

the Freeman

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the Freeman

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TEL: (914) 591-7230

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

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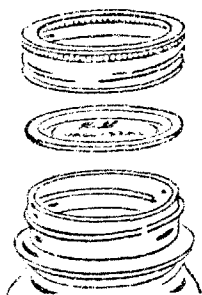
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JEAN HOCKMAN



Who Wants to Be Self-Sufficient?

A FEW YEARS AGO at a Foundation for Economic Education seminar, I listened somewhat skeptically to one of Leonard Read's lectures concerning our present degree of dependency on others for the necessities of life. He stated that should the market suddenly cease to deliver the accustomed goods, he would find it difficult if not impossible to provide even his own food.

Well, I thought smugly, *he* might have a problem, but surely my husband and I could manage quite nicely. We live in a rural area and, though we were no longer actively raising our own food, we knew how and could do it again if necessary.

Mrs. Hockman of Tacoma, Washington, is a housewife and free-lance author with a bias toward freedom.

But it wasn't until last spring, spurred by threats of food shortages, the "back to nature" propaganda, and my own blurred memories of tasty home-grown vegetables, that I decided to plant a garden again after a 5-year respite. *Now* I remember why the respite. Planting is the easy part. The rest is a never-ending battle against weeds and bugs and nature's capricious weather conditions.

Of course it has its rewards. The food is good—after you have chased every creepy crawly thing from its hiding place by a thorough washing. Finding a 1-inch cutworm reposing among the broccoli on your dinner plate is not among the rewards. It doesn't matter that he's been thoroughly washed and scalded and no longer crawling, it

still tends to detract from your appetite.

However, the bugs and weeds turned out to be minor irritations. My garden is modest in size, but I did plant it with the idea of preserving for winter. Most things I planned to freeze. But there are some things I prefer to can. I had hunted up all my jars and rings. All I needed was the canning lids.

I was aware of the shortage of lids last summer and so I began watching the shelves in the grocery store from the time I planted the garden. I intended to stock up so I wouldn't be caught in case another shortage developed. I reasoned, rather logically I thought, that the manufacturers had the whole of the past winter to make lids — certainly the simplest of canning supplies — and soon the shelves would be stocked.

Apparently they spent the whole winter making jars. Cases and cases of jars (complete with lids and rings) appeared in every store. I bought a few, to supplement the jars I already had, and resumed my watch for lids.

As the season wore on I began to grow increasingly frustrated about the whole thing. There were still plenty of jars — but no lids sold separately. I didn't *need* jars, I just needed the silly lids. Furthermore, I wasn't about to buy more jars just to get the lids.

Nobody seemed to know why. Grocers shrugged and back-ordered. There were rumors of stolen lids and black market operations. If I could have found a black market source I would have patronized it promptly and with no misgivings — or so I thought.

As it turned out, I stayed "legit" — more or less. I managed to get lids at two different grocery stores, but not from the shelves. In both cases I had to ask for them and they were produced from under the check-out stand or from a back room, discreetly pre-wrapped in plain brown bags. Even I didn't see them until I was "safely" to the car. And in both cases I *felt* like a smuggler, surreptitiously "getting away" with something. All for the sake of a few dozen tin lids.

The Importance of Trifles

A number of things have "come home" to me as a result of this whole general experience. Leonard Read's comments on interdependency in the market came ringing in like a homing pigeon.

Generally speaking, canning lids are a trifling commodity in the overall scheme of things. Little tin lids with a thin strip of rubber around the edge. Cost — 53¢ a dozen. Just a trifle. They've been around for many years; we're accustomed to seeing them on the

grocer's shelves and in fact we *expect* to find them there when or if we want them. Yet, this common everyday item assumed monumental importance to me and a good many others this past summer.

Why all the fuss? Because *without* them the home canner is stymied. The general rule of substitution in a situation of market shortage doesn't apply. There *is* no substitute for a new lid with new rubber that will ensure the all-important seal. And the fact is that *I* can't make a canning lid. Hello there, Leonard Read — it took her a while but I think "she's got it."

Self-sufficiency, without some dependence on the general market, is a myth. Even those out there homesteading and doing everything, including grinding their own wheat, must rely on the market — unless they are working with handmade tools and use no machinery, need no parts, tools, fuel, and the like.

It is the "trifles" we tend to take for granted. My simplistic notion of self-sufficiency as being able to grow and preserve my own food was totally unrealistic. The first thing I did, before planting, was to go out and buy seed. My garden was dependent *before the fact* on the expertise of those who produce good, reliable seed.

Self-Analysis

I learned something about human nature too — my own. I was prepared, on principle, to pay more if necessary through a shady or "illegal" dealer in order to get what I needed rather than be coerced by the "legitimate" market into buying something I didn't need. This was a conclusion based only partly on reasoned analysis, for it also involved a basic reaction to being thwarted in meeting my purpose through customary channels. Yet, when I was able to purchase them in the open market but in an under-the-counter manner, I felt sneaky and vaguely dishonest.

