where we've been and where we're headed.

Professor George Dargo of the City University of New York examines the foundations of American constitutionalism in a broad survey of government, legal rights, church-state relations, the press, and political life in the colonial period. Unlike a number of earlier studies which have stressed legal doctrines, ideological constructs, and social attitudes, Professor Dargo's book is concerned primarily with the historical reality underlying the accepted notions about the period. "What is extraordinary about American colo-

nial history is the degree to which a new society, beset by enormous physical problems and located on the edge of a hostile wilderness, succeeded in generating institutions that, in retrospect, represented significant breakthroughs and advances in the evolution of Western constitutionalism."

While the 18th century saw the entire thrust of English policy as one toward centralization and subordination, either to the will of the Parliament or to that of the Crown, the author believes that, "Precisely the reverse was the theory of the American federal union. The evolution of territories into states was to be an evolution from dependency to autonomy."

Government was not a positive good, the early Americans believed, but a necessary evil. The most important thing was to severely limit and circumscribe it. Recalling the "Body of Liberties" adopted in 1641 in Massachusetts, an early "Bill of Rights," the author states that it was "the first modern code of the Western world, designed to limit the discretion of legislators and magistrates to fixed principles—an idea that was to reach fulfillment and conceptual clarity only in the constitutional period and the latter part of the 18th century."

The early Americans wanted written guarantees and did not

wish to trust their liberties to the benevolence of the men who happened to be their rulers. Dr. Dargo writes that, ". . . by the end of the 17th century, the American constitutional experience—as reflected in royal charters and concessions handed down by the Crown or by the proprietors of royal grants as well as in legislation initiated from below by the people's deputies—recognized the central importance of legal guarantees of personal liberty secured by some kind of written enactment whose authority was beyond ordinary statutory control."

While Americans at this time reject the idea of a property test for voting, Dr. Dargo reports that such a test was widely used in the colonial period, and for reasons quite different from those we might suppose. He reports that, "The property restriction was a device—originally a liberal reform — for preventing local men of wealth, power, and influence, from controlling the outcome of elections. Given that most voting was oral and that a man's choice was public knowledge, it was necessary to insulate the voter as much as possible from social pressure. A tenant was not very likely to risk his lease by voting against the known inclination of his landlord; nor would an apprentice or bound servant vote against his master or

a debtor against his creditor. The theory was that tenants and servants, like women, slaves and children, did not have 'wills of their own,' and only a man with a minimum of property was sufficiently self-possessed to exercise a free choice . . . it was believed that in the absence of a property qualification the rich and powerful would be able to march to the polls at the head of a parade of dependents prepared to vote at their dictation."

Professor Dargo is not happy with those historians and critics who have seen fit, in recent years, to denigrate the American past. To argue against calling the early American experiments with government "constitutional" because they "did not promote tasks that we, more than two centuries later, consider central, is to distort colonial America's real achievement and its primary contribution to the betterment of man."

Reflecting upon our current period and the abuse of power which we have witnessed, Professor Dargo recalls the lessons we should be busy learning from our colonial experience. He concludes that, "Constitutionalism is our best and safest foundation for dealing with the social ills that beset us. It is, after all, primarily out of our constitutional tradition that the notions of social justice

and equality that we as a people profess have emerged. Constitutionalism supplied to colonial Americans the values, the tools, and the assurance that enabled them to respond to tyranny when they perceived it. We, too, draw upon that rich legacy when we respond to threats to liberty in our time—threats that the early Americans would have understood, and which they taught us how to meet.”

► **PAGANS IN THE PULPIT** by Richard S. Wheeler (Arlington House, 81 Centre Ave., New Rochelle, N.Y. 10801, 1974, 137 pp., \$7.95)

Reviewed by Norman S. Ream

THIS BOOK is better than its title. The alliteration may attract attention but it is not an accurate designation of most of those about whom the author writes. A socialistic, left-wing position in political and economic thought does not forsooth make one a pagan. One cannot argue the fact that many clergymen are oriented toward increased government control of the economy. Some may indeed be pagans, but a great majority are misguided idealists whose education in economics and experience in the business world have been terribly neglected.

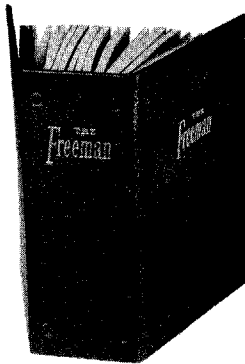
It is about these persons, charged

with being our religious and moral leaders, that Richard S. Wheeler writes well. He concludes that they “suffer under the most terrible theological delusion of our age, the delusion that substitutes welfare for charity, the state for God, bureaucracy for mercy and equality for justice.” If indeed these religious leaders are so terribly misled then perhaps the kindest thing we can do is to pray, “Father, forgive them for they know not what they do.” Unfortunately that commendable moral position will not undo the vast harm they have done during the past three or four decades.

The author makes a strong point in demonstrating that it is not a mere difference in means that divides the liberal clergy from their more conservative counterparts who believe in the limited government, private property, free-enterprise tradition of our American heritage. It is not true that our goals are the same and only our projected means are different. “Christianity and socialism are not cousins, but enemies. The one is a secular political enterprise that employs government coercion as its motor. The other is a religion, concerned above all with the relationship of persons, of souls, with God.” The end of one is freedom; the end of the other is totalitarianism.

Mr. Wheeler makes his point with force and clarity while discussing from a Biblical basis the problems of suffering, egalitarianism, women's rights, civil disobedience and peace. This reviewer, a

clergyman, found his Biblical exegesis to be thoughtfully and carefully done. Here is a book that will be helpful and supportative in demonstrating that socialism is neither Christian nor moral.



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Alexsandr Solzhenitsyn — Some Lessons for Americans	George H. Douglas	707
It is never easy to detect the losses of liberty within a familiar system of attrition.		
Capitalism and the Wages of Virtue	Roger Donway	719
Removing some barriers for those who would extol the virtues of competition.		
The Ugly Market: Why Capitalism Is Hated, Feared and Despised	Israel M. Kirzner	724
A scholarly analysis of the attitudes and premises underlying the criticisms of capitalism.		
Mud Pies for Sale	Paul L. Poirot	737
What if they were legal tender?		
Lower Interest Rates by Law	Percy L. Greaves, Jr.	740
Control of interest rates is control of people, with highly harmful consequences.		
Tales of Three Cities	Joan Wilke	748
Examples of what private enterprise can do in building communities.		
Book Reviews:		753
"The Free Man's Almanac" compiled by Leonard E. Read		
"Competition and Entrepreneurship" by Israel M. Kirzner		
Index for 1974		761

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Alexsandr Solzhenitsyn-

Some Lessons for Americans

GEORGE H. DOUGLAS

WITHIN the past few years, Mr. Aleksandr Solzhenitsyn has gained a certain amount of notoriety in the United States, most obviously after his expulsion from the Soviet Union and his well-publicized confrontation with the Russian government. Needless to say, his literary reputation has grown steadily in this country with the publication in English of such major works as *The Cancer Ward*, *August 1914*, *One Day in the Life of Ivan Denisovich*, *The First Circle*, and most recently, *The Gulag Archipelago*. It is generally understood by Americans that Solzhenitsyn has been a great fighter for freedom in our time. But the truth is that his importance in this regard is greatly undervalued in America — taken as a matter of course, we might say. Mr. Solzhenitsyn is in fact one of the great libertarians of our time,

and the lessons he has for us are not regional or narrowly historical. They are not intended for Russians alone. They are directed not only at the Soviet government and the Communist system, as it is convenient and pleasurable for Americans to believe, but to all people who value freedom and see it slipping from their grasp.

To a certain extent Mr. Solzhenitsyn has been something of an enigma to Americans. A great many who read of his difficulties with the Communist government in Russia were not able to understand his desire to stay on his native soil when he could easily have accepted a comfortable asylum in any number of countries. A great many could not understand his feeling of tragic loss at having to leave his homeland when it seemed so much simpler to wage his fight from a distant position of safety. (Actually there was nothing at all strange about Sol-

Dr. Douglas is Assistant Professor of English at the University of Illinois, Urbana.

zhenitsyn's desire to stay in Russia; it was no more strange than George Washington's desire to stay in the United States when he had to face up to the English king's tax collector and garrison troops.) And doubtless many Americans were puzzled, if not injured, by Solzhenitsyn's dark hints to the press that the United States was not his idea of a libertarian's paradise; that in spite of our history we have tended to allow our liberties to erode and decay; that we are a decadent culture.

Solzhenitsyn's latest book to appear in the West, *The Gulag Archipelago*, is the strongest statement thus far of his political beliefs and his most forceful condemnation of Communist totalitarianism. In the Western or non-Communist world we have been offered over the years a number of books exposing the horrors of the Stalinist regime, so it may seem natural for many people to accept the book's conclusions more or less routinely. Among certain intellectuals of the Communist world, on the other hand, it must have come as something of a shock. It is a treatise, not a novel; its truths are explicit not implicit. In recent years Solzhenitsyn has been praised both in Russia and in the Satellite countries as one of the great social/humanitarian novelists who accept the Communist

verities in their purity, but inveigh against the excesses of the Stalinist era.

Spokesman for Communism?

Georg Lukas, for example, the well-known Hungarian literary critic and aesthete wrote a book on Solzhenitsyn several years ago, in which one of his major theses was that Solzhenitsyn is a throwback to the literary tradition of "social realism" of the twenties. He speaks, so it is said, for an untarnished Communism of a kind that was beginning to be established in Russia before the rise of Stalin. To thinkers like Lukas, the Stalin era was a time of distortion and corruption, and what we need is a return to the simon-pure, humanitarian Communism of Lenin and others of his stripe. Solzhenitsyn, according to this kind of thinking, was just the sort of man to effect the return and the purification.

But to defenders of the faith like Lukas, *The Gulag Archipelago* must have hit like a bolt of lightning. For it appears that Solzhenitsyn is not their man at all. The weight of the book does not support the theory that there ever was a pure, humanitarian form of Communism. It suggests instead that from the very beginning Communism was a corrupt political ideology, that it never served

humanitarian or libertarian ends, but was always autocratic, despotic, and totalitarian in spirit. The lesson of the book seems to be that if you want to find the truth about any given political regime you must pay attention to what it actually does, not what it says. Outward ideology is a cipher, a nothing, a vapor; it is actual political practice, the presence or absence of individual liberty, that counts; this is the all, the everything, the alpha, the omega.

A Myth Dispelled

For many European intellectuals (and many Americans, too, needless to say) it became a convenient myth that Communism just needed to be put back on the track, that the thirties was a decade of excess. What was necessary was a corrective hand, a new Communist regime to correct the abuses and restore the virtues of democratic humanitarianism. The thesis of *The Gulag Archipelago* is that at no time — from the very moment of the 1917 revolution to the present — did the Communist regime in Russia show the slightest concern for freedom and individual liberty, that the political system of the Soviet government was largely an extension, a renewal, even an intensification of the kind of tyranny practiced for centuries by the Tsarist regime.

The Gulag Archipelago is a book about prisons — prisons, interrogations, beatings, the general system whereby human life is ordered and systematically controlled in the Soviet Union. Gulag is an acronym for Russian words meaning Chief Administration of Corrective Labor Camps. The archipelago is not a geographical locale, a string of islands, as one might immediately suspect, but a string of prison camps, scattered, says Solzhenitsyn, “from the Bering Strait almost to the Bosphorus” — which is to say, across the whole of Russia. During the Stalin years these prisons, or camps, held between twelve and twenty million prisoners. The point is, however, the prisons were not an outgrowth of Stalin’s twisted, paranoid mind, but a long-standing system of control, developed in Russia under the Tsars and welcomed by Lenin when he came to power in 1917.

In a way, the system of prisons, labor camps, night-time arrests — whatever name we may give to it as a whole — became a more essential and central part of the Communist regime than it had been at any other time in Russian history, perhaps the history of the world. Terror became a branch of government, almost as we in America speak of our executive, judicial, legislative “branches”; namely, as

a functional, essential, necessary way of operating. It was not just a temporary expediency, an historical wrinkle; it was a foundation-stone of the system.

The Evidence is Clear

Very remarkably, and with steady, relentless determination, Solzhenitsyn makes his case that the system of terror was not just a wave in Soviet history, but the whole ocean. The book is documented in great detail, although it is the documentation of the artist, the seer, that we see, not mainly the documentation of the rigorous historian; for Solzhenitsyn had to gather his evidence as best he could, in bits and pieces, from here and there. He was dealing, after all, with a system of government that does not make much information available to critics and historians.

Still, the weight of the historical evidence is clear. Soviet history, of course, is hard to assemble, and the Russian people themselves as Mr. Solzhenitsyn remarks, have a tendency to remember "not what actually happened, not history, but merely that hackneyed dotted line they have chosen to drive into our memories by incessant hammering." Ask a Russian about public political trials. He will remember one or two. "He will remember those of Bukharin

and Zinoviev. And, knitting his brow, that of the Promparty too. And that's all. There were no other public trials. Yet in actual fact they began right after the October Revolution. In 1918, quantities of them were taking place in many different tribunals,"¹ and Solzhenitsyn supplies a whole chapter full of them, showing unequivocally that all of the abuses of the judicial system under Stalin were present from the very early days.

The book is full of superb ironies and devastating contrasts — contrasts of the tyrannies of old feudal Russia with those of the twentieth century, and invariably the modern, "humanitarian" Soviet system suffers by the contrast. Prisons were better under Peter the Great we find; torture was used less often; indeed it would seem that all the arts of oppression are more highly refined in the twentieth century than in the sixteenth.

What had been acceptable under Tsar Mikhailovich in the seventeenth century, what had already been regarded as barbarism under Peter the Great, what might have been used against ten or twenty people in all during the time of Biron in the mid-eighteenth century, what had already been totally impossible under Catherine the Great, was all being practiced during the flowering of the glorious twentieth century — in a so-

ciety based on socialist principles, and at a time when airplanes were flying and the radio and talking films had already appeared — not by one scoundrel alone in one secret place only, but by tens of thousands of specially trained human beasts standing over millions of defenseless victims.²

Solzhenitsyn's mood shifts from irony to rage, but his indictment is always the same: conditions of life were actually more humane under the Tsars. Reception at prison camp?

They would assign the newcomers brigade leaders from among the camp veterans, who would quickly *teach them to live*, to make do, to submit to discipline, and to cheat. And from their very first morning, they would march off to work because the chimes of the great Epoch were striking and could not wait. The Soviet Union is not, after all, some Tsarist hard-labor Akatui for you, where prisoners got three days' rest after they arrived.³

Treatment of peasants? Consider the crime of six collective farmers who were tried and executed as plotters against the people.

After they had finished mowing the collective farm with their own hands, they had gone back and mowed a second time along the hummocks to get a little hay for their own cows. The All-Russian Central Executive Committee *refused to pardon all six*

of these peasants, and the sentence of execution was carried out. . . . What cruel and evil Saltychikha, what utterly repulsive serf-owner would have *killed* six peasants for their miserable little clippings of hay? If one had dared to beat them with birch switches even once, we would know about it and read about it in school and curse that name.⁴

Yes, tyranny never disappeared in Russia, even in the early joyful days of the Revolution. But why, one wonders, would a political movement, conceived in lofty humanitarian and democratic terms choose the path of totalitarianism and almost immediately find itself devoted to practices that were as bad or worse than anything found in the regime it was displacing? One might answer the question in historical terms by pointing out that Russia had no long tradition of liberty behind it, that a new government could not, after all, be expected to differ very much from one which had been entrenched for a thousand years. Or one may answer, in more philosophical terms, that Marxist doctrine itself never really had any libertarian inclinations; that it was from the start dogmatic, doctrinaire, intolerant, despotic, collectivist, totalitarian.

Either of these answers may be true. But they are not of great interest to Mr. Solzhenitsyn who is

neither an historian nor a philosopher — just a dogged individualist and libertarian who calls things as he sees them. His viewpoint is always nothing but that of a man who knows freedom when he sees it, and refuses to countenance the substitutes that use its name in deceit.