This was a new experience for me and a disturbing one. Not the black market, but certainly gray around the edges.

And so I am obliged to revise my previously held notion that the black market is essentially the "free market." It may operate more freely according to supply and demand, but the element of risk and subversion is added to the cost — both in terms of dollars and self-respect.

The free market is the open market — open to competition in both buying and selling. I don't know what's behind the canning lid shortage, or whether it is contrived or real. Since the truth seems to head the list of scarce commodities

these days, we may never know the specifics.

What we do know is that political manipulation is the root cause of our prolonged economic difficulties. And what we should know is that political manipulation is the practice of manipulating *people*. The more devious and underhanded the political maneuvers become, the more devious and underhanded must we, as individuals, become in order to live "within the system."

Obviously the only truly self-sufficient individual is the hermit who takes to the hills and lives his primitive existence completely out of touch with society.

As for the rest of us, we are not only dependent upon the market, we have a very real stake in it. Let those who wish to go "back to nature" go. But let's think twice before we let them drag us along to the "simple" life they envision.

Getting back to nature for a few days on a camping trip can be most rewarding and relaxing. But getting back to indoor plumbing, the automatic washer and central heating is the real reward.

Having survived a three-day power outage in the wake of a snowstorm last winter, I can testify to the unpleasant rigors of living without the "luxuries of affluence" of which it has been said we are "overburdened." Nonsense.

Overburdened is hauling wood from dawn to dark for a hungry fireplace which throws warmth a whole three feet into the living room, leaving the rest of the house — most notably the bathroom — at a temperature slightly above the snowy outdoor level.

I Could Do It — But Why?

Now I've reasoned, as have others, that it's not impossible to generate one's own power system through windmills and the like. But I still can't make a simple canning lid. That one little item brought the whole picture into focus. We could no doubt resort to other methods of preserving food. But that's not the point.

The point is: Why should we? Why give up the benefits of centuries of human knowledge? Why wish for or search for alternate methods of primitive survival? It doesn't make sense.

Does my husband want to spend his life chopping and hauling wood? Do I want to wash clothes in a stream on a rock? And what clothes? Where will they come from? Animal skins and hides, maybe. Or perhaps I should learn to spin and weave.

Needless to say, I've taken the "cure" insofar as my visions of self-sufficiency are concerned. And in the process, I've learned what I should have known all along.

We always have choices in life. The question of whether capitalism will survive or not is still up in the air. Many of us who recognize the problem are torn between the very sensible inclination to "save" ourselves, and the knowledge that only those who do recognize the problem can offer any real help in solving it. I've discovered that for me it's not an either/or proposition. The one is dependent upon the other, and with that my choice is clear.

I have no desire to live a life of primitive subsistence, so why should I expend my energies in that direction? The things I appreciate and enjoy, and the comforts I have always taken for granted, are to be found in civilization, within society, within the sophisticated trade system so highly developed in America. With this realization, I accept the fact that one can be independent and still be dependent upon others, that self-responsibility does not imply total self-sufficiency.

Whereas we can readily grasp the fact that capitalism offers us

independence and freedom of choice, the fact that it also creates greater and greater dependency upon the skills and products of others is not so easily acknowledged. We tend to take it for granted, which is not the same thing as knowing which side your bread is buttered on.

As though to drive the message all the way home, I got yet another lesson midway through the writing of this. At the point where I mention the rule of substitution in the market, my typewriter suddenly stopped short with a dreadful clanking sound from somewhere inside. Investigation revealed that it was beyond my ability to repair. In that one instant it became utterly useless to me.

What does a resourceful individual do when deprived of a needed commodity? One substitutes. I proceeded in longhand — ever mindful, I would add, of the manufacturer of both ball-point pens and the needed paper.

The typewriter went to the repairman, naturally — upon whose expertise I am dependent. 

Trade

IDEAS ON



LIBERTY

THERE IS NOTHING so useful to man in general, nor so beneficial to particular societies and individuals, as trade. This is the almighty, at whose plentiful breast all mankind are nourished.

JACK LACY

The True Spirit of



What has happened to the man who braved uncertainty, went out on his own, and, through native wit, devotion and duty, and singleness of purpose, somehow created business and industrial activity where none existed before?

Where is the heroic figure of American folklore who was akin, perhaps, to Davy Crockett and other truly indigenous epic types—stalwart independents who hewed forests, climbed over the tops of mountains, built new communities, rose from nothing to something, and did all the things American heroes must have done to build a great nation?

He was the enterprising man. Like him or not, he is still fascinating to Americans. The reasons are

not hard to find. For one thing, the great fortunes in America were built through entrepreneurial activity. America's social structure is a product of the milling efforts of thousands who came to these shores seeking their fortunes and hoping Lady Luck would beam on them. Those upon whom she smiled became great figures of power and in many cases established family dynasties persisting through many generations.

But there is considerably more than this behind the allure of the entrepreneur. His values and activities have become a part of the character of America and intimately related to our ideas of personal freedom, success, and, above all, individualism. He represented the rags to riches theme in its purest sense, for he rose on his own by building a solid structure beneath him, not by social climbing. He got there by what he knew, not who

Mr. Lacy is Executive Director of the Junction City-Geary County [Kansas] Economic Development Commission.

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he knew. His resources were all inside, not outside.

The story of this man is a drama in which the protagonist challenged the established order and forged ahead toward the glowing light called "success" using only native wit, ability, and hard work—with perhaps a bit of luck and Calvinistic fate thrown in for good measure. He was successful because he stuck to the simple and obvious American virtues. He built a better mousetrap or provided a better service and he did these things in the best way he knew.

Today there is a connotation of manipulation, greed and avarice, and grasping acquisitiveness associated with doing business for a profit. We are taught that while it is true the entrepreneurial hero built railroads, canals, communities, industries, and great systems of trade, there is also the implication that in the process he befouled nature, sullied valleys, denuded forests, muddied and contaminated the rivers and streams, scarred Mother Earth, and generally ravished the natural order of things. We are told Nature and God's creatures, including ordinary folk, all suffered at the hands of those who sought to impose their will on the natural order.

No one speaks on behalf of the enterprising man. No one says he was more constructive than des-

tructive. No one tells us it is more important to seek opportunity than to languish in security. No one reminds us that each performance of the enterprising man . . . each new business . . . is a renewal of the democratic notion that all men are born equal and that the value of the individual to society does not depend upon family or social class. No longer are we told that America is the only place on earth where a man, through his own efforts, can go out and achieve the status of success.

The deeper traditions of our society, its history, myths and many of its heroic figures are falling into oblivion, buried beneath a plethora of politics that seeks to control, rule, regulate and restrict.

The symbolism expressed in the American image of the enterprising man is a profound reflection on our national history and character. We are a people who for nearly twelve generations went through the recurrent process of imposing man's will and men-conceived structures on a wilderness of primeval forests, rugged mountains, mighty rivers, unending plains, and waterless deserts. Though this resurgent effort at the moving edge of the frontier has long since ended, the spirit and the imagery must live on if free enterprise is to survive. It is the spirit of freedom that is truly the spirit of '76.



The Bureaucratic Incubus

CLARENCE B. CARSON

in-cu-bus:

1. an imaginary demon or evil spirit supposed to descend upon sleeping persons; 2. something that weighs upon or oppresses one like a nightmare; 3. figuratively, any oppressive hindrance to favorable action, physical or mental.

The bureaucracy is like the weather: everyone talks about it, but nobody does anything about it. Presidents often complain upon taking office that the bureaucracy is so deeply entrenched that they can gain only a tenuous control over the government. Congressmen find that wrestling with bureaucrats for their constituents occupies a considerable portion of their time. Businessmen have to learn to thread their way through a maze of bureaus in order to do business. "Bureaucrat" is an epithet to the general public: he re-

quires a seemingly endless stream of paperwork — "red tape" — is by turn evasive, interminably slow, haughty, arbitrary, autocratic, and is surely an "oppressive hindrance to favorable action." Yet the Federal tribe of bureaucrats increases geometrically, joined by their state and local counterparts.

There is an amazing array and variety of Federal bureaus. They range from the Bureau of Outdoor Recreation to Bureau of Apprenticeship and Training to Office of Intergovernmental Affairs to Center for Disease Control. Just how many such bureaus there are is well-nigh impossible to determine. One reason for this is the variety of names by which they

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty* (1973), covers the founding of the American Republic from 1760 to 1800.

are called: commissions, boards, bureaus, offices, divisions, centers, agencies, administrations, departments, and so on. For example, the Department of Commerce has Domestic and International Business Administration, Bureau of Census, Economic Development Administration, Planning Division, Technical Assistance Division, Public Works Division, Business Development Division, Technical Support Division, Equal Opportunity Division, Economic Development Representative, National Oceanic and Atmospheric Administration, National Marine Fisheries Service, Office of Audits, and National Weather Service Forecast Office. How many of these would be called bureaus is a matter of classification.

States have their own panoply of institutes, commissions, boards, services, offices, divisions, and so on. For example, the Secretary of State of Georgia oversees such bureaus and agencies as: Administrative Procedure Division, Archives and History Department, Bank and Credit Union Charters, Corporations Division, Professional Examining Boards (Board of Accountancy, Board of Architects Qualifications and Registration of, Board of Dental Examiners and Hygienists, State Board of Examiners of Plumbing Contractors, Real Estate Commission, and so

forth), State Board of Registration for Used Motor Vehicle Parts Dealers-Motor Vehicle Dismantlers-Motor Vehicle Rebuilders, among many, many others.