Twisting the Language

This relabeling and obscuring of things, the distorting and twisting of language is, of course, one of the most salient characteristics of modern Communism, as we in the non-Communist world have long been aware. George Orwell, for example, one of the most powerful and incisive critics of totalitarian government in the twentieth century described it to perfection back in the 1930s during the Spanish Civil War in his *Homage to Catalonia*, and later in *Animal Farm* and *1984*. Political language, Orwell perceived, was used to obscure political reality. If you torture somebody or slap somebody in a cell, you find some euphemism or abstract phraseology that somehow hides the fact and convinces others that you are not really doing something bad after all. Needless to say, the Communists are not the only offenders, but they have probably been the most persistent and ingenious. Under this system

political language has to consist largely of euphemism, question-begging and sheer cloudy vagueness. Defenceless villages are bombarded from the air, the inhabitants driven out into the countryside, the cattle machine-gunned, the huts set on fire with incendiary bullets; this is called *pacification*. Millions of peasants are robbed of their farms and sent trudging along the roads with no more than they can carry: this is called *transfer of population* or *rectification of frontiers*. People are imprisoned for years without trial, or shot in the back of the neck or sent to die of Scurvy in Arctic labor camps: this is called *elimination of unreliable elements*.⁵

As a literary man, a man of words, Solzhenitsyn takes pains to document this tendency to rename things — to obscure, to befuddle, to confuse. Once again, of course, the practice goes back historically to the very roots of the Communist regime. During and immediately after the 1917 Revolution, for example, there was a tendency to rename everything that had to be held over from the Tsarist regime. "Thus the death penalty was rechristened 'the supreme measure' — no longer a punishment, but a means of *social defense*." In 1927, the Russian Central Committee abolished capital punishment except for crimes against the state and army. One such crime was "banditry," but in time it was obvious that "every

armed nationalist who doesn't agree with the central government is a 'bandit,' " and, similarly, "any participant in an urban rebellion is also a 'bandit.'"⁶

Or consider prisons. In February 1917, all the political prisons of the Tsar, both those used for interrogation and for the serving of sentences were emptied. But, by December of that same year, "it had already become clear that it was altogether impossible to do without prisons, that some people simply couldn't be left anywhere else except behind bars, because — well, simply because there was no place for them in the new society." All the same old institutions were needed, nothing was really new; but it had to be made to seem as if everything were new.

Of course they proclaimed immediately that the horrors of the Tsarist prisons would not be repeated; that *fatiguing correction* would not be permitted; that there would be no compulsory silence in prison, no solitary confinement, no separating the prisoners from one another during outdoor walks, no marching in step or single file, not even any locked cells.... What was really necessary, however, was to repudiate all those old, besmirched words. So now they called them *political isolators* — political detention centers — demonstrating with this phrase their view of the members of once revolutionary parties as political enemies and stressing not

the punitive role of the bars but only the necessity of isolating (and only temporarily, it appeared) these old-fashioned revolutionaries from the onward march of the new society.⁷

Solzhenitsyn lays much of the blame for the perversions of language on the great Lenin himself. Stalin and his henchmen were carrying on a tradition that went back to the revolution and this can be seen clearly manifested in Lenin's letters and state papers. Lenin is thus not the simon-pure man of the people that Communist visionaries have assumed him to be; the truth is that he was every bit as inclined to self-deception and verbal trickery as any of the apostles of terror who held sway in the thirties and forties. As early as 1917, Lenin called for the "merciless suppression of attempts at anarchy on the part of drunkards, hooligans, counterrevolutionaries, and other persons."⁸ Later on he came to see the enemies of the workers in rather broader terms, and in his essay of 1918, "How to Organize the Competition," he proclaimed the common purpose of "purging the land of all kinds of harmful insects." This classification of "insect" became a remarkably large one:

Under the term *insects* he included not only all class enemies but also "workers malingering at their work"

— for example, the typesetters of the Petrograd Party printing shops. (That is what time does. It is difficult for us nowadays to understand how workers who had just become dictators were immediately inclined to malingering at work they were doing for themselves.)

The forms of insect-purging which Lenin conceived of in this essay were most varied: in some places they were placed under arrest, in other places set to cleaning latrines; in some, “after having served their time in punishment cells, they would be handed yellow tickets”; in others parasites *would be shot*. . . .

It is not possible for us at this time to fully investigate exactly who fell within the broad definition of *insects*; the population of Russia was too heterogeneous and encompassed small, special groups, entirely superfluous and, today, forgotten. The people in the local zemstvo self-governing bodies were, of course, *insects*. People in the cooperative movement were also insects, as were all owners of their own homes. There were not a few insects among the teachers in the gymnasiums. The church parish councils were made up almost exclusively of insects, and it was insects of course who sang in church choirs. All priests were insects — and monks and nuns were even more so.⁹

What of Lenin?

What then must we conclude about a man like Lenin and the system of government he spawned? Was Lenin a good man corrupted

by power? Was he a man whose humanitarian ideals were lost when faced with political reality and the complexities of governmental administration? Actually the biographical details are not important; nor are the specific historical reasons for the development of Russian Communism into a form of totalitarianism. What is more important is the more general lesson we learn from it all, which is nothing other than the fact that it is a characteristic of political systems that they tend to mask their power and true style under some kind of smoke screen, some kind of symbolic or mythical legerdemain, some kind of verbal deceit. Older forms of absolutism — a monarchy, let us say — might justify themselves by spinning out myths about the relationship between the monarch and some kind of deity; tyranny might be justified by drawing a parallel between royal whim and divine law. Under the Soviet system, where a great pretense is made that the people themselves are the rulers and proprietors, the techniques get a little more sticky and much more ingenuity is called for. Everything must go on behind some kind of doctrinal smoke screen. While there is the assumption that “the people,” or “the workers” are sovereign and hold the reins of government, we can see from pas-

sages like those above, that the doctrine, the professed beliefs, are nothing but elaborate charades.

Is there Liberty?

Ultimately the only kind of concrete reality in the political sphere is individual liberty. It either exists or it doesn't exist, and no reference to abstract vapors like "the people," or "the workers" makes any difference one way or the other. In the case of the Soviet system it is plain from the evidence offered by Mr. Solzhenitsyn that the system never provided anything but a continuation (in fact, an intensification) of the kind of tyranny that it pledged to replace — all else was window dressing, tissue-thin façade meant to distract the attention of the masses as a new set of rulers took the helm.

Again it will be remarked that all this may be obvious to large numbers of Americans who have never been slow to perceive the lessons that can be learned from other people's political systems. But what is the relevance and application to American history of the experiences of this, an altogether different kind of political system? How can we compare, in any way, our experience with that of a regime which makes use of political prisons, of torture, of brutality, of secret police, and all

the other tools and techniques of modern dictatorship?

At first blush no comparison seems possible. But remember the main lesson that Russian history has to teach us. It is that no form of political ideology or metaphysics can be entirely trusted; no system of government should catch us asleep. We must always get around behind the outward ideology and seek out the reality. Is there individual liberty or is there not? We Americans are sure that we enjoy it ourselves because we have institutions and traditions guaranteeing it, because it is talked of everywhere, and because our political institutions regularly trumpet the blessings they confer. But remember that the institutions and traditions are abstractions, and when we look at the philosophical abstractions in a mind like Lenin's — with its full complement of "workers," "insects," "hooligans," and so on — we can see that any set of political beliefs must be looked upon critically. Any given political leader is wedded to and inseparable from the set of political shibboleths and platitudes in which his roots are planted. Liberty, on the other hand, is not tied to temporal dogmas; still, it is easy to forget because it is stern, hard and unglamorous; there is nothing soporific about it. How easy it is to forget

liberty and live instead in a world of diverting and comforting abstractions which enable us to gain power over others or force our will on them.

And of course we Americans are susceptible to our own set of political myths. While we have no torture chambers, no Gulag Archipelago, we, too, are manipulated by candied ideologies, and our freedom of action is far more severely restricted than we care to admit. And it is restricted by means that are not very different from those which are used to justify a police state in the Soviet Union. We, too, tend to live in a world of hazy political abstractions and bromides; we have faith in vague, misty, and poorly defined notions — yes, “the people,” for example. It is always urged that this or that political act is “for the good of the people,” even though most politicians who abundantly use the term would be hard put to explain what they mean by it. (The fact that two such utterly different political personalities as George McGovern and George Wallace both claim that their own personal appeal is “to the people” shows how nebulous and foolish the idea is.) The concept of “people” is usually used very much like the Communists use the concept of “worker” or “proletarian” — namely as a means of forestalling

the necessity to think or actually grapple with reality.

Freedom of Speech?

Freedom of speech? It may seem obvious that in America the newspaperman can write whatever he likes; the citizen can mount a stump with impunity or publish a tract against the government without fear of winding up behind bars. Nevertheless, freedom of speech is not by any means as widespread as one may think. Anyone may speak freely, to be sure, as long as he doesn't challenge the prevailing standardized beliefs, the current mythology of uplift and social reform; the non-conformist always faces the possibility of professional suicide, social ostracism or oblivion. One may speak freely within a certain very carefully circumscribed framework; outside of this framework freedom of speech is very restricted indeed. It will be answered that all kinds of wild men and eccentrics are allowed to speak their minds, but usually this is only after having been safely labeled as wild men or eccentrics. A George Lincoln Rockwell, for example, would have little difficulty speaking on a university campus, even though his neo-Nazism would be repellent to the vast majority of the community. But then it must be remembered

that his views are so outrageous — expressed almost entirely in bold cartoon form — that he could be admitted under the assumption that he was innocuous and that his views would not sway or mislead his audience. He challenges nothing; he touches no raw nerves. But consider the case of the Nobel-prize winning physicist, William Shockley, who was not permitted to speak at Harvard and present his unconventional and unpopular views on genetics; indeed, he was physically prevented from making himself heard. True, freedom of speech is guaranteed under our constitution, but very often freedom from having to go to jail is of little comfort to a person whose ideas are unpopular and contrary to present superstitions. It is thus often best to express ideas that are conventional or in some other way certified harmless to the prevailing social stereotypes.

What of restriction by the government of individual freedom of action? Well, to be sure, the government makes no large-scale attempt to control individual behavior, at least in the full Orwellian sense; but we can hardly say that it makes no attempts at all. Needless to say, the existence of any government implies some limitations on individual freedom of action since the state must, at the very least, protect its citizens from

injury at the hands of other citizens. But the degree to which our government looks after the “welfare” of its citizens today would certainly be shocking to the writers of our constitution. (Strange it is that so many Americans fail to see that “looking after somebody” is a form of control.) The government is in the “regulation” business in a way that would at one time not have been thought possible. It tells citizens in great and patient detail what kinds of drugs they can buy, what kinds of schools and colleges they can attend and what kinds of things they should expect to learn there, what foreign countries they may visit, who they must rent their houses to, how they must equip their automobiles, and even what time they must wake up on a cold winter morning — all, to be sure, under the guise of protecting the interests of “all the People.”

A Bill of Grievances

When he wrote his bill of grievances against the English king in the Declaration of Independence, Thomas Jefferson noted that the king had “erected a multitude of new Offices, and sent hither swarms of Officers to harrass our People, and eat out their Substance.” But today we have a multitude of offices and officers that would have staggered the imagi-

nation of a Jefferson and sent it reeling; the tax collector of the federal government is much more assiduous than anything that could have been dreamed of by the Hanovers, and his methods of spying and snooping are so sophisticated that they would make the methods of the Russian secret police look like amateur triflings.

Remember, though, that this explosion of governmental "aids" and "services" is called for by "the people"; it is meant to answer to perceived social needs. But this brings us back once more to the main point. The government acts to meet the needs which are imagined to arise from some mythical collective. Individual liberty or individual will is not its main concern, or even its secondary concern, or even its tertiary concern. In fact, individual liberty or freedom of expression are hardly its concern at all. The atmosphere in which it moves is not one of concrete, tangible realities, but of steamy vapors and myths, simplistic formulas, bromides and shibboleths. Being closely immersed in this system it is not easy to see how we may be deceived by it (as we can easily see how the language of Marxism and Leninism cozens the Russians), but if we expect our liberties to survive, we must be careful to see that we do.

This, it seems to me, is the universal lesson Mr. Aleksandr Solzhenitsyn has to teach. The twentieth century is the century of massive government control of individual liberty. Liberty is a concrete entity, not very different from a hat, a table, or a snow shovel. One ought to be able to recognize it when one sees it. But it is no longer very much in evidence because we have so consistently been fed and nourished on political myths—to the exclusion of freedom. Most of us living in the twentieth century have not noticed the erosions of freedom since our political leaders have ingeniously directed our minds to myths by which they may most easily control and direct our destinies. ❁

— FOOTNOTES —

1 *The Gulag Archipelago, 1918-1956: An Experiment in Literary Investigation*, tr. by Thomas P. Whitney, New York: Harper & Row, 1974, p. 299.

2 *Ibid.*, pp. 93-94.

3 *Ibid.*, p. 577.

4 *Ibid.*, p. 437.

5 George Orwell, *The Collected Essays, Journalism and Letters of George Orwell*, ed. by Sonia Orwell and Ian Angus, New York: Harcourt, Brace & World, 1968, Vol. IV, p. 136.

6 *Gulag*, p. 436.

7 *Ibid.*, pp. 459-60.

8 V. I. Lenin, *Sobrannye Sochineniya (Collected Works)*, Fifth edition, Vol. 35, p. 68. Quoted in *Gulag*, p. 27.

9 *Gulag*, pp. 27-28.

Capitalism

and the Wages of Virtue

ROGER DONWAY

AMONG DEFENDERS of capitalism, there is virtually no dispute about the proper justification of that system. There is no dispute because there is too much disagreement. What we hear is largely the silence of antagonists who refuse to speak to one another, reminding us again that civil wars are the most ferocious, and the least civil.

One of the more prominent standoffs, at the moment, involves those who would use some form of natural rights defense for capitalism, and those who would prefer to point out its social consequences: the moralists and the pragmatists, as they are sometimes styled. On this split, I would myself join with those who see free enterprise as a necessary part of freedom, and freedom as ap-

propriate to man. I would even maintain that those who defend liberty in terms of its social consequences are not so much taking freedom's side as taking its side-effects.

But I would point out, too, that this standoff has had an unfortunate aspect. The problem is not that there is something to be said on both sides; it is that there is everything to be said on one side. Yet, such are the traumas of hostility that it is generally not being said.

Because the moralists see a fatal giveaway in defending capitalism by its social effects, they sometimes sound as though the social effects were of no concern to them. In the attempt to be essential, they have often pruned their theory to a nubbin; they have even cut off the branches, lest anyone should mistake them for roots. The consequences of capitalism, which

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should be the boast of its defenders, are denied and spurned. Surely, this is wrong-headed.

Competition's Effects on Innovation, Quality, and Price

To see why, the example of competition is helpful. It might be held, and it would be true, that economic competition is a rightful use of man's freedom, and that for political purposes nothing more needs to be said in its behalf. But that does not mean that there is nothing more to be said about competition. It hardly follows that capitalists must so fear falling into collectivist presuppositions that they cannot point with pride to competition's effects on innovation, quality, and price.

In the matter of competition, this is generally recognized. Less well recognized is the wider application of the principle. I particularly have in mind a debate, which Irving Kristol sponsored in *Public Interest* a few years ago, on the relation between "merit" and material acquisition in a free society. This is perhaps the prime example of a question to which capitalists respond by affirming utter indifference, on the grounds that any concern could only be based on collectivist assumptions. I do not want to enter the debate directly or thoroughly, but I do think it would be helpful to point out how

such an issue might be legitimately approached.

Three principal barriers are usually alleged by capitalists for the avoidance of such a question: (1) the collectivist terms of the argument; (2) the alleged amorality of profit-seeking; and (3) the impediment to prediction created by free will. I think that each of these can be dispelled, however, if one recurs to the truth that in discussing economics we are discussing human action.

Wrong Assumptions

The first and foremost problem, then, concerns the terms of the argument. They are quite unacceptable. These money/merit questions generally assume, in one form or another, that capitalist society is a kind of feudalistic hierarchy, or social great chain of being, in which position is signaled by wealth. Apparently it is further supposed that within this hierarchy God makes men high and low, and audits their estates. For it is asked whether relative rankings of wealth under capitalism are adjusted in proportion to the net virtue possessed by the individuals—and in proportion, it should be noted, to whatever the author cares to call virtue. No such challenge can be of any concern.

So put, the question ultimately rests on what has been called "the

puppy-bowl theory of values." This is the idea that all wealth belongs, at basis, to society as a whole, and is disbursed by that whole to the various members of the society. Under such an outlook, all gain is deprivation; what one person gets is at the expense of others, and the distribution must therefore be justified by some merit in the gainers. But the scheme is simply false. We are not dealing with scores and prizes, or with points and rewards. We are dealing with individual acting men who are trying to accomplish something.

There is no need to justify social disbursements and deprivations in a free society, because there are none. Distribution is precluded by attribution, sometimes called ownership. Where wealth is created and freely conveyed, what one person possesses as a result of this process can be of no moral concern to others. To try to make it of concern is simply to pander to envy.

Unfortunately, some have attempted to defend capitalism by accepting the puppy-bowl theory of values. They have asserted that, under capitalism, if all are given an equal opportunity, (equal puppies beginning an equal distance from the bowl), the resulting distribution will be roughly proportional to striving. This gives rise to the image of a society-wide

competition, a metaphor that can be utterly discredited, as Garry Wills proved in *Nixon Agonistes*.

The problem at issue, though, is really with other defenders of capitalism, with those who have taken the position that once capitalism is properly defended as an adjunct of freedom, no more ought to be said about the relation between merit and acquisition. This stance, I think, is susceptible to Irving Kristol's charge of retreat. It is giving up on one of the earlier boasts of capitalism.

Can Virtue Succeed?

Though comparative wealth is of no legitimate concern in a free society, it surely is proper for a person to wonder whether the means of economic success in that world are virtuous, or whether he must sin for his dinner. This does not mean he can expect all virtues to find a correlate in financial reward. Nor does it mean that none but good men will gain in income. It does mean that actions which tend toward success can be found among the virtues; and one might even argue that *only* among the virtues are to be found means that one can count on to bring success. Conversely, one might argue that corresponding vices tend toward economic failure, and even that no vice can be counted on for economic gain.

That, I take it, is the moral of those inspirational novels in which virtuous young men rise and dissolute heirs fail. (I mention them since both Wills and Kristol use success stories as a focus of argument.) The point is not that merit must always end up wealthier than evil, nor that there is any injustice if it does not. The point, rather, is that certain virtues give one the facility for achieving and maintaining success; and certain vices deprive one of those facilities. In this view, the existence of unworthy rich is more democratizing than otherwise. It reminds us that there is a deeper awkwardness than lack of breeding, and that the parvenu who drops his silverware is still more fittingly accomplished than the heir who lets money slip through his fingers.

When the problem is cast in such terms, I do not see why those who defend freedom as befitting to man need shrink from making some such answer. On the contrary, precisely those who hold free-enterprise to be appropriate to human nature should be anxious to show that virtues appropriate to human nature have a special rapport with that economic system.

Is Business Amoral?

That is the first, and main, barrier to connecting merit and

money. The second concerns the alleged amorality of enterprise. It is widely held that business operates according to a morally neutral process called "meeting demand." By this image, a businessman looks up demand in his field, much as he might look up a telephone number, and finds that the maximum profit can be made from producing so much of a certain good or service. As a businessman, so the story goes, he must produce that good whether he considers it valuable or worthless; he must provide the service whether he thinks it virtuous or vicious.

But this is a mechanical parody. It is, again, a failure to see economics as human action. The entrepreneur, like all men, is acting into an incompletely known future. Not for him, nor for anyone else, is there an automatic guide to appropriate economic activity.

One of the entrepreneur's basic unknowns, as it happens, is how people's wishes will change from what they are. Moreover, he must know better than his fellows how those wishes will change, for the entrepreneur makes a profit only from future and widely unexpected demand. He must guess the likely future desires of his customers, and he must guess them more accurately than others who are trying to guess them.

And what means does he have

to do this? I suggest he has no better means than to bring his own values to bear.

A businessman does not, of course, consider himself the sole and single mold of all his customers. But he does use his idea of what is helpful, attractive, exciting, and so on, to predict what others, in their context, will find so. The alternative is absurd: an entrepreneur has quite enough unknowns without wondering of what possible value his product could be. Since he cannot base his actions on what people do want, and cannot act on what it is generally thought they will want, why would he take a risk on what he believed they could have no good reason for wanting?

Capitalists have too long accepted, and indeed insisted upon, the image of amoralists, and it is just not accurate. A businessman makes offerings to his customers that are generally compatible with his own values. The notion of his placidly pandering to what he knows is vice is largely a myth, and for the simple reason that he could not expect to succeed if he did pander to it.

A Presumption of Reasonableness

Thirdly and finally, then, we turn to the block raised by free will. It is said that one cannot predict the results of political-

economic freedom — whether virtue or vice will prove economically gainful — because one cannot know for certain what people are going to do. And that is correct.

What needs to be mentioned, obviously, is that though free will is a barrier to strict prediction, we can often cite strong and worthy motives for a certain kind of behavior. Then, to the extent that reasonableness prevails, we can expect such behavior to occur. This is the moral of the better mousetrap. In the case at hand, we can cite overwhelming motives for people in a free society to prefer the work of diligence to that of idleness, the products of inventiveness to those of imitation, the style of independence to that of sycophancy. To the extent that reasonableness prevails, we can thus expect those virtues to be a means of gain in a free society.

This is clearly not an answer to the question of how capitalism comports with virtue. But I have not been attempting an answer. I have only tried to remove three hindrances frequently thought to preclude any reply at all.

For a reply there should be: not because the case for freedom requires more testimony, but because freedom should have more testimonials. Capitalism is not under a cloud, but it is all too often under a bushel. ●

THE UGLY MARKET:

Why Capitalism Is Hated, Feared and Despised

ISRAEL M. KIRZNER

ONE of the most intriguing paradoxes surrounding modern capitalism is the hate, the fear, and the contempt with which it is commonly regarded. Every ill in contemporary society is invariably blamed on business, on the pursuit of private profit, on the institution of private ownership. Those who have pierced the shrouds of hate and ignorance with which the critics of the market have enveloped it, inevitably come to ask themselves why so valuable a social institution is held in such universal contempt and dislike. The question is one which has a scientific fascination of its own. But the question has significance extending far beyond mere scientific curiosity. As Mises pointed out, "A social system, however beneficial, cannot work if it is not supported by public opinion."¹

Those who are convinced that the market system is uniquely capable of mobilizing and devel-

oping the resources available to a society in a manner able most faithfully to reflect the wishes of its members, while it protects and nourishes their political and economic liberties, have for a long time been aware of the unfortunate validity of this statement. The ability of the market to serve society has been and is continually being undermined by the attacks levelled by its ideological opponents and by the powerlessness of the public to withstand these attacks. Public opinion has come to be moulded in a direction overwhelmingly antithetical to a market orientation. The "anti-capitalist mentality" has come to pervade the thinking of the masses who are the market's chief beneficiaries, of the intellectuals and social scientists who might have been expected to be its principal

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interpreters and exponents, as well as of the entrepreneurs and business leaders who constitute its pivotal instruments. It is surely a tribute to the extraordinary vitality and power of the market system that in the face of such deep mistrust, and in the teeth of massive and well-nigh crippling state interventions (deriving largely from this anti-capitalist mentality), the system still continues to support an enormously complex division of labor and to generate an unprecedentedly high flow of goods and services. How long this can be continued in the face of widespread lack of confidence in the efficiency and morality of the system, must seriously trouble those concerned for the very survival of the system.

An understanding of the nature and sources of this anti-capitalist mentality is, therefore, crucially important. If this mentality is to be dispelled, its principal features must be clearly pointed out, and its sources identified. A number of scholars have addressed themselves to this task. A series of papers by various writers was published under the editorship of Hayek two decades ago,² drawing attention to the anti-capitalist bias of historians, and relating this to the hostility towards the early emergence of capitalism in the eighteenth and nineteenth cen-

turies evinced at the time by the aristocracy and the intellectuals. Almost four decades ago Hutt³ brilliantly analyzed the causes, not so much of the existence of the anti-capitalist mentality itself, as of the surprising inability of the economists to influence public opinion towards an appreciation of the beneficent operation of the competitive market process. More recently both Mises⁴ and Stigler⁵ have sought to explain the emergence of the strong antipathies shown towards the market system by so many, including the intellectuals who might have been expected to be its most enthusiastic supporters. Historians of economic thought have, and no doubt will, chart the vagaries in the attitudes of economists themselves towards the social usefulness of a decentralized system of decision-making based on private property.

The following discussion of the anti-capitalist mentality will attempt to identify three distinct levels at which this mentality demands analysis: *First*, we will notice the objections explicitly raised by the critics of capitalism. It is through these charges, criticisms and denunciations that the anti-capitalist mentality finds overt expression. *Second*, we will identify the analytical premises which inform (or misinform) the stated criticisms expressive of the

anti-capitalist mentality. Any attempt to respond to the criticism raised at the first level must sooner or later search out the weaknesses of the analytical bases — at the second level — for these criticisms. *Third*, we will take note of the deeper attitudes which have inspired the various forms of anti-capitalist mentality. Whatever the stated, specific denunciations of capitalism, whatever the errors in economic analysis which are implicit in these denunciations, a thorough understanding of the anti-capitalist mentality cannot avoid ultimately coming to grips with the deep-seated prejudices and engrained habits of thought which are, both consciously and unconsciously, responsible for the antipathy shown to the market system. We will now take up in turn the three levels which we have identified.

The Stated Criticisms

The list of denunciations of the market system is both well-known and long. They range from those which condemn the system on moral grounds to those which attack it on more narrowly economic grounds. We will make no attempt to do more than merely recite this list. It is not our main purpose here to grapple with these criticisms. Rather we list them to indicate the range of expression

of the anti-capitalist mentality, and more importantly, to distinguish these stated criticisms sharply from their theoretical underpinnings, and from the unstated attitudes to which they are, in large measure, to be ascribed.

The market system is indicted as feeding and responsible for the *materialistic aspects* of modern society. It is blamed as promoting and permitting the expression of *selfishness* and *greed*. It is charged with *encouraging fraudulent behavior*. It is denounced as *debas-ing the tastes of the public* through advertising, fraudulent or otherwise, leading them to demand products and services which are in fact *harmful and degenerating*. The system is held accountable for the *destruction of the environment*. It is denounced for *destroying the self-esteem* of its workers, for generating profound *alienation, despondency and despair* within society, as well as for widespread *insecurity and anxieties*. The *inequality in incomes* which characterizes capitalist countries is denounced as evil in itself and socially deleterious in its consequences. This inequality is condemned as exemplifying the fundamental *injustice* of the market system; it is perceived as expressive of economic *oppression* and *exploitation*. The market system is made to shoulder responsi-

bility for *racism*, for *sexism*, for *imperialism*. The market is given failing grades in its strictly economic functions. It is seen as producing shoddy, dangerous products, for the *profit of the businessman rather than for the use of the consumer*. It is seen as generating cataclysmic spasms of *overproduction, unemployment and monetary crisis*. It is seen as *subverting the operation of political democracy*. It is blamed for the corruption of government and for the *concentrations of dangerous centers of economic power in big business*.

No doubt this list is an incomplete one. But it does present the range of anti-capitalist clichés with which we are all familiar. Sooner or later the anti-capitalist mentality expresses itself in one or several of these charges, denunciations and criticisms.

Before reviewing the *theoretical bases* for these criticisms, it is important that one observation be made. This is that while in most cases these denunciations can be sustained only in the context of particular theoretical views (so that the revelation of fallacies in these views renders these objections harmless) the objections themselves are usually raised without benefit of *any explicit* theoretical framework. An undesirable aspect of capitalist reality

is observed, whether it is the prevalence of fraud or unemployment, or racism, or greed. This aspect is then uncritically attributed to capitalism itself. The circumstance that, in the nature of things, undesirable features of capitalist reality — or, for that matter of any reality — abound, must in some measure account for the continual reappearance of old denunciations of capitalism in new guises despite their earlier refutations.

Anti-Capitalist Theory — The Stigler-Zweifel Thesis

We now turn then, to examine the theoretical bases which nourish the overt denunciations of the market system listed in the preceding section. In this we confine ourselves to those (often merely implicit) views of anti-capitalists which seem most clearly vulnerable to critical scrutiny. It is not, to repeat, our purpose here substantively to deal with the objections listed in the preceding section. Nor, in fact, do we necessarily maintain that each and every one of these objections is entirely without force. But in examining the analytical “vision” expressed by the anti-capitalist mentality, we find it expedient to draw attention only to those aspects of it which, we believe, dispassionate consideration reveals to

be flawed. In fact our purpose in setting forth the theoretical underpinnings of anti-capitalism is to illustrate what may be termed the Stigler-Zweig thesis.

This thesis is that the traditional training of the professional economist predisposes him towards a free enterprise view on economic affairs. This thesis has support from more than one quarter within the ideological spectrum. In a well-known paper a dozen years ago, Stigler advanced this thesis: "the professional study of economics makes one politically conservative," (with a "conservative" defined as one "who wishes most economic activity to be conducted by private enterprise, and who believes that abuses of private power will usually be checked, and incitements to efficiency and progress usually provided, by the forces of competition.")⁶ More recently Michael Zweig has expressed, on behalf of the New Left, the similar view long held by socialist critics of orthodox economics: that marginalist analysis (with which orthodox economics is held to be completely identified) is not only "irrelevant," but that it can be "pernicious," so that "marginalism is fundamentally counter-revolutionary."⁷ In an essay introducing a volume of readings which includes many contributions from both the New and Old

Left, Lekachman, too, has registered his opinion that marginalism is "a highly conservative notion."⁸

Our survey of the theoretical groundwork of the anti-capitalist mentality will confirm this thesis. We will discover, that is, that this theoretical vision is inconsistent (to say the least) with that which underlies economic analysis. So that *this* level of discussion of the anti-capitalist mentality must perceive it, as Mises has insisted again and again, as the *denial of economic science*.

It is to be observed that the Stigler-Zweig thesis, or a variant of it, is relevant not only to the theoretical bases for these anti-capitalist objections which are strictly economic in character, but also to those which underlie the denunciations concerned with the morality of the market system. The habits of thought engendered by economic analysis enable one to avoid ethical judgments which are mutually inconsistent or which otherwise rest on logically invalid foundations.

If the preceding section consisted of a list of well-worn denunciations of capitalism, the following pages will turn out to offer a catalogue of those fallacies which teachers of introductory economic theory find themselves again and again forced to unmask.

(a) *One man's gain must be another's loss*: Innocence of economics is often most clearly manifested by the refusal to recognize that free exchange must have been viewed as (at least prospectively) beneficial by both sides to the deal. The error of insisting that gain in the market must be at someone else's expense is responsible for a wide range of denunciations of the market. These include charges of exploitation of sellers by buyers (as in the case of labor), and of exploitation of buyers by sellers (as in the case of landlord relations). This error is responsible for the perennial willingness of critics of capitalism to prohibit exchanges in which they perceive one of the parties to be receiving inordinate benefit. The error is, further, one of the foundations for the condemnation of profits in general, and thus of the entire market system insofar as it is the social manifestation of the profit motive.

(b) *Blaming the waiter for obesity*: Failure to perceive the degree to which the notion of consumer sovereignty manifests itself in the market is responsible for what Stigler has called blaming the waiter for obesity. In the most naive forms of this fallacy, the market system is condemned for the efficiency and abundance

with which it ministers to consumer tastes which the critic does not share. To a large degree the condemnation of capitalism for "materialism" reflects this aberration. (One recalls that not only the market has been condemned for its materialism, but economists have been denounced for their interest in such a debased topic as the material side of human existence.) To some degree the condemnation of business for producing shoddy or dangerous products reflects a failure to understand that consumers are simply unwilling to sacrifice as much as would be necessary to enjoy a higher level of quality and safety. There can be no doubt that current denunciations of capitalism for its effect upon the environment must, to some extent, be seen as reflecting a value placed upon the quality of the environment which is higher than that placed by consumers in general.

To a certain extent, the charges of racism and sexism levelled against capitalism are expressive of the same blindness towards the direction in which causes and effects are related in the market process. At somewhat less naive levels of discussion, the "blaming the waiter for obesity" fallacy resurfaces as an attack on advertising and selling effort in general. If it is not the waiter himself

who is to be the culprit, it is the neon sign outside the restaurant, or the tempting aroma of good food escaping therefrom, which are perceived as the villains. It is perhaps because elementary economics in fact generally fails to make clear the role of selling effort in the entrepreneurial process of seeking to serve the market, that this particular form of the obesity fallacy is advanced so triumphantly by economists who ought to know better.

(c) *Petulance at Costs (or the denial of scarcity)*: To a surprising extent the criticisms of anti-capitalists turn out to reflect merely an impatience at the costs inevitably associated with the achievement of desired goals. Again and again undesirable features of the economic landscape are cited as evidence of the failure of the market. (Incidentally, the same fallacy is, to be sure, often committed in the course of pro-capitalist criticisms of socialist economies.) Here it is not so much that the critic ignores or disagrees with the values of consumers, as that he simply refuses to recognize that efficiency in achieving more highly valued goals may necessitate the deliberate renunciation of otherwise important goals which happen to be less urgently valued. Long working hours, poor

working conditions, loss of pristine environmental beauty may, elementary economics teaches us, be evidence not of the failure of the economic system (whether capitalist or socialist) to achieve its goals, but of the very efficiency with which it channels resources away from less crucial goals towards those more highly valued. Some aspects of what the critics deplore as worker alienation, or of the anxiety and insecurity felt by market participants, would surely be appraised rather differently were they recognized as the inevitable costs of division of labor or of a social system in which freedom of entry for competitors is the prime motive force. At a somewhat more subtle level, the often deplored garishness and pervasiveness of modern advertising take on a different aspect when perceived as a social cost made necessary by the sheer multitude of products from which the consumer in successful capitalism must choose. The very affluence of capitalism, it turns out, reveals a new guise in which scarcity manifests itself — the scarcity of information on what to consume out of the available riches. Anti-capitalist critics — it turns out — are ill-equipped to perceive these insights of elementary economics.