Activities and Rules

Of the myriad activities of these numerous bureaus there is no end. In a recent column on Federal grants, James J. Kilpatrick noted that there are now some 975 assistance programs administered by 52 agencies costing more than fifty billion dollars annually. His description of some of their activities deserves to be quoted:

Each of the 975 assistance programs, it perhaps goes without saying, has its own rules, regulations, application forms, and miscellaneous requirements. These periodically are promulgated, revised, amended, adopted, further amended, withdrawn, codified, and readvertised in the Federal Register, a paper printed daily in the city of Washington in type designed to put your eyes out. The Register, which includes a vast deal of other stuff, last year ran to 35,000 pages.

On the matter of bureaucratic rulemaking, Representative Elliott H. Levitas of Georgia had these observations, among others, to make in support of a bill he was introducing to Congress:

Time and time again, the principles embodied in good legislation are lost

by the time the unelected bureaucratic rulemakers publish their regulations. The rules, which really are laws, are now being ground out at the rate of almost 6,000 per year as compared to about 600 acts of Congress, in the same period.

It is absolutely essential that Congress regain control over this administrative lawmaking process, especially when the violation of these rules — many of which are unreasonable and far beyond, or contrary to, the original purpose of Congress — can result in a citizen's being fined or going to jail just as surely as if he had violated an act of Congress itself.

Hardly a day goes by that the newspapers do not report on the doings and misdoings of the bureaucracy, but what we find there is, of course, only the tip of the iceberg of bureaucratic activity. For example, recently church groups attempting to assist in aiding Vietnamese refugees reported that their efforts were frequently tangled in red tape. One head of a refugee committee said:

Three months ago we would call one official and he'd tell us one thing, then we'd call the man sitting at the next desk and he'd give us a different answer.

Another report from the same meeting was from a factory owner who wanted to employ 35-40 refugees "but he couldn't get anybody in the government to respond,

even though he's been trying for three months."

Stories of the slowness and time-consuming activities of bureaucracies abound. Here is a summary included in an account of efforts by the airlines to reduce bureaucratic regulation:

Currently, airlines must go through a process that can last years to get a CAB decision before they can raise or lower their fares or begin to serve or stop serving certain airports.

Another horrendous example was reported recently in Atlanta concerning the Metropolitan Area Rapid Transit Authority (MARTA). For four years now, MARTA has been about to embark on the building of a rapid transit system for Atlanta with massive Federal aid. The newspaper reports that MARTA "is about to embark on an \$87,500 program to review its 'goals and objectives' and develop a system for monitoring its progress." To all appearances, it would not require a study to monitor progress; none is being made.

Sympathetic Controllers

A common complaint against the bureaucracy is that men appointed to regulate industries really favor the activities of the businesses rather than control them. Here is the report of such a relationship:

Federal officials responsible for the integrity of American grain shipments have frequently yielded to industry pressures and ordered unjustified upgrading of quality ratings for export shipments, according to government officials.

A pattern . . . of actions by federal aides favoring the industry has emerged from interviews with a number of officials and former officials of the Grain Division of the Agriculture Department.

There should be no doubt, then, that bureaus have gained and hold an ever-expanding sway over our lives. If anyone doubts this he need only to attempt to go into business, go out of business, make a product, render a service, sell something, or engage in some activity regulated by government. Not only is the bureaucracy omnipresent but it is by way of becoming omnipotent in many areas. Americans do indeed appear to be beset by some sort of incubus, an incubus that weighs upon us, oppresses us, and hinders favorable action.

Earlier Criticisms

Criticisms of the bureaucracy are hardly new. More than forty years ago, Herbert Hoover had delineated the pathology of bureaucracies about as thoroughly as needs to be done. He perceived that, once created, bureaucracies

tend to become self-perpetuating monstrosities, that they are fertile sources of new programs, that their effect on industry is stultifying, and that they are veritable propaganda machines. In 1934, he said:

Already a host of new government bureaus and nearly two thousand commissions have been established with authority over every trade, and in nearly every town and village. We have witnessed this host of government agents out over the land . . . threatening the people and prosecuting for a new host of crimes.

They were, he said, leading us into "the swamps of serfdom."

The question—the vital question—is what is to be done about this incubus which oppresses the people? Indeed, *can* anything be done about it? My suspicion is that nothing *will* be done about it so long as we focus on bureaucracy as the villain of the piece, or attribute our ills to bureaucrats. Such a focus leads us to think that the solution lies in reforming the bureaucracy. There is no good reason to suppose that we could do this. Herbert Hoover spent a great deal of energy first and last on reforming the bureaucracy by reorganizing the government. He even served on a commission under President Truman with that object in view. Yet, after all his words, all his studies, and all his

efforts, the bureaucracy was as deeply entrenched as ever, and there are none to testify to the positive results of his or anybody else's efforts to reform the bureaucracy.

Possibly, a particular bureaucrat could be reformed along the lines sought by industrious effort, much as a dog can be trained to stand on his hind feet. A bureaucrat might be trained to be swift, decisive, responsible, judicious, sparing of paperwork, kindly, and fair. But there is no more reason to suppose that he would be emulated throughout the service than that dogs in general would take to their hind feet once one of them had been taught to do so. Dogs stand on all four feet because it is their nature to do so; bureaucrats behave as they do because of the nature of the function they perform.

Ills Stem from Nature of Job

The ill that we so often attribute to bureaus, bureaucrats, and bureaucracies do not arise from them. After all, a bureau is only an organization patterned after any other by which men would act in concert to realize some common purpose. Any business, church, charity, or school is apt to be organized along similar lines. A bureaucrat is only a man, pretty much the same as the rest of us.

If you cut him, he will bleed. He may be goodnatured or crabbed, hard-working or a dawdler, a faithful husband or a philanderer, a churchgoer or an agnostic, a clock-watcher or absorbed by his work.

The ill that we attribute to bureaucracies really arise from the functions which some bureaus perform. Not all government agencies are castigated as bureaucracies, nor all government workers as bureaucrats. The species bureaucrat does not include nearly all of those who belong to the genus government employee. A soldier is not a bureaucrat, nor a postal carrier, nor a teacher, nor a judge, nor a policeman, nor even a member of Congress. Even some agencies that are called bureaus do not belong to the bureaucracy. For example, the Federal Bureau of Investigation (FBI) is not a part of the bureaucracy. Whether a government agency belongs to the bureaucracy or not can be determined by the function it performs. Those agencies whose function is primarily regulatory make up the bureaucracy; those who perform a service to the consumer or protect life, liberty, and property do not.

For example, the Postal Service is not of the bureaucracy because it picks up and delivers mail, thereby serving consumers. (This

is not an argument for government mail delivery, or provision of any other such service; there are good and sufficient reasons why government should not offer what are basically peaceful services, but they have little or nothing to do with bureaucracy.) By contrast, the Interstate Commerce Commission (ICC) does not serve consumers by running trains or trucks; its function is regulatory, and it is bureaucratic. Armies, courts, and police protect life, liberty, and property; they are not of the bureaucracy. The Federal Communications Commission is regulatory and bureaucratic.

Of course, regulatory agencies claim to protect life and property and would probably justify most of their activities on that ground. Whether they generally protect life and property is a good question (if, under the guise of protecting property, they take away some of the rights of property, they are not protecting but invading it). Whether they are "necessary and proper" to the protection of life and property is an even better question. But however these questions might be answered in a particular case or in general, the fact remains that regulatory agencies are bureaucracies by the manner of the performance of their function.

They do not, themselves, per-

form a service to the consumer or protect his life or property; they regulate others who are charged with performing the tasks involved. For example, the ICC does not erect safety signals at railroad crossings; the railroads usually do this, though they may have done so in a particular instance at the behest of the ICC. It is this regulatory character, this authority over those who do without responsibility for doing it, this remove from the actual work that makes them bureaucracies, that makes them behave in just those ways that are castigated, and that makes them resistant to all efforts at reform. It is the nature of regulatory agencies to be the way they are.

Inevitable Red Tape

Let us review some of the charges against the bureaucracy and show by way of illustration that the conditions complained of follow from the nature of the activity.

The most common complaint about bureaucracies is the red tape — paperwork — entailed in dealing with them. Anyone seeking the approval of a bureau for some project must submit great quantities of paperwork in support of his application. A regulated business must not only submit all this paperwork in support of the original

application but must supplement it periodically with reports, affidavits, depositions, notarized statements, and other assorted proofs of compliance. How could it be otherwise? The only visible product of regulatory agencies is the paperwork they produce and require from others. If the regulatory bureaucracy be conceived of as an industry, then each bureau is a paperwork factory. Everything the bureaucracy actually does is recorded on paper or by some other device.

What bureaucracies do is issue rules, hold hearings, have meetings, send out blank forms which are returned completed, send out inspectors, and so on. Rules must be in writing, hearings recorded, minutes kept of meetings, applications submitted on paper, documents of verbal decisions reduced to writing, accounts kept, and so on, ad infinitum. Of course, any activity today is apt to be accompanied by considerable paperwork; the point about bureaucracies is that paperwork is what they produce and collect. In theory, they provide protection, but they do not do the actual work of providing it. The Occupational Safety and Health Administration (OSHA) does not actually take safety and health measures within a plant; it requires the employer to do so.