(d) *The fear of anarchy*: As

Hayek has repeatedly pointed out, one of the clichés of our age sees a blemish in anything that “is not consciously directed as a whole,” that this is a “proof of its irrationality and of the need completely to replace it by a deliberately designed mechanism.”⁹ In particular, this fallacy is related to “the inability, caused by the lack of a compositive theory of social phenomena, to grasp how the independent action of many men can produce coherent wholes, persistent structures of relationships which serve important human purposes without having been designed for that end.”¹⁰

There can be no doubt that this “lack of compositive theory of social phenomena” is the view underlying an enormous volume of anti-capitalist criticism. The anti-capitalist mentality, it is clear, is to a great extent, coextensive with ignorance of, or a refusal to acknowledge, the insights into the market *system* which economics theory reveals. Once it is taken for granted that a society unplanned from the top must generate incessant chaos, it becomes easy enough to seize on targets that may be held to exemplify that chaos. Even where critics of capitalism recognize the determinateness of market forces, they see them as nonetheless chaotic in the sense that these forces are be-

lieved to lead in socially undesirable directions.

(e) *Fear of the consequences of greed*: Closely related to the preceding analytical prejudice is that which tends to attribute undesirable consequences to the market simply because the market permits greedy or selfish individuals to act out their impulses. Because freedom to trade means freedom to act greedily or selfishly, it is believed the consequences of laissez-faire must inevitably tend to be nasty, brutish and jungle-like. What is being implicitly denied in this respect is the ability of the market process to harness the greed of its participants so as to serve the wishes of the other participants. Refusal to perceive the constraints upon individual actions imposed by the market permits anti-capitalists to interpret those aspects of the economics landscape which they deplore as the only-to-be-expected, sinister consequences of a social system based on selfishness and greed.

(f) *Blaming the market for the results of intervention*: As is well known, the market system is frequently criticized for features of contemporary economic society which are, in fact, to be attributed to state *interference* with the market. Of course, to the extent

that it is *contemporary* capitalism which is being attacked, there can be no objection to this. However, such criticisms of capitalism, it all too frequently turns out, are in fact deployed to attack not the statist interference with the market process, but the market system itself. We have here a simple analytical failure to recognize, within the complex tangle of modern capitalism, the consequences of its market elements, from those of non-market admixtures. This analytical failure manifests itself in many of those objections to capitalism which relate to absence of competition generated by government-imposed barriers to entry (or from limitations on international trade), or to maladjustments arising from government price controls of various kinds or to cyclical maladjustments (including large-scale unemployment) generated by massive government monetary expansion. In all such criticisms, what is at issue is the theory maintained (perhaps implicitly) by the critics that the undesirable features being exposed are to be attributed, not to departures from the market, but to the untrammelled workings of the market process itself.

(g) *The "Nirvana Fallacy"*: As the final entry in our (doubtless incomplete) list of analytical fal-

lacies, we present what Professor Demsetz has labeled the "Nirvana Approach."¹¹ (In fact we will present it in a somewhat broader context than that identified by Demsetz). Demsetz explains that "those who adopt the Nirvana viewpoint seek to discover discrepancies between the ideal and the real and if discrepancies are found, they deduce that the real is inefficient."¹² There can be no doubt that many critics of capitalism are judging its efficiency and/or morality by comparison with some ideal norm that can have little relevance for real problems. In so doing they overlook the fact that improving an imperfect world must take place against the background of that imperfect world; that it is usually simply impossible to remake whole systems in their entirety; that even where this is possible, the costs of doing so may make imperfection relatively attractive and efficient.

The nirvana attitude of many anti-capitalists manifests itself in various ways. Thus the market is frequently blamed for the distribution of incomes to which it gives rise without regard to the circumstance that the market presupposes some initial distribution of resource ownership (especially in regard to the resources embodied in human beings themselves). Or, where marginal analysis is indict-

ed for accepting without challenge the institutional structure (including the existing property rights system) within which marginal adjustments are contemplated to be made, there is no awareness on the part of the critics, of the *costs* (transaction and policing) of remaking the social system from the very foundations. Or, again, as Demsetz has shown, critics who have pointed to externalities or other circumstances spelling inefficiency, have frequently ignored, in their calculations, the cost of resources that would be required to correct these inefficiencies.

The Sources of the Anti-Capitalist Mentality

Our survey of anti-capitalist criticisms of the market, and our identification of the analytical confusions which have frequently supported these criticisms make it of special interest to review now the underlying psychological attitudes and prejudices which might fuel this mentality. The very recognition of the confusions which abound in the theoretical underpinnings for so much anti-capitalist criticism, make it clear that such criticism must be nourished by deeply held values and prejudices. The literature cited earlier in this paper, together with several additional sources,

yield the following inventory of attitudes from which anti-capitalism might easily be expected to spring.

(a) Mises has dwelt at length on the *resentments* which can arise from *frustrated ambitions*, of the *envy* on the part of the intellectuals and the white collar workers of the good fortunes enjoyed by successful entrepreneurs.

(b) Similar in important respects must be judged the widespread views that economic inequalities are somehow immoral and seriously undesirable per se. Here the often vicarious envy of the wealthy and sympathy for the poor must be judged as predisposing observers of capitalist inequalities towards "sinister" interpretations of the sources of these inequalities.

(c) Deep-seated contempt for greed and for self-centered activities is clearly responsible for a readiness to believe the worst about capitalism.¹³

(d) An almost similarly deep-seated contempt for the low tastes of the masses and thus for the businessmen who cater to these low tastes is responsible for treating the *market* as vulgar and crass. It becomes, in fact, all the easier to blame the vulgarity of mass tastes upon the businessmen who minister to them.

(e) Closely related to high-brow

disdain of mass tastes, must be listed man's love for the natural over the artificial, his preference for more spaciousness and simplicity over urban congestion and complexity. Since the spectacular success of industrial capitalism was accompanied by the loss of the simple, natural life for which so many of us yearn, capitalism itself has come to be the villain.¹⁴

(f) And again, the yearning for simplicity abuts on the deep-rooted unwillingness of men to be forced to be efficient. Modern capitalism is despised and feared because it successfully mobilizes available resources to serve socially needed purposes.

(g) Widespread *fear of economic power* must be considered one of the attitudes responsible for anti-capitalism. While what Professor Petro has recently called the "economic power syndrome"¹⁵ is often accompanied by an explicit theoretical position which denies the role of consumer sovereignty, it seems clear that in many instances the syndrome in fact *precedes* the theoretical position needed to support it. Thus the very success of capitalism in organizing production in efficient, large scale productive units is responsible in fact for the suspicions which have led to its being so bitterly attacked.

(h) Professor Hutt has pointed

out that opponents of economics are often the victims of what he calls "custom-thought"¹⁶ — intellectual inertness. To be sure custom-thought may work in more than one direction. But the long list in the preceding section of this paper of economic fallacies subscribed to by anti-capitalists suggests that intellectual inertness might indeed play a not insignificant role in the anti-capitalist mentality.

(i) Finally we notice, as an explanation for the persistence of so many elementary fallacies, the role of the "corruption of opinion by interest." Professor Hutt¹⁷ has provided a full review of the role of "power thought" in this regard. Here again, of course, opinion can be corrupted by interest in more than one direction. But when one thinks of the businessmen who stand to gain from governmental protection against domestic or foreign competition and of the many who, rightly or wrongly, believe that a different order of things would redound to their benefit, it cannot be denied that this must be counted an important source of anti-capitalism.

Wrestling with the Anti-Capitalist Mentality


Traditionally apologists for capitalism have addressed themselves to the specific stated objections

and accusations advanced by the detractors of the market. In attempting to do this they have, of course, found it necessary to search out the logical fallacies which support these objections. At the same time awareness of the more deeply rooted prejudices which seem to be responsible for the continued vitality of the anti-capitalist mentality, raise doubts as to the efficacy of this strategy for the ideological defense of the market. Recognition of the three-level character of the anti-capitalist mentality emphasized in this paper can be of help in identifying what must be faced. At the level of stated objections, there is an enormous variety of possible manifestations of the mentality. Refutation of one particular objection in one form does not prevent its reappearance in some other form. Clearly, for this reason, theory has a crucial role to play in refuting the analytical fallacies responsible for entire groups of possible objections and denunciations of the market. On the other hand, the very generality of theoretical discussion makes it possible for critics of capitalism to fail to see how the theories relate to *particular* features of the market which seem to invite criticism. The proper *application* of theory is, of course, in many ways more difficult than theorizing itself.

Moreover, economic theory is for various reasons not well adapted for the task of combating anti-capitalism. Theorists are scientists whose attempts at maintaining *value-freedom* in their work seem to render them unprepared to serve as apologists for a particular system of social organization. Again, the *sophistication* of modern theory is hardly conducive to the correction of popular misconceptions. (We recall that Edwin Cannan, for this reason, appealed for *simple* economics). There are grounds for believing that the character of much contemporary theory, especially in its emphasis on equilibrium conditions, is not well suited for the explication of the social function of the market.¹⁸ At the ideological level defense against the anti-capitalist mentality seems to require continual new applications of fundamental theory to new situations.

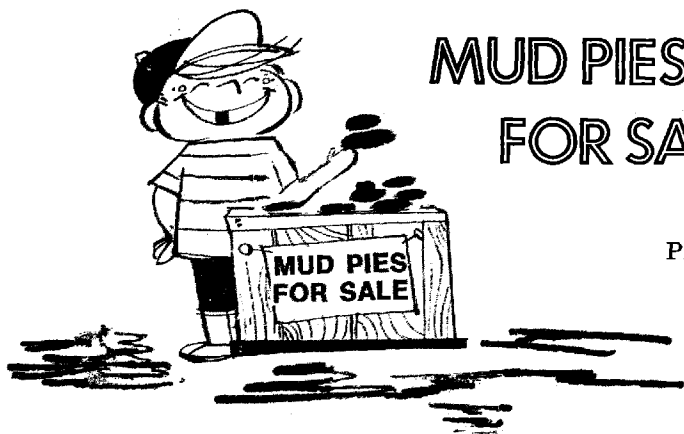
But on the other hand, our awareness of the role of theoretical fallacy and of the impact of the multitude of specific denunciations of the market, must make us cautious in imagining that the anti-capitalist mentality can be dispelled by any device that fails to come to grips with each of these levels of its manifestation. No matter how successfully one or more of the underlying anti-capi-

talist prejudices may be neutralized, the possibility of logical error yet remains and the availability of apparently undesirable features of capitalism ready to be used in its denunciation has not yet been eliminated. Moreover, the formidable list of anti-capitalist prejudices must raise doubts concerning the likelihood that they can be successfully neutralized by any simple means. To be sure, any advance is desirable if its costs are acceptable. But the degree of advance needed to make a visible dent in the anti-capitalist mentality must require the most careful examination of the costs involved in any proposal.

Many students of capitalism have pointed out that, despite its advantages, there may well be grounds for predicting its replacement by other systems. One thinks of Schumpeter's thesis in this regard. One possible reason for arguing that capitalism is unstable, is that it is a social system which generates a negative public opinion so powerful as to spell its ultimate death. This paper has attempted to identify the sources of this tendency. Only by recognizing the nature and the power of these forces can we hope, through patient teaching and discussion, to dispel the hate and the ignorance which surround the free market. 

— FOOTNOTES —

- 1 L. Mises, *Human Action* (Yale, 1949) p. 861.
- 2 F. A. Hayek (Ed.), *Capitalism and the Historians* (Chicago, 1954).
- 3 W. H. Hutt, *Economists and the Public, A Study of Competition and Opinion* (London, 1936).
- 4 L. Mises, *The Anti-Capitalistic Mentality* (Van Nostrand, 1965).
- 5 G. J. Stigler, "The Intellectual and the Market Place", *National Review* (Dec. 1963).
- 6 G. J. Stigler, "The Politics of Political Economists", *Quarterly Journal of Economics* (November 1959); reprinted in *Essays in the History of Economics* (Chicago, 1965), pp. 52-53.
- 7 M. Zweig, "A New Left Critique of Economics", in D. Mermelstein, (Ed.) *Economics: Mainstream Readings and Radical Critiques* (New York, 1970), p. 25.
- 8 R. Lekachman, "Special Introduction" in Mermelstein, *op. cit.* p. xi.
- 9 F. A. Hayek, *The Counter-Revolution of Science* (Free Press, 1955), p. 87.
- 10 *Op. cit.*, p. 80 (italics supplied). See also F. A. Hayek, *Individualism and Economic Order* (London, 1949), pp. 7 ff.
- 11 H. Demsetz, "Information and Efficiency: Another Viewpoint", *Journal of Law and Economics* (April 1969).
- 12 *Op. cit.* p. 1.
- 13 One thinks here in particular of Ruskin.
- 14 See the above cited *Capitalism and the Historians*.
- 15 See S. Petro, "The Economic-Power Syndrome", in *Toward Liberty* (Mises Festschrift) Vol. II, p. 274.
- 16 *Economists and the Public*, p. 50.
- 17 *Op. cit.*, Chapters III and IV.
- 18 One thinks here in particular of Professor Buchanan's plea that economics be understood as a sophisticated catallactics, the theory of exchanges and of markets, see his "What Should Economists Do?", *Southern Economic Journal* (January, 1964).



MUD PIES FOR SALE

PAUL L. POIROT

THE AMERICAN PEOPLE finally know the truth about Watergate: it didn't stop inflation. But there persists some honest confusion in Washington, if not elsewhere, as to the cause of high prices and how to combat them.

It seemed for a time that the culprit might be General Motors, the rumor being that prices of new models would rise by as much as \$500. A bit later, New York subway fares were said to be the key: any increase over the prevailing 35 cents would be inflationary. Meanwhile, others allege that higher wages demanded by labor unions have been chiefly responsible for rising prices. And the Office of Communication of the U. S. Department of Agriculture explains that food prices really haven't gone up, comparatively speaking. But if it seems that they have, it could be attributed

to the fact that 1973 wasn't a normal beef year, that hog and poultry producers lowered their production plans when costs rose; that worldwide drought and affluence drained American stocks of wheat, corn, soybeans and the like; and that more Americans are dining out instead of home cooking.

Ask any youngster at his lemonade stand why he doesn't diversify, and he'll promptly give you economics in one lesson: "Well, mister, it's a lot more fun to make mud pies, but there's just no market for them."

How come we grow up forgetting what every youngster knows instinctively? Would you believe that some two-fifths of the time and effort and scarce resources of we the adults of America are going into mud pies! Roughly 40 per cent of our factors of production

are being diverted to purposes for which "there's just no market."

So what have mud pies to do with inflation? The answer is: "Almost everything." But let's take it step by step.

And our first step is to get off the back of General Motors, or at least off the very silly idea that the most efficient producers of the goods and services we want to buy are the ones who are causing high prices. It ought to be clear that the people who are *not* producing and selling cars are more likely the cause of high priced cars than are the largest and most efficient producers. By and large, most of the customers for cars are persons who at least think their time and property is better invested at something other than auto production. Are the customers then to be blamed for high priced cars?

Are Customers at Fault?

Well, don't let the customers off scot-free. No one would be mad at a little old mud pie maker if he doubled his price. But if some customer willingly paid that price, who should be held responsible? If General Motors hikes its price \$500 and finds no customers, does General Motors cause inflation?

There may be chapters in the history and performance of General Motors worthy of criticism. If so, let the critic document his

case. But let us not believe that browbeating producers of the goods and services customers want is a reasonable way to combat inflation.

General Motors is not the culprit. And for the same reason, neither do the unionized laborers of America possess direct powers of inflation or deflation. The person who demands a wage higher than anyone is willing to pay may find himself unemployed, which is indeed depressing. But if there's no market for his kind of mud pie, how can the result be inflationary?

Well, there is a way. If organized labor can marshal votes enough to badger Congress to appropriate the funds and create the new money needed to pay for another batch of mud pies (in this case, pay men who are out on strike) that, in effect, makes a market for an otherwise unwanted item; American citizens lose their right of refusal to buy mud pies. This governmental action withdraws scarce resources from the market place, just as if customers had willingly paid men to produce mud pies or to idle themselves on strike. So, to the extent that unions or any other political pressure groups are permitted to exercise the governmental power to force customers to buy unwanted mud pies (the process is to print

new money to cover the subsidy), that is inflation.

Subsidies Upset the Market

As for subway fares, it is not the 35 cents paid by riders that is inflationary; it is the balance of the cost which is covered by subsidy, which is in turn translated through a Federal deficit into additional fiat money. It's the added supply of fiat money that spells inflation, and the money is printed in order to withdraw from the market place goods or services customers demand if "someone else" pays for them.


The high prices housewives are willing to pay for beef, sugar, and other foods are not inflationary, nor is drought or blight in the corn belt inflationary. These things, of themselves, do not add to the supply of fiat money. But if the Federal government lends (gives) Russia dollars with which to draw foodstuffs from the market, the great likelihood is that those will be extra dollars printed; and that is inflationary. So are the new dollars printed to cover farm subsidy and school lunch and food stamp and other welfare programs.