But could the amount of paperwork not be reduced? If it could be done, it could only be done by reducing the productivity of the bureaucracy. The only certain measure of the productivity of a bureau is the quantity of paperwork it produces. To cut back is to reduce its function. A dog can be taught to stand on its hind legs, but it cannot catch rabbits in that position. A bureau could be made to cut back on its paperwork, but insofar as it did so it would be reducing the extent of its regulation. There is no end to what needs to be reported in order to assure the effectiveness of regulation. The whole fabric connecting the regulator with the regulated is paperwork. One might as well expect printers to print without using paper as expect bureaucracies to regulate without voluminous paperwork.

No Way to Measure Efficiency

The charge that bureaucracies are self-perpetuating and expansive is true enough but somewhat off the mark. The bureaucrat is no more nor less interested in keeping his job than anyone else. Any department head usually has various incentives for increasing the number of workers under him. The distinctive thing about regulatory agencies is that there is no handy way to measure the productivity

of bureaucrats. The paperwork done and required can be measured, of course. But Congress is unlikely to find an argument for hiring more bureaucrats to produce more paperwork very persuasive.

The only other thing bureaucracies do is to provide protection, and the method is by prevention. Now there is no way to tot up the amount of something that did not happen. The Federal Aviation Agency cannot list the number of airplanes that did not crash. The Food and Drug Administration cannot count the number of people not poisoned by foods and drugs they did not allow to be marketed. The problem of cost accounting the work of regulatory bureaucracies is further aggravated by the fact that the actual work of prevention is not even done by them. How many accidents would have been prevented by the employer's safety measures if there had been no Occupational Safety and Health Administration? Or, to open the whole matter up, how many injuries that did occur would have been prevented if the employer had assumed full responsibility for determining how safe his plant was rather than relying on the favorable report of a government safety inspector? There is no way of knowing, then, how many bureau-

crats there ought to be, so the bureaucracy can continue to expand its numbers by scare tactics.

Indecisive and Slow

Bureaucracies are indecisive and slow, and they are often arbitrary and capricious. These two charges should be considered together, for they are like two sides of a single coin. The troublesome fact is that they can only become swift and decisive by becoming more arbitrary and capricious, or they can only become less arbitrary, if that is possible, by taking more time. The reason for this bind in which they are caught is not far to seek. Bureaucracies are called upon or take on the making of decisions which would have made Solomon in all his wisdom flee his throne.

The CAB may take years to decide about authorizing a new flight because, to avoid the appearance of arbitrariness, just about everything imaginable and all those involved need to be taken into consideration. Studies must be made, hearings held, documents assembled, and painful decisions reached. What will be the impact on competing airlines if a new flight between two cities is authorized? What will be the effect on the air traffic patterns? Is the airline seeking to introduce the flight financially sound? Does the traffic between the cities warrant a new

flight? Do the airports have the ground facilities to accommodate the additional airplanes and passengers? There is no end to the questions that ought to be answered before a decision is reached. But even a bureau must eventually make a decision, and it will have to be to some extent arbitrary.

Regulatory bureaus are irresponsible in their behavior. This is not because they do not attend to their tasks or perform them faithfully. It is rather that as regulatory bodies they are not responsible for making the products they inspect or providing the services they oversee. They are not responsible at law or in fact. Whatever ills may result from their policies, they cannot be held responsible for them. They do not make the moneys that they spend — these come from taxpayers — nor do they pay for the time and effort that men spend in complying with their requirements. In short, bureaucracies are irresponsible by nature.

Regulatory agencies impinge upon and reduce the liberties of those whom they regulate. Could they not be reformed so as to prevent this? It is difficult to see how this could be accomplished. Every regulation proceeding from a bureau to anyone else in society involves a reduction of freedom of

action of those to whom it applies. Since no regulation can be conceived that would not reduce freedom of action, it goes without saying that regulatory bureaucracies are an assault upon liberty.

Hope for Reform

America is afflicted by an incubus, by a deep-seated and oppressive hindrance to favorable action. Is it a bureaucratic incubus? Yes, but only if we stick carefully to the original or first meaning of the word. An incubus, the dictionary says, is "an imaginary demon or evil spirit supposed to descend upon sleeping persons." That is a most apt description of the prevailing attitude toward bureaus, bureaucrats, and bureaucracies. We stand back and hurl imprecations at them, treating them as if they were the source of evils which beset us. Moreover, we are made impotent by our belief that we can somehow reform them.

But bureaucracies are *imaginary* demons; the real ills we face come from a deeper source. They come from our determination to have and commitment to *government regulation of the economy*. Bureaucracies are instruments in this regulation, instruments which are as they are because they are assigned the task of regulation. The bureaucratic incubus can be exorcised only by removing the

regulations. To be free of the incubus we must free ourselves of the regulation. Bureaucracies cannot be substantially reformed, but they can be abolished, which is what will happen when their regulatory function is taken away.

But, do we not need the protective functions provided for us by the regulatory agencies? To put it more directly, do we not need protection from maltreatment by those who provide us with goods and services? Furthermore, is it not a proper function of government to police these and set a framework within which they may operate? These are good questions, but they are questions which can only receive the most general kind of answer here. It has been the burden of this article to show that bureaucracies are as they are because of the regulatory functions assigned them, to show that they are paperwork factories, self-perpetuating and expansive, beyond fiscal accounting, painstakingly slow and indecisive, irresponsible, and destructive of liberty. It would take much more space to show how ineffective they are in performing their protective functions. Only a few observations may be offered.

Three Possible Courses of Action; All Wrong

In general, regulatory bodies take three sorts of action. Either

they permit what should be prohibited, or prohibit what should be permitted, or permit what men should be permitted to do without any special authorization. A single example may illustrate all three of these actions. Suppose that the Interstate Commerce Commission authorizes one trucking company, and only one, to haul freight between two cities. By so doing, it establishes a monopoly which it would have better prohibited. Secondly, it prohibits all other carriers to haul freight to and from these cities when they should be permitted to do so. Thirdly, it permits a company to operate in ways it should be able to do without permission. Most formal actions of regulatory bodies fall into one or more of these three categories. In short, regulatory bodies tend to be either useless or harmful.

Men do indeed need protection from fraud, deceit, failure to perform on contracts, poisons, tainted food, shoddy merchandise, and assorted wrongs which may be done to them in the market. There are three time-tested ways to get this protection which do not require regulatory bureaucracies. They are: positive law, competition, and caveat emptor (let the buyer beware).

If there is some substantive ill from which men need protection by government, it should be pro-

hibited by law, with criminal penalties provided for convicted violators. As for most of the matters with which regulatory bodies deal, the best solution is competition. In the final analysis, however, there is no substitute for the wariness of the buyer. Regulatory bodies have not and cannot relieve us of the necessity for exercising care in all our transactions. We must reward those who serve us well, refuse our custom to those who do not, and use whatever sanctions that are available to us against those who do not live up to their agreements. If we value our safety and health, we must keep a sharp lookout for potential dangers to them.

There is a choice to be made, I have been saying. We can be rid of the bureaucracies by removing the regulatory function. Or, we can persist in having the regulation with the understanding that to do so entails all that we deplore in bureaucratic behavior. There is no indication that the bureaucracy can be reformed. There is much reason to believe, however, that the advantages that are supposed to follow from regulation are illusory but that the disadvantages are very real and follow from the method used. The bureaucracy can be dispensed with. To do so would be to remove the "oppressive hindrance to favorable action."



Regulation of American Business

WHAT WE'RE DOING is applying pointless regulatory brakes to business in many important ways when we should be trying to step on the gas. We are surrounded by seemingly numberless regulations of debatable need, uncertain effect, and arbitrary origin. As for the element of public consent to this process, the public hardly comprehends what is taking place.

Here, perhaps, lies the greatest danger — the danger that individual initiative will become swamped by government edict before enough people awake to the threat.

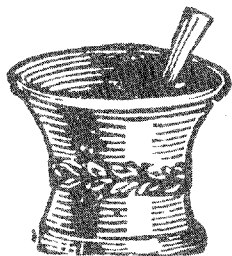
In the words of John Stuart Mill, "A state which dwarfs its men, in order that they may be more docile instruments in its hands — even for beneficial purposes — will find that with small men no great thing can really be accomplished."

IDEAS ON



LIBERTY

The Classical Medicine



JOHN A. DAVENPORT

IT IS A FACT of experience, no less than a law of optics, that in perceiving an object everything depends on the angle of vision. For over a quarter century now under the influence of the late John Maynard Keynes, most economists have been looking at the phenomena of employment and unemployment from the angle or point of view of overall demand for goods and services, and have been emphasizing that where resources are unemployed the cure lies in pumping up demand by easy credit, monetary manipulation, and government spending.

Yet the net result of this kind of analysis and this kind of prescription has now proven to be, to

say the least, disappointing. Emphasis on so-called "aggregate demand" has not resulted in that condition of full or at least high employment promised by the Employment Act of 1946. It has produced virulent world-wide inflation, and in 1974-75 the worst of all worlds: — a high rate of inflation *with* unemployment, or stagflation, which the Ford Administration is now trying to cure by enormous Federal deficits of the kind which got us into trouble in the first place. In view of the record and the current disarray of the neo-Keynesians, it is time for a change — a change in our angle of vision.

In this context the most important economist writing today is assuredly not Walter Heller, the Louis XIV of so-called "fiscal stimulus" (and *après moi le déluge*), nor even the redoubtable Milton

A former editor of *Barron's* and of *Fortune*, Mr. Davenport is author of *The U.S. Economy* and a frequent lecturer on political economy.

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Friedman, the acknowledged dean of free enterprisers. He is rather a spry seventy-four-year-old Englishman by the name of William H. Hutt, now visiting professor at the University of Dallas and before that dean of the business school of the University of Capetown, who recently brought out a little-noticed book titled *A Rehabilitation of Say's Law* (Ohio University Press, Athens, Ohio 45701; 150 pages, \$8.00).