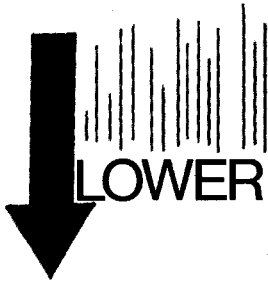
If taxpayers were happy and willing to pay for mud pies, and if Congress resolutely abstained

from all deficit spending and refused to authorize the printing of fiat money, the problem of inflation would be ended.

Ah, yes, but what would the poor people then do for money? Ask the young fellow at the lemonade stand, and he'll tell you: all you have to do is earn it; offer a service or supply a good that customers want to buy. And what precisely would all these traders use for money? Why, anything they please. Whatever they think might best serve as a medium of exchange. Perhaps they'd choose gold, as free men customarily have chosen down through the ages whenever the choice was theirs.

To be sure, other commodities have also been used as money — cattle, wampum, cigarettes, gourds — some things that seem very strange to us. But the nearest thing to mud pies that men ever have tried as money are the little green scraps of paper redeemable in nothing.

If our lemonade salesman could get Congress to declare that mud pies are legal tender, he could do a land-office business. In addition to commandeering 40 per cent of the time and effort of adults, he could have all the youngsters "making money" too! 



Interest Rates

By Law

WHY would it be a mistake for Federal Reserve officials to lower interest rates?

Wouldn't it help the building industry? It would seem that a reduction in interest rates would lead to a renewal of building activity. This would put a lot of people to work and provide a lot more homes for those who want them. In fact, wouldn't lower interest rates be a spur to other industries and be good for the country as a whole?

The answer is easy. If lower interest rates were *free market* interest rates, business would boom and bid up wage rates. However, if lower interest rates were the result of a government

fiat, the effects would be disastrous. As the late Professor Ludwig von Mises frequently stated, every political interference with free market processes makes matters worse, not better, even from the viewpoint of those who propose such political interferences.

The reason for this is often difficult to understand. Unfortunately, those who attempt to push down interest rates by legal edict do not foresee the inevitable undesirable consequences. In recent years many people have learned the hard way about the consequences of political price and wage controls. Learning from experience the consequences of political interest rate controls could be even more painful.

When the government attempts to maintain prices *above* those of the free and unhampered market,

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as it has with some farm products, this inevitably leads to surpluses. Too much land, labor and scarce materials are devoted to producing such subsidized goods. This has two results. First, there are surpluses which must be stored, destroyed or given away. Second, the land, labor and scarce materials are not available to produce those goods and services which consumers desire in larger quantities. We know this because there are people willing to pay more than the free market production costs of such goods and yet cannot find them on the market.

When the government attempts to maintain prices *below* those that would prevail in a free and unhampered market, as it recently did with price controls, this inevitably leads to shortages such as we experienced in a matter of months. In addition to the shortages, we soon had more unemployed workers, factories and transportation facilities, not to mention the increased welfare expenses this made necessary.¹ Businessmen, being human, will not continue to produce what they cannot sell at prices that cover their costs. Their available capital will not long permit it.

¹ People who sanction laws which deprive some workers from earning a living for themselves and their families are honor bound to provide the necessities of life for such second class citizens.

When the government attempts to raise wage rates above those that would prevail in a free and unhampered market, as it has for some forty years, it inevitably produces unemployment or *under*-employment with an accompanying demand for welfare payments. Such welfare payments are a burden on all who buy goods and services in the market place. The unemployment and *under*employment mean higher prices because fewer goods and services are produced to compete for the consumers' limited number of dollars.

When the government grants privileges to labor unions to raise wage rates above those of a free and competitive market, it raises the costs of producing union-made goods and services. The resulting higher prices inevitably reduce sales. This in turn reduces employment in such industries, or in other industries whose sales fall off because consumers, paying higher prices for union-made goods and services, have less for other things. This means that those who could have worked in the curtailed industries must look elsewhere for jobs and accept lower wages or remain unemployed and eventually increase the need for welfare payments. Those who take jobs at lower wage rates than they could have had in a free market will be *un*-

*derem*ployed. That is, they will be producing goods or services less desired by consumers than those that have been priced out of the market by the legal privileges which permit labor unions to extort higher than free market wages from society.

Such ill-fated attempts to raise wage rates above those earned in a free market inevitably force more and more unfortunate workers to take lower-paying jobs. Eventually, with the growth of labor union power, the competition for such lower-paying jobs drives some wages so low that many workers find it difficult to maintain their previous standard of living. Those who believe that political power can raise *all* wage rates then advocate minimum wage laws. Such laws compel employers to pay all their employees at least the minimum wage. Employers, being human and having limited resources, soon refuse to employ those for whom the minimum wage rate raises production costs above what customers will pay. Such unfortunate persons, including many youngsters, members of minority races and others with limited skills, then become legally unemployable. Their bleak choice is between a life of crime or subsistence on welfare payments until the value of the dollar is reduced by inflation to the point

where they become employable at the legal minimum wage rate.

There was no long term mass unemployment in this country when everyone was free to take the highest wage rate that any employer could and would offer for his or her services. Market competition forced employers to pay their workers the full market value of their contribution. If they failed to do so, other employers would bid away such underpaid workers. Political interferences in the labor market, with the intentions of raising *all* wage rates, have created our present mass unemployment, *under*employment and the growing need for welfare payments. Only a return to a free and unhampered labor market will bring to an end such unemployment and *under*employment. In a free market there are jobs for all² and no need to subsidize in idleness those who are able to work.

The Market Produces Interest Rates

Interest rates, like prices and wage rates, are market phenomena. Political interferences with interest rates, like price and wage controls, create economic chaos. Such chaos leads to a general loss of freedom and inevitably reduces the living standards of every mem-

² See author's "Jobs for All," *The Freeman*, February 1959. Copy on request.

ber of society. It is thus vital that we all understand why the government should not interfere with free market interest rates.

Market interest rates are a sum of three contributing market factors.

(1) The first is true or pure interest; what Mises called "originary interest." This is payment for time preference. A person currently short of cash may wish to spend \$1,000 for something now, and pay for it later when he expects to have more cash. If he wants that object so badly *now* that he is willing to promise to pay \$1,100 a year from now, he may be able to obtain an immediate loan of \$1,000. That would mean he values spending the \$1,000 now so much more than waiting a year to do so that he is willing to pay 10 per cent, or \$100, more to have the object now.

In order to borrow this \$1,000, the borrower must find someone who has saved \$1,000 and is willing to lend it to him for one year for an interest rate of 10 per cent or less. Few people will lend their savings, except for charitable purposes, without receiving some benefit in return. The prospective lender may want to buy a car or take a trip at the end of a year. He will make the loan only on condition that he be repaid an

extra sum for making the sacrifice of not spending his money now. That extra payment, called interest, must be high enough for the prospective lender to value the future repayment, with interest, higher than he values spending the \$1,000 now. So the loan depends on each party's placing a higher value on what he receives than on what he furnishes the other party. The difference between the sum loaned and the sum to be repaid is true or pure interest — a payment that will compensate a saver for postponing his own spending for the time of the loan.

(2) The second factor in market interest rates is the certainty or uncertainty that the loan will be repaid as specified. If there is valuable collateral or if the lender thinks the chances of repayment are good, this factor will be minimal. However, if the borrower has few resources and there is reason to believe that the loan might not be repaid if he died or lost his job, this would be a factor the lender would consider in arriving at the total interest rate he would request before making a loan to that specific person. This factor would differ from person to person and from loan to loan, but it is present to some extent in the interest rate on every loan.

(3) The third and currently most important factor in market interest rates is what is expected to happen to the purchasing power of the dollar during the term of the loan. If the lender expects prices to rise 10 per cent in the next year and he only gets 10 per cent more dollars back from the borrower at the end of the year, he does not receive one cent of *pure* interest. Pure interest is only the amount the lender gets back over and above the purchasing power he has lent. So in times of inflation, when the value of the dollar is going down, this third factor must rise. As it rises, so does the market interest rate, which is the total of the three factors just discussed — (1) pure interest based on time preference, (2) uncertainty of repayment and (3) change in the dollar's purchasing power.

Current market interest rates are considered high because this third factor, reflecting an anticipated drop in the dollar's purchasing power, is high. The way to reduce this factor is to reduce the expectation that the purchasing power of the dollar will *drop* in the next year. So the only satisfactory way to reduce current high interest rates is to eliminate the expectation that future prices will be ever higher. This means we must stop the inflation.

More Savings are Needed

Lower interest rates that represent free market interest rates are always helpful to society in general. Lower interest rates in a free market society mean there are comparatively more savers with funds they want to lend than there are borrowers who will pay high interest rates. These savers seek to lend their funds so as to earn as much money as possible. Rather than spend their savings now, they seek more funds at a later date when their current income may be lower, as when they retire, or when their expenses may be higher, as when they may want to buy a car or a house or send a child to college. It is the higher amounts of such savings, bidding in the market place for borrowers, that produce lower interest rates in a free society. To bring about such lower interest rates, government should protect and encourage voluntary loans made with the expectation they will be repaid in dollars with the same or an increasing purchasing power.

But the question in many minds today is, why not have the Federal Reserve System lower market interest rates by fiat? The answer is simply this: If the Federal Reserve lowers interest rates when there are no increased savings available for lending, there will

be a bigger demand for loans at the lower interest rate than can be made with available savings. Under present laws and conditions, the banks meet this increased demand for loans at the lower interest rates by creating more loan money out of thin air (or should we say paper?). The borrowers get their loans in the form of an addition to their bank accounts on which they can draw checks. No one else has chosen to reduce his spending so as to make his savings available to the borrower, as is always the case with free market credit transactions.

Why Interest Rate Controls Hurt

When the Federal Reserve System reduces interest rates by fiat, it must create more spendable money than was previously earned or saved. It puts into the market dollars which do not represent any contribution to society. You have more dollars in the hands of borrowers and no reduction in the numbers of dollars which savers may spend currently. This has several undesirable effects, some obvious and others largely unseen.

The most obvious effect is that with more money bidding for the same quantity of goods and services in the market place, prices must be higher than they would otherwise be. Largely unseen are the ways in which this increased

quantity of money enters the market place and how it affects the structure of production and the welfare of different individuals.

Those who borrow the savings of people who must reduce their current expenditures and those who borrow artificially created bank money cannot be distinguished in the market place. In fact, most borrowers from banks do not know whether they are borrowing the funds of the bank's stockholders and depositors or newly created funds. The borrowers of the newly created funds are in a position to bid away available goods from the earners and savers who would have bought them if the quantity of dollars had not been increased. What such borrowers buy drives prices up and leaves less for all who earned or saved the money they take to market. In the short run, these artificially lower interest rates help borrowers and those who sell to them — the construction industry if the borrowers buy houses — at the expense of all workers, savers and those who would have profited from supplying what the workers and savers can no longer buy.

Outstanding Contracts Affected

Although some may be helped by such artificial lowering of interest rates, all who have earned

or saved money are hurt. Such creation of more dollars not only hurts all workers and savers, by reducing the value of their dollars, but it also affects the value of every outstanding contract. It means every pre-existing dollar is worth less and every contract promising to pay dollars in the future has been altered in favor of the payer and to the disadvantage of the recipient. This means a reduction in the real value of all bank accounts, insurance policies, wage rates, salaries and pensions as well as all rental contracts, time payments and other purchase agreements. When savers foresee such effects, they refuse to make any more loans unless the interest rates will more than compensate them for the expected drop in the value of the dollars they lend.

The most important, generally unrealized, effect of such artificial increases in the quantity of spendable dollars is that they redirect the whole economy. They do so in a manner that cannot be continued without an ever increasing quantity of newly created dollars to compensate for the resulting higher prices. As the political increase in the quantity of dollars accelerates, more and more of the nation's production facilities are devoted to supplying the spenders of the newly created dollars. This

means a smaller and smaller part of the production facilities are devoted to supplying the nation's workers and savers. Eventually, if the process is not stopped in time, the system breaks down and the dollars become worthless.

Stopping Inflation Has a Price

Of course, the process can be stopped at any time, but not without consequences. Once the government stops increasing the quantity of dollars artificially or even slows down the rate of artificial increase in the quantity of dollars, producers supplying goods and services to the spenders of newly created unearned dollars lose a large number of their customers. They must then lay off men and there is a recession or depression — until production is adjusted to supplying only those with earned or saved dollars to spend.

Under present policies the government is continually faced with deciding whether to inflate artificially the quantity of spendable dollars or permit market forces to readjust the economy. If free and unhampered market forces are permitted to emerge, free market prices, wage rates and interest rates will quickly redirect the economy toward a more efficient satisfaction of all those who contribute toward production. Those

who had spent newly created dollars will have to curb their spending or earn the dollars they spend. The available supplies of workers and capital goods will be quickly redirected toward producing solely for those spending dollars they have earned or saved in the service of their fellowmen.

In short, when Federal Reserve officials lower interest rates artificially, they send a part of the economy off on a spree at the expense of the nation's workers and savers. The spree can only be continued by an ever increasing inflation of the quantity of spendable dollars. If we want to end that inflation and all its undesirable consequences, we must permit the free market to determine interest rates as borrowers compete for the real savings made available by those willing to reduce their potential spending temporarily for a price, commonly called interest. Only freely determined interest rates, without any artificial manipulation or control of the quantity of dollars, will

eliminate the inflation problem from our economy.

The best way to reduce market interest rates is to remove the expectancy of further inflation. Once this is done, more people will be encouraged to save more dollars and their competition for borrowers will bring lower market interest rates. Then there can be a profitable expansion of those industries that will direct available supplies of labor and capital into producing more of the things that workers and savers want most.

The only way Federal Reserve officials can help workers, investors and consumers is to stop increasing the quantity of dollars — stop inflating — and permit free market forces to set interest rates that reflect the actual supply of, and demand for, such savings as are available for lending. Any interference with free market interest rates must upset the economy and produce results that all honest and intelligent people consider undesirable. (E)

Monetary Madness

IDEAS ON

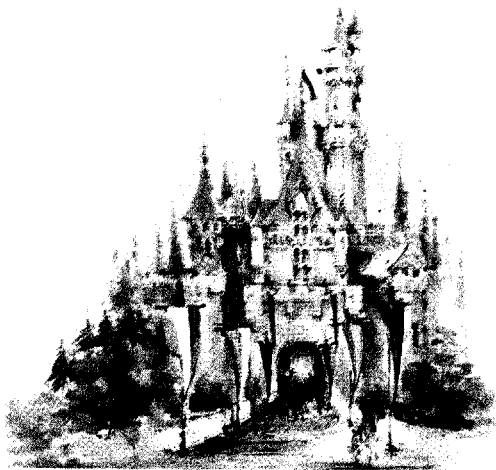


LIBERTY

AS MONEY is the sinews of every business, the introducing of a doubtful medium — and forcing it into currency by penal laws — must weaken and lessen every branch of business in proportion to the diminution of inducement found in the money.

Tales of Three Cities

JOAN WILKE



A RECENT ENVIRONMENTALIST LAW in Montana prohibits changes and developments that have an adverse social impact on a community.

The law is being invoked by some to prevent expansion of Montana Power Company's generating facility at Colstrip.

It is argued that the school facilities would be overburdened by new residents.

Actually, the company is providing temporary classrooms until new school facilities can be built. And that's not all. Having had the community master-planned, the company is also building houses, apartments, motels, mobile home facilities and a commercial complex with air-conditioned mall, shops, stores, professional offices, medical facilities . . . even a post office.

In addition, it is providing a

community center with bowling alleys, tennis courts, park and picnic areas and other recreation, as well as providing fire protection and putting in sidewalks, sewers, water lines and other street improvements.

Of course, the company isn't doing this out of the goodness of its corporate heart. It simply must provide housing and facilities in order to attract the hundreds of additional people it will be employing in this previously semi-abandoned town.

Strangely, these things are rarely mentioned even by company officials when under attack. So, the best kept secret in the world continues to be the fact that private interests are in the public interest.

Since Montanans are being de-

Miss Wilke is an advertising writer.

prived of the opportunity to pay taxes for all those services, it's a wonder the community hasn't been called unconstitutional.

That's precisely the word heard lately to describe another city.

This city, too, was built with private capital and the profit motive. That's how it was possible for it to be so well-planned and to serve such a great need.

The streets are wide and winding and always clean. Shopping and commercial centers are well located for convenience and traffic ease. Green belts are beautifully landscaped with a variety of trees from the community's own nursery.

This city isn't on the most beautiful land in the state. The government owns most of that. But the developers took an available piece of desert waste near feedlots and a railroad and made it green and beautiful with lakes, streams, waterfalls, flowers, golf courses, country clubs and numerous recreation centers with all kinds of sports, entertainment, educational activities, hobbies and crafts. There's even a bandshell bowl and baseball parks.

Sun City is a beautiful answer to a million prayers. It fills a need that should never have existed, but it was a needed response to a society that has sought to force inactivity on some of its most

vital, creative, active and fun people.

Sun City is now being called unconstitutional by some because houses are not sold to people with children under 18. Such critics argue that there should not be a community without children — especially since communities without children don't seem to want to pay for new schools in the next town. They do *not* say that it is unconstitutional to force some people to educate several generations of other people's children.

Aside from the absurdities Sun City is occasionally subjected to, it seems to be one of the happiest communities in the United States and has been the model for many other fine recreational and adult communities. And it clearly demonstrates that when a community is privately planned, controlled and marketed, the results far exceed ordinary municipal standards.

Advantages of Private Development Including Schools

In a privately developed community, you *know* what you're getting. Streets, commercial areas, church locations — everything is planned on the drawing board. You know the restrictions when you buy the property. No hamburger stand can pop up unexpectedly next door. No billboards. No trashy empty lots.

Everything bad destroys value. Everything good increases it. Developers like increased values. The community grows progressively better.

It was after the success of Sun City's phase I that Del Webb was able to add lakes, country clubs, bowling alleys, miniature golf, tennis courts — and a mammoth indoor swimming pool, artificially landscaped with giant palms, rock gardens and grass.

The purchasers at Sun City continue to enjoy an outstanding appreciation on their investment along with the progression of profitability that has made it all possible.

Compared to the certainties of private control, purchasing a politically manipulated lot under any municipal jurisdiction is just a grab-bag proposition.

One of the most rapidly developed states in recent years, Arizona has seen the construction of many new subdivisions, and its most successful developers are well aware of the profitability of community services.

These new communities usually include streets, street lighting, sidewalks, water, sewer systems, underground utilities, clubhouses, swimming pools and all kinds of recreation.

And since there's no use trying to sell a house to families with

children if there are no schools around, schools, too, are often built with private funds, not taxes.

It would be interesting to see what the developers would do if we didn't have a politicalized education system. Imagine the benefits that could result if they tried to outdo each other in providing educational services as they do in providing recreation.

And it would be interesting to see what sales packages of improved materials and methods educators could come up with in their competitive efforts to convince developers of the superiority, and therefore salability, of their services over another *company* of educators.

A City of the Future

But let's leave Arizona and look at another city in the United States built with private funds.

This is a city where the sidewalks are resilient so you won't get tired from walking. A city where the streets are never torn up. A city with a "basement" — an underground infrastructure of tunnels, walkways, wires, ducts, cables, water lines and sewage systems that are easily accessible and readily repaired.

All city operations are monitored by computers and closed circuit TV — methods that sug-

gest the possibility of developing crime-proof communities.

There's a hotel in this city with a pollution-free monorail running through its ten-story lobby.

The rooms for the hotel were completely prefabricated units — wired, partly furnished, and hoisted into place by cranes. The modules are complete with artificial moonlight.

This city had a mass transit system from its inception. People are also transported by non-polluting aerial tramways and "people movers" that run on the most basic of all principles — friction. And it's the only city in the United States with a STOL (short take-off and landing) airport.

The community is served by over 200 watercraft and has the 5th biggest navy in tonnage in the world — a navy that exists only for purposes of entertainment.

This city has houses that are experimentally powered by fuel cells, a hospital that utilizes closed circuit TV to diagnose cases by remote control.

Half the power for this community is generated by gas turbines whose waste heat is turned into chilled water for air conditioning.

The city extends over 37,443 acres with 7500 acres set aside as a well-protected wildlife preserve. It also includes a \$7 million

water reclamation project with 40 miles of canals that look like natural rivers.

Garbage disappears from the streets of this city at a velocity of 60 miles an hour through vacuum tubes. It's sucked into a compacting plant equipped with an incinerator that purifies its own emissions with filters and scrubbers so that nothing comes out of the stack but clean steam.

Waste water is recycled to a "Living Farm" of trees and plants.

This city, built on a swampy wasteland, owes its existence to the genius and energy of one man — Walt Disney.

It exists in a country of cities that never trusted their street maintenance, sewage responsibilities, power generation, parks, conservation and recreation to private enterprise. Cities where trucks still haul refuse and streets are torn up regularly in order to repair pipes. Cities where recreation is always swings, sandboxes and monkey bars — certainly not African safaris and Snow White's castle. Cities that have polluted rivers and streams with the waste from their treatment plants and, as public bodies, are never answerable for their actions. Their answer to a messy environment is never action but always exhortation to "keep the city clean."

Part of Disney's success was in

expecting people to be as they are.

The Disney communities are meticulously clean — and under cotton candy circumstances. He expected sticky little fingers and spilled popcorn. He planned for it — and his plans led to undoubtedly the most efficient waste disposal methods in use in the country today.

Can Dreams Come True?

There are more new cities too. Cities of dreams. Cities we'll never see — not as long as we consider communities to be political entities instead of private properties. Not as long as we trust politicians and distrust private enterprise and corporate bigness.

If a city is a political entity, property rights don't exist. There's eminent domain to prove it. And building codes. And zoning. And re-zoning. And permits. And fees. And taxes. And graft. And favors.

One reason for the startling innovations at Disney World is that it was constructed with its own building codes. This allowed the use of new materials and techniques and specifications.

Modules could be made wider, for example, because they weren't transported over state roads.

Disney's independent code also resulted in much stricter safety

and fire protection than the law allows under municipal mandate.


Building codes, in fact, establish minimum requirements that usually become standard. Their effect is simply to stifle progress and substitute repetition and monotony for innovation and improvement in building.

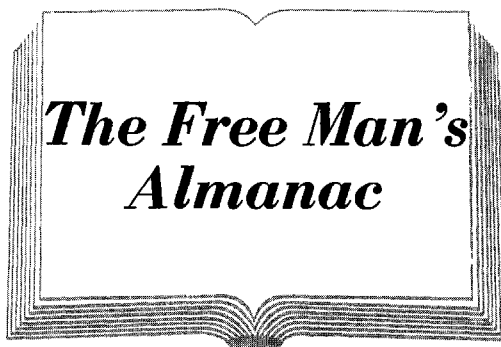
Largely because of these codes, we build and rebuild the same houses over and over. And mostly because of zoning regulations, we build the same cities again and again and then complain about them, calling for more of the city planning that has already contributed so largely to their deficiencies.

Our best hope for better cities is private development and profitability — corporate prosperity. Although "big business" is popularly deplored, it is the big corporation that is capable of the biggest accomplishments.

And fundamentally, we need new respect for private property and enterprise with the long overdue recognition that the public welfare inheres in private interests — and *only* in private interests.

We won't have really new cities until we first enjoy the depoliticalization of human relationships.

That would not only give us new cities. It would give us a new world. 



IF THIS COUNTRY is to be saved, it will be saved outside of Washington, D.C., by people who have absorbed the sort of wisdom provided by Leonard Read in his beautifully bound *The Free Man's Almanac* (Foundation for Economic Education, \$5).

This book, which provides a more or less epigrammatic quotation for each day of the year without reference to the zodiac (Mr. Read is concerned not with the stars, but with ourselves), is far less heterogeneous in its substance than it is in its styles. The variation in styles gives a pleasing modulation; the concentration in basic content, on the other hand,

provides a formidable educational wallop.

To begin with the negative—the inability of the political arm to solve our problems—the theme is sounded by a couple of political theorists who had plenty of practical grounding in public affairs (Thomas Jefferson, Woodrow Wilson), by historians (Clarence Carson is an example), and by economists (Murray Rothbard and others).

Jefferson and Wilson did not always practice what they preached, but what they preached was good. So ignore the fact that Wilson, as a wartime President, once spoke about “force, force to the utter-

most, force without stint or limit" (My quotation is from memory), and concentrate on Leonard Read's exact quotation from Wilson as a political theorist: "The history of liberty is a history of the limitation of governmental power, not the increase of it. When we resist, therefore, the concentration of power, we are resisting the processes of death, because concentration of power is what always precedes the destruction of human liberties . . . Government, in its last analysis, is organized force."

Why does the "organized force" of government lead to the stagnation that is the forerunner of death? Clarence Carson says it forthrightly: "Government is not capable, by nature, of being productive or constructive . . . it acts to restrain and restrict . . ." Murray Rothbard and David A. Stignani put it more whimsically. Rothbard notes that no private firm would dream of trying to solve a "shortage" by telling people to buy less. It is "only government that 'solves' its traffic problems . . . by forcing trucks . . . off the road . . . the 'ideal' solution to traffic congestion is to outlaw all vehicles!" Stignani, leaving a department store just before Christmas, noted the salesgirl's reaction to the crowd ("Our best day yet," she said). But the postman, depositing a heavy mail at Stignani's

home, remarked that it was "the worst day we've ever had!"

The Self-Starting Individual

Turning to positive entries, and beginning with the self-starting individual, Mr. Read prints Alexis de Tocqueville on the "greatness and genius of America." The genius was not, in Tocqueville's day, to be found in fertile fields and boundless forests, nor even in schools or the "matchless Constitution." Not until he had gone to the churches of America did Tocqueville understand that "America is great because America is good." (Query: what would he find in the churches today, where the preoccupation of many a pastor is with the "social," not the personal gospel?)

Mr. Read finds plenty of modern Tocquevilles around. Says Frank Chodorov: "There cannot be a 'good' society until there are 'good' men." Says Cardinal Gibbons: "Reform must come from within, not from without. You cannot legislate virtue."

The morality on which Tocqueville, Chodorov and Cardinal Gibbons have been all agreed is grounded in the grain of the universe as it applies to human society. William Graham Sumner sometimes talked against "natural rights," but, fundamentally, he believed in natural law, from which

natural rights must be deduced. Said Sumner, about the accumulation of property: ". . . the development of character, or of any other good whatever, is impossible without property. The invectives against capital in the hands of those who have it, are doublefaced, and when turned about are nothing but demands for capital in the hands of those who have it not, in order that they may do with it what those who have it are now doing with it." (Doesn't this amount to a recognition of the "natural right" to capital?)

The Origin of Rights

Clarence Carson is clearer than Sumner on the origin of "rights." "If government can create rights," he says, "it can withhold and destroy rights." Shortsighted or stupid people can, of course, give up their rights to organized force. Edmund Burke, quoted by Leonard Read, tells us how this happens. "Men," wrote Burke, "are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites . . . it is ordained in the eternal constitution of things, that men of intemperate minds cannot be free. Their passions forge their fetters."

The government that is "organized force" takes over by insensible degrees as men let their greed

master their better impulses. John Adams, a greatly neglected source of political wisdom, said that "to expect self-denial from men, when they have a majority in their favor and consequently power to gratify themselves, is to disbelieve all history and universal experience."

Once a majority has turned to government to satisfy its desires, we are on our way to the condition noted by Herbert Spencer: "The more numerous public instrumentalities become, the more is there generated in citizens the notion that everything is to be done for them, and nothing by them. Every generation is made less familiar with the attainment of desired ends by individual actions or private agencies; until, eventually, governmental agencies come to be thought of as the only available agencies."

So, if you want to strike a blow for freedom, stop asking Washington for protection of all sorts. The protection may help you for the moment — but, multiplied over thousands of individuals, it will most assuredly "forge your fetters."

Trust Freedom

Freedom alone is to be trusted to serve the individual. Montesquieu said it long ago: "Countries are well cultivated, not as they are

fertile, but as they are free." Ludwig von Mises, speaking for free production, wrote that "the very principle of capitalist entrepreneurship is to provide for the common man. In his capacity as consumer the common man is the sovereign whose buying or abstention from buying decides the fate of entrepreneurial activities. There is in the market economy no other means of acquiring and preserving wealth than by supplying the masses in the best and cheapest way with all the goods they ask for."

Paul Poirot, expanding on Mises, remarks on the extra-market value of a market place kept free from compulsion. "The free market," he says, "and not its displacement by governmental controls, is the only route to the kind of personal security which makes for harmonious social relationships."

President Ford believes in WIN buttons. But it is Leonard Read who knows that you don't "win" by sloganeering; you need the sort of wisdom that he has assembled for all the days of the year in *The Free Man's Almanac*.

► **COMPETITION AND ENTREPRENEURSHIP** by Israel M. Kirzner (Chicago: University of Chicago Press, 1973) 246 pages, \$7.95

Reviewed by Henry Hazlitt

THIS IS A FIRST-RATE contribution to the theory of competition and entrepreneurship.

Professor Kirzner is a former student of the late Ludwig von Mises. He tells us in his Preface that his book can be viewed as a critique of contemporary price theory from an "Austrian" perspective, and he modestly declares: "Above all I owe whatever understanding I have of the market process to almost two decades of study under L. Mises, whose ideas as expounded in a lifetime's work are only beginning to be properly appreciated."

This does not mean that Kirzner's own work lacks originality. On the contrary, by applying his "Austrian" concepts and analysis very thoroughly and patiently to the immense body of literature on price theory that has appeared in England and America over the last generation, he has not only succeeded in exposing its central fallacies but has arrived at penetrating insights and advances in market theory.

His first attack is on the "orthodox" theory of market equilibrium. (By "orthodox" he means the



bulk of the technical economic literature of the last few decades. This may be confusing to older readers brought up to regard classical or neo-classical economics as orthodox. But he is right in his implication that this recent price theory, which began as heterodoxy, has itself become a new orthodoxy.)

The central error of this new orthodoxy is that it regards market "equilibrium" as a situation that tends to be arrived at automatically, because every person in the market must recognize and do what is to his own advantage. Kirzner points out that this "mechanical" theory of decision-making unconsciously assumes a world of perfect knowledge and prediction. In such a world there would be no need or scope for the entrepreneur.

As defined by Kirzner, the entrepreneur is the decision-maker who is *alert* to hitherto unnoticed opportunities. His function is to increase productivity by providing consumers with types of goods with which they have not previously been provided, or goods of a better quality or at a cheaper cost. Contrary to the theory of Joseph Schumpeter, the entrepreneur's actions move the economy closer toward equilibrium rather than away from it. The reward for his alertness is profits.

The Market Process

The error of the current "market equilibrium" doctrine, Kirzner emphasizes again and again, is that it overlooks or takes for granted the *process* that moves the market toward equilibrium.

Kirzner goes on to analyze current theories of competition and monopoly. He politely points out the fallacies both in the conceptions of "perfect competition" and of "monopolistic competition." Both arise from regarding competition as a "situation" rather than as a *process*. Both are equilibrium theories. "The theory of monopolistic competition was on balance a decidedly unfortunate episode in the history of modern thought."

One insight of Kirzner's helps beget others. In a chapter on Selling Costs, Quality and Competition he points out that so-called "selling costs" are an essential part of production costs, and cannot be legitimately separated from them in economic theory. In the final analysis, all costs are "selling costs."

Pushing this still further, he shows that advertising is not only an inseparable part of selling costs, but on net balance a service to the consumer. It makes him aware of a buying opportunity, at the same time as it is an essential part of the process which spurs the indi-

vidual producer to try to turn out a better product than his competitors.

A chief function of competition and entrepreneurship, as Kirzner sees it, is to bring a closer and closer *coordination* in the decisions of buyers and sellers through which both secure an advantage. It is the heady scent of profits that promotes alertness to hitherto undiscovered opportunities for reducing costs or developing new or better products.

Among other things, Kirzner makes a devastating attack on the criticism by socialists and others that competition is "wasteful." During the competitive process through which the market approaches equilibrium, he points out, there is imperfection of knowledge. But it is the market process itself that steadily moves toward eliminating previous ignorance.

From the point of view of an omniscient observer, the market would indeed display waste and misallocation at every stage. We in the 1970's, for example, can look back with amused condescension on the 1920's, when a thousand inventions and discoveries known today had not been made. We can see that any number of resources were not then being put to the best uses now known for them. But it was the competitive process that led

to these discoveries. Even the best economists (not to speak of engineers or other technicians) of the 1920's did not then recognize these "wastes" and "inefficiency." Surely the efficiency of the competitive process is entitled to be judged, as Kirzner puts it, "not on the degree of conformity to the ideal allocation as seen from the perspective of omniscience, but on the degree to which currently known information is being optimally deployed."

In a similar way, critics often declare that it is obviously wasteful for someone to put up a new competing factory to make widgets when the first could produce all that are needed. But we cannot know until after the competing production starts which of the two factories, the old or the new, is truly "wasteful."

I have a few minor criticisms.

Professor Kirzner believes that the function of the "entrepreneur" can be completely separated from the function of the "capitalist." The "pure entrepreneur," he tells us (p. 40), can be "a decision-maker who starts out *without any means whatsoever*" (his italics). And again (p. 99), "purely entrepreneurial activity involves no element of resource ownership."

This is questionable. The entrepreneur-producer is by definition a man who takes risks, and with his own capital. If he is tak-

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ing risks simply with other people's capital he is merely a hired manager. True, he may borrow his capital from others; but if his project fails he must pay back, and he must have previous capital of his own to do that. The entrepreneur, in short, must be a capitalist plus. He is a capitalist willing to take unusual risks. Kirzner seems to me sometimes to reserve the term "entrepreneur" merely for the *successful* entrepreneur.

Again, Kirzner identifies the distinguishing feature of the entrepreneur as *alertness* (which he frequently italicizes). He is the one who *perceives* an opportunity. (Kirzner also usually italicizes "perceives.")

But two qualifications should be made. It is not enough that the entrepreneur be "alert" and that he "perceive" an opportunity; he must *act* on his alertness and perception. No doubt Kirzner means to imply this, but does not always make it sufficiently explicit. By omitting this link he tends to overstress the entrepreneur's alertness and perception while under-emphasizing his courage in taking risks.

This brings us to the second qualification. It is not always true that the entrepreneur *perceives* an opportunity. He *thinks* he perceives it. He perceives an *apparent* opportunity. In fact, *he is betting*

on an assumed future condition. What he acts on may not be a perception but a *guess*. As Kirzner himself concedes at one place (p. 86), the entrepreneur's action "must to some extent constitute a gamble."

The point is important, particularly in view of Kirzner's criticism of Frank H. Knight's emphasis on uncertainty and his view of pure profit as a residual. Kirzner replies that "every entrepreneurial decision taken envisages *only* profits. . . . Treating profits as a residual fails to disclose that from the point of view of the prospective entrepreneur the profit opportunity is, with all its uncertainty, *there*."

But this is precisely the question. *Is it there?* Every entrepreneur is pitting his own guess or "perception" against the composite guess or perception of all the rest. As Knight saw, they cannot all be right.

Yet Kirzner seems to me to be justified in his criticism of Knight, though for a different reason than he himself explicitly gives. Net pure profit, as Knight pointed out, may come to only half the entrepreneurs: those who follow the pioneers too late may suffer comparative losses. But pure profits are, after all, essentially a by-product of increased efficiency - in reducing the cost of

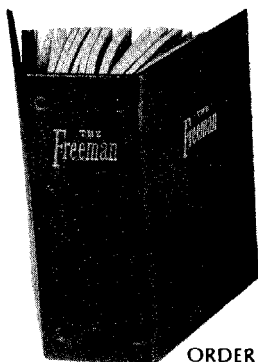
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a product, improving its quality, or inventing or exploiting a completely new product. It is this increased efficiency or productivity that individual entrepreneurs strive for in order to increase their profits. The successful pioneers do reap increased profits; their followers and imitators may not. Yet, regardless of what it finally does or does not do to increase overall profits, the whole process immensely benefits all of us as consumers, as the history of the last two centuries so dramatically demonstrates. Profit-seeking may not always lead to profits, but it does lead to progress.

Some of my criticisms may apply more to oversights in Dr. Kirzner's exposition than to defects in his theories. In making them I hope I do not draw atten-

tion from the great positive contribution he has made in explaining point by point the shortcomings of both the "orthodox" Anglo-American and Schumpeterian theories of price, competition and entrepreneurship as compared with the "Austrian" or "Misesian." Kirzner has succeeded in pushing the implications of the latter analysis to new insights.

It is only on the last two pages of his book that he offers any "normative" advice on what economic policy should be, but his brief and quiet warning is a very necessary one at this time: "A social policy which arbitrarily confiscates from entrepreneurs the profitably secure positions their entrepreneurial alertness has achieved cannot fail to discourage such alertness in the future."



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NOTE: In page references, the number preceding the colon designates the month, those following refer to pages. All articles have at least three entries—author, subject, and title—except in a few cases when title clearly indicates subject matter. Books reviewed are listed on page 768.

A

ALIENATED, right to feel (Rubanowicz)
11:670-673

ALL different (Ellis) 11:691

ANARCHY

In quest of justice (Foley) 5:301-310

Necessity of government, The (Kelley)

4:243-248

ANDERSON, C. W.

Price, the peaceful regulator. 5:265-266

ANDERSON, Robert G.

Windfall profits. 5:286-290

See also Book reviews (Kooiman)

ANOTHER case history of government

failure (Siegan) 6:362-364

ANTITRUST

Competition, monopoly, and the role of
government (Petro) 2:91-100

See also Competition

ARE you concerned? (Blanco) 6:334-337

B

BACK door press control (Barger) 2:106-113

BADHWAR, Neera

What does America owe to the "Third
World"? 10:585-591

BARGER, Melvin D.

Back door press control. 2:105-113

Socialism seeks its own level. 6:356-361

See also Book reviews (Blumenfeld;
Harrison)

BASTIAT, Frederic

Motive force of society, The. 4:228-237

BELEAGUERED businessman, The

(Gresham) 9:536-544

BEST housing hope (Siegan) 4:221-223

BICENTENNIAL — spirit of

Political freedom is not enough (Upton)
9:549-559

Theme for the Bicentennial, A: the

Founding Fathers' fear of power

(Brownfeld) 10:579-584

See also Freedom; U.S. history, etc.

BLANCO, Ernesto E.

Are you concerned? 6:334-337

BLESSINGS of diversity, The (Read)

5:295-297

BLINDNESS of macro-economics, The

(LaDow) 11:643-651

BRADFORD, Ralph

Enigma, The. 9:564-572

On "using" the government. 1:24-34

Our lives and goods. 2:74-79

What are you worried about? 8:451-463

BRITISH booksellers learn to compete
(Nelms) 11:674-679

BROWNFELD, Allan C.

False god of politics, The. 2:101-104

Theme for the Bicentennial, A: the

Founding Fathers' fear of power.

10:579-584

See also Book reviews (Candlin; Dargo;

Koerner; Kuehnelt-Leddihn; Machan)

BUECHNER, M. Northrup

Dog-eat-dog competition. 10:614-626

BUILDING/construction/housing

Another case history of a government

failure (Siegan) 6:362-364

Best housing hope (Siegan) 4:221-223

Land use regulation — a tool of politics, not

of planning (Siegan) 3:138-141

Lower interest rates by law (Greaves)

12:740-747

Public goods and fear of foreigners

(North) 3:131-137

BUSINESS/corporate "responsibility"

Beleaguered businessman, The (Gresham)

9:536-544

Public interest of private enterprise, The

(WHPeterson) 2:82-87

See also Profits

BUSINESS and its image (Watts) 7:393-408

BUSINESS of undermining business, The

(Zupan) 8:490-494

BUTZ, Earl L.

There's no such thing as a free lunch.

7:431-435

C

CANADA

Welfare fifty years hence (Shumiatcher)

3:174-183

CAPITAL conservation (Speer) 3:142-151

CAPITALISM

Makers or takers (Donway) 9:532-535

Marx, Mises and socialism (Osterfeld)

10:605-611

Price competition and expanding

alternatives (North) 8:467-476

Ugly market, The: why capitalism is hated,

feared and despised (Kirzner) 12:724-736

CAPITALISM and the wages of virtue

(Donway) 12:719-723

CASTLES in the air (Read) 11:654-657

CHAMBERLAIN, John. See Book reviews

CHARITY, private/voluntary

Give thought how you give (Patrick)

6:365-370

- Value and the welfare state (Summers)
11:692-694
- Welfare fifty years hence (Shumiatcher)
3:174-183
- What is philanthropy? (LaDow) 9:526-531
- CHOICE or chains (Foley) 4:199-204
- CITY/local government
- Another case history of a government
failure (Siegan) 6:362-364
- "Free parking" — space not available
(North) 1:50-52
- Impossible riddles (Siegan) 11:668-669
- Land use regulation—a tool of politics, not
of planning (Siegan) 3:138-141
- Public goods and fear of foreigners (North)
3:131-137
- Regulation helps the rich and harms the
poor (Siegan) 10:612-613
- Tales of three cities (Wilke) 12:748-752
- COMMUNISM. *See* Russia; Socialism
- COMPETITION
- British booksellers learn to compete
(Nelms) 11:674-679
- Capitalism and the wages of virtue
(Donway) 12:719-723
- Dog-eat-dog competition (Buechner)
10:614-626
- Price competition (Buechner) 10:614-626
- Price competition and expanding
alternatives (North) 8:467-476
- COMPETITION: key to consumer dominance
(Siegan) 5:298-300
- COMPETITION, monopoly and the role of
government (Petro) 2:91-100
- CONSERVATION, capital (Speer) 3:142-151
- CONSUMER sovereignty
- Competition: key to consumer dominance
(Siegan) 5:298-300
- Economic calculation (Summers)
10:602-604
- Windfall profits (RAnderson) 5:286-290
- See also* Prices/pricing
- CONSUMERISM
- Do you want to live forever? (LaDow)
3:155-162
- Liberty vs. coercion: the burden of proof
(Machan) 1:35-38
- "New" protectionism, The (Stevens)
11:680-690
- Voluntarist's role, The (Foley) 1:10-17
- COONEY, Ronald F.
- Individual and majority rule, The.
11:661-667
- CUBA
- Are you concerned? (Blanco) 6:334-337
- CURTISS, W. Marshall. *See* Book reviews
(Trueblood)

D

- DAVENPORT, John. *See* Book reviews
(Chamberlain)

- DEMERS, R. W.
- From whence comes the wind. 2:88-90
- DEMOCRACY
- Individual and majority rule, The (Cooney)
11:661-667
- Political freedom is not enough (Upton)
9:549-559
- DIVERSITY, blessings of (Read) 5:295-297
- DO you want to live forever? (LaDow)
3:155-162
- DOG-eat-dog competition (Buechner)
10:614-626
- DONWAY, Roger
- Capitalism and the wages of virtue.
12:719-723
- Makers or takers. 9:532-535
- Markets and morals. 4:195-198
- DOUGLAS, George H.
- Aleksandr Solzhenitsyn — some lessons for
Americans. 12:707-718
- DRAFT, high cost of (McNown/Lee)
10:627-631

E

- ECONOMIC calculation
- Marx, Mises and socialism (Osterfeld)
10:605-611
- Socialism seeks its own level (Barger)
6:356-361
- See also* Prices/pricing
- ECONOMIC calculation (Summers)
10:602-604
- ECONOMIC development/progress
- Great objective of a free people, The
(Prochnow) 6:338-340
- Multinational corporation, The
(MPeterson) 1:18-23
- What does America owe to the "Third
World"? (Badhwar) 10:585-591
- EDUCATION, schooling/public
- "It's for real" (WHPeterson) 11:658-660
- On "using" the government (Bradford)
1:24-34
- Why is liberalism endemic? (LaDow)
10:595-601
- ELLIS, George
- All different. 11:691
- ENERGY "crisis"
- Alternative futures (Kizer) 8:495-500
- Are you concerned? (Blanco) 6:334-337
- Castles in the air (Read) 11:654-657
- FEO and the gas lines (Friedman)
5:263-264
- How not to cure an energy crisis (North)
2:67-73
- Made in Washington (Poirot) 5:267-269
- Matter of self-responsibility, A (Poirot)
2:118-122
- "New" protectionism, The (Stevens)
11:680-690
- ENIGMA, The (Bradford) 9:564-572

ENTREPRENEUR. See Capitalism:

Consumer sovereignty; Profits

ENVY/greed/egalitarianism

Puritan experiment with sumptuary

legislation, The (North) 6:341-355

Ugly market, The: why capitalism is

hated, feared and despised (Kirzner)

12:724-736

What does America owe to the "Third

World"? (Badhwar) 10:585-591

Why is liberalism endemic? (LaDow)

10:595-601

F**FALSE** god of politics, The (Brownfeld)

2:101-104

FEO and the gas lines (Friedman) 5:263-264**FOLEY**, Ridgway K., Jr.

Choice or chains. 4:199-204

In quest of justice. 5:301-310

"Speak for yourself, John" revisited.

9:522-525

Voluntarist's role, The. 1:10-17

See also Book reviews (Dietze)

FOR the sake of the poor (Poirot) 7:409-412**"FREE** parking" — space not available

(North) 1:50-52

FREEDOM

Motive force of society, The (Bastiat)

4:228-237

Our lives and goods (Bradford) 2:74-79

What are you worried about? (Bradford)

8:451-463

FREEDOM of press/speech/thought

Aleksandr Solzhenitsyn — some lessons for

Americans (Douglas) 12:707-718

Back door press control (Barger) 2:105-113

Individual and majority rule, The (Cooney)

11:661-667

FREEDOM'S bounty (Keyser) 9:560-563**FRIEDMAN**, Milton

FEO and the gas lines. 5:263-264

FRIEDMAN, Milton — ideas of

You cannot trust governments with your

money (Hazlitt) 7:387-392

FROM whence comes the wind (Demers)

2:88-90

FUTURE of the dollar, The (Hazlitt) 1:39-49**FYFE**, David A.

Inflation: harbinger of monetary upheaval.

6:327-333

G**GIVE** thought how you give (Patrick)

6:365-370

GOVERNMENT intervention/regulation/

control

Blindness of macro-economics, The

(LaDow) 11:643-651

Business and its image (Watts) 7:393-408

Do you want to live forever? (LaDow)

3:155-162

Energy crisis, The: alternative futures

(Kizer) 8:495-500

How not to cure an energy crisis (North)

2:67-73

Lower interest rates by law (Greaves)

12:740-747

Made in Washington (Poirot) 5:267-269

"New" protectionism, The (Stevens)

11:680-690

Political freedom is not enough (Upton)

9:549-559

"Social security" mirage, The—current

production paramount (Paton) 3:167-171

"Speak for yourself, John" revisited

(Foley) 9:522-525

Ugly market, The: why capitalism is hated,

feared and despised (Kirzner) 12:724-736

GOVERNMENT licensing

Back door press control (Barger) 2:105-113

Competition, monopoly, and the role of

government (Petro) 2:91-100

GOVERNMENT, nature/role of

Competition, monopoly, and the role of

government (Petro) 2:91-100

False god of politics, The (Brownfeld)

2:101-104

Necessity of government, The (Kelley)

4:243-248

Proper distrust, A (Wallis) 8:476-477

Our lives and goods (Bradford) 2:74-79

GOVERNMENT spending

On "using" the government (Bradford)

1:24-34

There's no such thing as a free lunch

(Butz) 7:431-435

What is seen and what is not seen

(Summers) 3:172-173

GREAT objective of a free people, The

(Prochnow) 6:338-340

GREAVES, Percy L., Jr.

Lower interest rates by law. 12:740-747

GRESHAM, Perry E.

Beleaguered businessman, The. 9:536-544

GROVE, Cecil V.

Who owns the job? 11:652-653

GUARNIERI, Robert L.

Why gold is money. 10:592-594

GULLIBLE society, The (Paton) 1:3-9**GULLIBILITY**, reflections on (Read)

9:545-548

H**HAZLITT**, Henry

Future of the dollar, The. 1:39-49

You cannot trust governments with your

money, 7:387-392

See also Book reviews (Greaves; Hayek;

Kirzner)

HIGH cost of the draft, The (McNown/Lee)

10:627-631

HILLEND AHL, Wesley H.

Inflation: by-product of ideologies in

collision. 7:413-425

HISTORY, Mises and Fisher on

(WHPeterson) 6:323-326

HOW not to cure an energy crisis (North)
2:67-73**I****IDEAS/ideologies, anticapitalistic**Beleaguered businessman, The (Gresham)
9:536-544Business of undermining business, The
(Zupan) 8:490-494Dog-eat-dog competition (Buechner)
10:614-626

Enigma, The (Bradford) 9:564-572

Gullible society, The (Paton) 1:3-9

Individual and majority rule, The (Cooney)
11:661-667Inflation: by-product of ideologies in
collision (Hillendahl) 7:413-425Ugly market, The: why capitalism is hated,
feared and despised (Kirzner) 12:724-736**IDEAS/inventiveness/ingenuity**

Castles in the air (Read) 11:654-657

Energy crisis, The: alternative futures
(Kizer) 8:495-500

Rare moment, The (Read) 7:426-430

Strive for the simple life (Read) 3:163-166

IMPOSSIBLE riddles (Siegan) 11:668-669**IN** quest of justice (Foley) 5:301-310**INDIVIDUAL** actions/values/variations

All different (Ellis) 11:691

Blessings of diversity, The (Read) 5:295-297

Capitalism and the wages of virtue
(Donway) 12:719-723

Choice or chains (Foley) 4:199-204

Give thought how you give (Patrick)
6:365-370Liberty vs. coercion: the burden of proof
(Machan) 1:35-38Motive force of society, The (Bastiat)
4:228-237**INDIVIDUAL** and majority rule, The

(Cooney) 11:661-667

INFLATION: by-product of ideologies in

collision (Hillendahl) 7:413-425

INFLATION: harbinger of monetary

upheaval (Fyfe) 6:327-333

INTEREST rates, market or manipulatedLower interest rates by law (Greaves)
12:740-747**INVISIBLE** hand, The (Read) 2:114-117**IS** inflation here to stay? (Markovitz)
4:238-242

"IT'S for real" (WHPeterson) 11:658-660

J**JOHNSON, Thomas.** See Book reviews
(Burlleigh)**JUSTICE**, in quest of (Foley) 5:301-310**JUSTICE**, peace and (Russell) 5:311-313**K****KELLEY, David**

Necessity of government, The. 4:243-248

KEYSER, Carl A.

Freedom's bounty. 9:560-563

KIRZNER, Israel M.Ugly market, The: why capitalism is hated,
feared and despised. 12:724-736**KIZER, John B.**Energy crisis, The: alternative futures.
8:495-500**L****LABOR** — unions/wages/employmentCompetition, monopoly, and the role of
government (Petro) 2:91-100Lower interest rates by law (Greaves)
12:740-747Multinational corporation, The
(MPeterson) 1:18-23

Who owns the job? (Grove) 11:652-653

LaDOW, Charles R.Blindness of macro-economics, The.
11:643-651

Do you want to live forever? 3:155-162

What is philanthropy? 9:526-531

Why is liberalism endemic? 10:595-601

LAND, ownership/use of

Capital conservation (Speer) 3:142-151

Public goods and fear of foreigners
(North) 3:131-137Puritan experiment in common ownership,
The (North) 4:209-220

Taking issue, The (Siegan) 8:464-466

Those fellows with black hats—the
speculators (JASparks) 8:478-489

See also City/local government

LAND use regulation — a tool of politics, not
of planning (Siegan) 3:138-141**LAW** versus tyranny (Read) 10:632-636**LEE, Dwight** (and McNown, Robert)

High cost of the draft, The. 10:627-631

LIBERTY vs. coercion: the burden of proof

(Machan) 1:35-38

LIVING with shortages (Sabroff) 5:259-262**LOWER** interest rates by law (Greaves)
12:740-747**M****MACHAN, Tibor R.**Liberty vs. coercion: the burden of proof.
1:35-38**MACRO-ECONOMICS, blindness of (LaDow)**
11:643-651**MADE** in Washington (Poirot) 5:267-269**MAJORITY** rule, individual and (Cooney)
11:661-667**MAKERS** or takers (Donway) 9:532-535**MARKETS** and morals (Donway) 4:195-198**MARKOVITZ, Morris J.**

Is inflation here to stay? 4:238-242

- MARX, Mises and socialism (Osterfeld)
10:605-611
- MARX, Karl — ideas of
Price competition and expanding
alternatives (North) 8:467-476
What does America owe to the "Third
World"? (Badhwar) 10:585-591
- MATTER of self-responsibility, A (Poirot)
2:118-122
- McDONALD, Stanley C.
On misery and rule. 4:205-208
- McNOWN, Robert (and Lee, Dwight)
High cost of the draft, The. 10:627-631
- MISES and Fisher on theory and history
(WHPeterson) 6:323-326
- MISES, Ludwig von — ideas of
Competition, monopoly, and the role of
government (Petro) 2:91-100
Lower interest rates by law (Greaves)
12:740-747
Markets and morals (Donway) 4:195-198
Marx, Mises and socialism (Osterfeld)
10:605-611
Socialism seeks its own level (Barger)
6:356-361
Ugly market, The: why capitalism is hated,
feared and despised (Kirzner) 12:724-736
- MONETARY and inflation
Future of the dollar, The (Hazlitt) 1:39-49
Inflation: by-product of ideologies in
collision (Hillendahl) 7:413-425
Inflation: harbinger of monetary upheaval
(Fyfe) 6:327-333
Is inflation here to stay? (Markovitz)
4:238-242
Lower interest rates by law (Greaves)
12:740-747
Why gold is money (Guarnieri) 10:592-594
Yielding to temptation (JCSparks)
7:436-438
You cannot trust governments with your
money (Hazlitt) 7:387-392
- MONOPOLY. *See* Antitrust
- MORALS/morality/ethics
Capitalism and the wages of virtue
(Donway) 12:719-723
Choice or chains (Foley) 4:199-204
Law versus tyranny (Read) 10:632-636
Markets and morals (Donway) 4:195-198
Yielding to temptation (JCSparks)
7:436-438
- MOTIVE force of society, The (Bastiat)
4:228-237
- MUD pies for sale (Poirot) 12:737-739
- MULTINATIONAL corporation, The
(MPeterson) 1:18-23
- N**
- NECESSITY of government, The (Kelley)
4:243-248
- NELMS, Willie E.
British booksellers learn to compete.
11:674-679
- "NEW" protectionism, The (Stevens)
11:680-690
- NO more repeat performances (Siegan)
7:438-440
- NORTH, Gary
"Free parking" — space not available.
1:50-52
How not to cure an energy crisis. 2:67-73
Price competition and expanding
alternatives. 8:467-476
Public goods and fear of foreigners.
3:131-137
Puritan experiment in common ownership,
The. 4:209-220
Puritan experiment with price controls,
The. 5:270-285
Puritan experiment with sumptuary
legislation, The. 6:341-355
- O**
- ON misery and rule (McDonald) 4:205-208
- ON "using" the government (Bradford)
1:24-34
- OPITZ, Edmund A.
Socialism. 3:152-154
See also Book reviews (Nock; North)
- OSTERFELD, Dave
Marx, Mises and socialism. 10:605-611
- OUR lives and goods (Bradford) 2:74-79
- P**
- PATON, W. A.
Gullible society, The. 1:3-9
"Social security" mirage, The — current
production paramount. 3:167-171
- PATRICK, James C.
Give thought how you give. 6:365-370
- PEACE and justice (Russell) 5:311-313
- PETERSON, Mark
Multinational corporation, The. 1:18-23
- PETERSON, William H.
"It's for real". 11:658-660
Mises and Fisher on theory and history.
6:323-326
Public interest of private enterprise, The
— and the private interest of public
policy. 2:82-87
- PETRO, Sylvester
Competition, monopoly and the role of
government. 2:91-100
- PIETRUSZA, David A. *See* Book reviews
(Sutton)
- POIROT, Paul L.
For the sake of the poor. 7:409-412
Made in Washington. 5:267-269
Matter of self-responsibility, A. 2:118-122
Mud pies for sale. 12:737-739
See also Book reviews (Velasco)
- POLITICAL freedom is not enough (Upton)
9:549-559

- POLITICS, false god of (Brownfeld)
2:101-104
- PORTER, Bruce D. *See* Book reviews
(Bahr, et al)
- POVERTY, relief of
For the sake of the poor (Poitot) 7:409-412
On misery and rule (McDonald) 4:205-208
Rewarding failure (Renstrom) 9:515-521
- PRESCRIPTION to soothe one's wounds, A
(JCSparks) 2:79-81
- PRICE competition and expanding
alternatives (North) 8:467-476
- PRICE controls, Puritan experiment with
(North) 5:270-285
- PRICE, the peaceful regulator (CWAnderson)
5:265-266
- PRICES/pricing
Economic calculation (Summers) 10:602-604
Living with shortages (Sabroff) 5:259-262
Mud pies for sale (Poitot) 12:737-739
See also Consumer sovereignty; Government
intervention
- PROCHNOW, Herbert V.
Great objective of a free people, The.
6:338-340
- PROFITS/losses, entrepreneurial
Business and its image (Watts) 7:393-408
Economic calculation (Summers) 10:602-604
For the sake of the poor (Poitot) 7:409-412
Windfall profits (RGAnderson) 5:286-290
- PROPER distrust, A (Wallis) 8:476-477
- PROTECTIONISM, "new" (Stevens)
11:680-690
- PUBLIC goods and fear of foreigners
(North) 3:131-137
- PUBLIC interest of private enterprise, The —
and the private interest of public policy
(WHPeterson) 2:82-87
- PURITAN experiment in common ownership,
The (North) 4:209-220
- PURITAN experiment with price controls,
The, (North) 5:270-285
- PURITAN experiment with sumptuary
legislation, The (North) 6:341-355
- R**
- RARE moment, The (Read) 7:426-430
- READ, Leonard E.
Blessings of diversity, The. 5:295-297
Castles in the air. 11:654-657
Invisible hand, The. 2:114-117
Law versus tyranny. 10:632-636
Rare moment, The. 7:426-430
Reflections on gullibility. 9:545-548
Sanctifying of plunder, The. 4:224-227
Strive for the simple life. 3:163-166
- REAM, Norman S. *See* Book reviews
(Wheeler)
- REFLECTIONS on gullibility (Read)
9:545-548
- REGULATION helps the rich and harms the
poor (Siegan) 10:612-613
- RENTSTROM, Richard C.
Rewarding failure. 9:515-521
- RESPONSIBILITY, individual
In quest of justice (Foley) 5:301-310
Invisible hand, The (Read) 2:114-117
Matter of self-responsibility, A (Poitot)
2:118-122
Prescription to soothe one's wounds, A
(JCSparks) 2:79-81
"Speak for yourself, John" revisited
(Foley) 9:522-525
- REWARDING failure (Renstrom) 9:515-521
- RIGHT to feel alienated, The (Rubanowicz)
11:670-673
- ROGERS, Tommy W. *See* Book reviews
(Haberler)
- ROLE of savings, The (Summers) 5:291-294
- RUBANOWICZ, Robert J.
Right to feel alienated, The. 11:670-673
- RUSSELL, Dean
Peace and justice. 5:311-313
- RUSSIA
Aleksandr Solhenitsyn — some lessons for
Americans (Douglas) 12:707-718
Freedom's bounty (Keyser) 9:560-563
Inflation: by-product of ideologies in
collision (Hillendahl) 7:413-425
Marx, Mises and socialism (Osterfeld)
10:605-611
- S**
- SABROFF, Dick
Living with shortages. 5:259-262
- SANCTIFYING of plunder, The (Read)
4:224-227
- SAVINGS and investment
Business and its image (Watts) 7:393-408
For the sake of the poor (Poitot) 7:409-412
Lower interest rates by law (Greaves)
12:740-747
Role of savings, The (Summers) 5:291-294
- SCHMIDT, Emerson P. *See* Book reviews
(Cutler)
- SENNHOLZ, Hans F. *See* Book reviews
(Reinach)
- SHUMIATCHER, Morris C.
Welfare fifty years hence. 3:174-183
- SIEGAN, Bernard H.
Another case history of a government
failure. 6:362-364
Best housing hope. 4:221-223
Competition: key to consumer dominance.
5:298-300
Impossible riddles. 11:668-669
Land use regulation — a tool of politics, not
of planning. 3:138-141
No more repeat performances. 7:438-440
Regulation helps the rich and harms the
poor. 10:612-613
Taking issue, The. 8:464-466

SIMPLE life, strive for the (Read) 3:163-166

SLAVERY

Freedom's bounty (Keyser) 9:560-563

"SOCIAL security" mirage, The — current production paramount (Paton) 3:167-171

SOCIALISM (Opitz) 3:152-154

SOCIALISM seeks its own level (Barger) 6:356-361

SOCIALISM — Marx, Mises and (Osterfeld) 10:605-611

SOLZHENITSYN, Aleksandr — some lessons for Americans (Douglas) 12:707-718

SPARKS, John A.

Those fellows with black hats — the speculators. 8:478-489

SPARKS, John C.

Prescription to soothe one's wounds, A. 2:79-81

Yielding to temptation. 7:436-438

"SPEAK for yourself, John" revisited (Foley) 9:522-525

SPECULATION, entrepreneurial

Those fellows with black hats — the speculators (JASparks) 8:478-489

Windfall profits (RGAnderson) 5:286-290

SPEER, Edgar B.

Capital conservation. 3:142-151

STEVENS, Paul

"New" protectionism, The. 11:680-690

STRIVE for the simple life (Read) 3:163-166

SUMMERS, Brian

Economic calculation. 10:602-604

Role of savings, The. 5:291-294

Value and the welfare state. 11:692-694

What is seen and what is not seen. 3:172-173

T

TAKING issue, The (Siegan) 8:464-466

TALES of three cities (Wilke) 12:748-752

THEME for the Bicentennial, A: the

Founding Fathers' fear of power (Brownfeld) 10:579-584

THERE'S no such thing as a free lunch (Butz) 7:431-435

THORNTON, Robert M. *See* Book reviews (Kelton; Miller)

THOSE fellows with black hats — the speculators (JASparks) 8:478-489

TRADE, international

Future of the dollar, The (Hazlitt) 1:39-49

Matter of self-responsibility, A (Poirot) 2:118-122

Multinational corporation, The (MPeterson) 1:18-28

"New" protectionism, The (Stevens) 11:680-690

TREICHLER, Martha. *See* Book reviews (Solzhenitsyn)

U

UGLY market, The: why capitalism is hated, feared and despised (Kirzner) 12:724-736

U. S. history

On "using" the government (Bradford) 1:24-34

Puritan experiment in common ownership, The (North) 4:209-220

Puritan experiment with price controls, The (North) 5:270-285

Puritan experiment with sumptuary legislation, The (North) 6:341-355

Theme for the Bicentennial, A: the Founding Fathers' fear of power (Brownfeld) 10:579-584

UPTON, Miller

Political freedom is not enough. 9:549-559

V

VALUE and the welfare state (Summers) 11:692-694

VOLUNTARIST'S role, The (Foley) 1:10-17

W

WALLIS, W. Allen

Proper distrust, A. 8:476-477

WATTS, V. Orval

Business and its image. 7:393-408

WELFARE fifty years hence (Shumiatcher) 3:174-183

WELFARE state philosophy

Reflections on gullibility (Read) 9:545-548

Rewarding failure (Renstrom) 9:515-521

Value and the welfare state (Summers) 11:692-694

What is philanthropy? (LaDow) 9:526-531

Why is liberalism endemic? (LaDow) 10:595-601

WHAT are you worried about? (Bradford) 8:451-463

WHAT does America owe to the "Third World"? (Badhwar) 10:585-591

WHAT is philanthropy? (LaDow) 9:526-531

WHAT is seen and what is not seen (Summers) 3:172-173

WHO owns the job? (Grove) 11:652-653

WHY gold is money (Guarnieri) 10:592-594

WHY is liberalism endemic? (LaDow) 10:595-601

WILKE, Joan

Tales of three cities. 12:748-752

WINDFALL profits (RGAnderson) 5:286-290

WOLFE, Charles Hull. *See* Book reviews (Lesly)

Y

YIELDING to temptation (JCSparks) 7:436-438

YOU cannot trust governments with your money (Hazlitt) 7:387-392

Z

ZONING. *See* Land; Siegan

ZUPAN, M. L.

Business of undermining business, The. 8:490-494

BOOK REVIEWS

(Reviewer's name in parentheses)

- BAHR, Howard M.; Chadwick, Bruce A.; Thomas, Darwin L. (eds.) *Population, resources and the future* (Porter) 5:318-320
- BLUMENFELD, Samuel L. *How to tutor* (Barger) 6:379-383
- BUCKLEY, William F., Jr. *Four reforms* (Chamberlain) 3:184-186
- , *United Nations journal* (Chamberlain) 11:695-698
- BURLEIGH, Anne Husted (ed.) *Education in a free society* (Johnson) 2:126-127
- CANDLIN, A. H. Stanton. *Psycho-chemical warfare: the Chinese Communist drug offensive against the West* (Brownfeld) 4:254-256
- CAUTE, David. *The fellow-travellers: a postscript to the Enlightenment* (Chamberlain) 9:573-576
- CHAMBERLAIN, John. *The enterprising Americans: a business history of the United States* (Davenport) 5:317-318
- CUTLER, Richard L. *The liberal middle class: maker of radicals* (Schmidt) 3:187-189
- DARGO, George. *Roots of the New Republic: a new perspective on early American constitutionalism* (Brownfeld) 11:701-703
- DIETZE, Gottfried. *Two concepts of the rule of law* (Foley) 1:61-64
- FISHER, Antony. *Must history repeat itself?* (Peterson) 6:323-326
- FLYNN, John T. *As we go marching* (Chamberlain) 2:123-126
- GIBBON, Edward. *See* WITONSKI, below.
- GREAVES, Percy L., Jr. *Understanding the dollar crisis* (Hazlitt) 1:59-61
- HABERLER, Gottfried. *Economic growth and stability* (Rogers) 11:700-701
- HARRISON, Allen E. *How to teach children twice as much* (Barger) 6:379-383
- HAYEK, F. A. *Law, legislation and liberty. Vol. I, Rules and order* (Hazlitt) 8:504-507
- HAYES, Paul. *Fascism* (Chamberlain) 2:123-126
- KELTON, Elmer. *The time it never rained* (Thornton) 8:511-512
- KIRZNER, Israel M. *Competition and entrepreneurship* (Hazlitt) 12:756-760
- KOERNER, James D. *Hoffer's America* (Brownfeld) 6:377-379
- KOOIMAN, Helen. *Walter Knott, keeper of the flame* (Anderson) 6:374-375
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- LESLEY, Philip. *The people factor: managing the human climate* (Wolfe) 4:252-254
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