Its bare-boned thesis is that the early French economist, Jean Baptiste Say, was on the right track when he held that it is the supply of goods and services which in effect constitutes demand for goods and services. (It is the shoes which the shoemaker makes which gives him buying power for wheat in the form of bread which the farmer produces.) It follows from this proposition, known as Say's Law of Markets, that if economic activity slackens it is probably not due to lack of monetary stimulus but to the fact that producers, be they businessmen or workers, have *mispriced* their products. The remedy is not wild efforts to pump up demand by government deficit spending, but to restore flexibility in the whole cost-price-profit structure.

Hutt came to this position as early as 1930 when he brought out his little classic, *The Theory of*

Collective Bargaining, which warned that the great danger of this growing practice was that union pressures would price many workers out of the market entirely into wholly unnecessary unemployment. He has since enlarged on this theme in such scholarly works as *Keynesianism: Retrospect and Prospect* (1963) and in his monumental *Strike Threat System* (1973) which held that the coercive strike is in effect a form of social warfare and that the golden rule of labor relations should be simply that any man can go to work at any wage he chooses, no matter how low, as long as he feels the job offered will better his condition.

But Hutt is much more than a critic of present union practices, and his latest book on Say's Law shows it. It is, to borrow a phrase from the late Justice Holmes, a further gallop or canter of a determined fighter for common sense in our economic thinking, as against the Keynesian orthodoxy which now holds so many of our economists and politicians in thrall.

Keynesian Ideas

That orthodoxy, it should be recalled, stems from Keynes' contention that while production may well create its own demand in a primitive or barter economy, where goods are exchanged for

goods, this nexus does not hold in a complex modern money economy where goods and work are sold and bought for cash or credit. In such an economy, Keynes argued, earners of income may choose to squirrel it away in idle savings or cash balances instead of spending it on consumption or investment goods, thus breaking the normal flow of production and distribution. From this initial attack on Say's Law of Markets, Keynes reared his imposing edifice of over-saving, under-investment, and the need for government spending to fill the gap.

Quite aside from its dubious results, this whole line of Keynesian reasoning today looks pretty shopworn. For what with government taxes and rampant inflation, it is hard to find a man in our society who saves much of anything in any meaningful sense of the word; and meanwhile the world's obvious need is for more private capital formation, not less.

But Hutt does not rely on such historical and empirical evidence to turn economics right side up again. The mistake of Keynes and the neo-Keynesians is their over-stress on the importance of money in final economic activity. "Money," he writes, "is as incidental (and as important) as cash registers and cashiers in the demanding and supplying process." We need good

cash registers and honest cashiers but they will never make a successful business.

Before men decide whether to spend, save or invest their money they must earn it, and earnings (and jobs) are dependent on supplying goods and services which other people want at prices and wages they can afford. It is the free flow of production and supply which is critical for maintaining and increasing effective demand.

Government's Limited Role

Abstract as all this may sound, it nevertheless has enormous consequences for public policy. Governments, of course, have a duty to help provide the public with a reliable medium of exchange (and hopefully a store of value). But they fatally compromise this duty if, following Keynes, they come to believe that they can usher in permanent prosperity by manipulating the money supply to "cover up" distortions in cost-price relationships. "A forger," writes Hutt, "does not contribute to the source of demands." The "classic" function of government, on his view, is something quite different. It is to prevent pressure groups, be they business or labor, from building monopolies that will prevent prices and wages from "clearing the market."

In the U.S. this means unravel-

ing a whole skein of labor legislation which positively encourages unions to force wages above where the market would put them, thus causing the very unemployment which government officials say they want to cure. It also means cutting down on over-generous unemployment and relief payments which make it more profitable for men and women to rely on government largess than to seek job opportunities.

A harsh doctrine? No doubt. But is it any harsher than the position in which we now find ourselves wherein the productive sector of the economy is increasingly taxed through inflation and the I.R.S. to support a growing pool of poten-

tially productive citizens, many of whom now live in idleness and penury?

Hutt thinks not. The Keynesian revolution, he writes, was distinguished by its "political acceptability." Therein, of course, lies its danger. By contrast, classical economics, of which Say's Law of Markets is but one expression, never promised an easy way out. Its overriding objective, however, was in Adam Smith's phrase to provide "a plentiful subsistence for the people." That, too, is Hutt's objective, and in a world plagued by oil cartels, high prices, and unemployment, the "classical medicine" would seem to be precisely what is called for. 

The Mainspring of Human Progress

EVERY LIVING THING must struggle for existence, and human beings are no exception. Men and women survive on this Earth only because their energies constantly convert other forms of energy to satisfy human needs, and constantly attack the non-human energies that are dangerous to human existence. But — only an individual human being can generate human energy. And — only an individual human being can control the energy he generates. The failure to understand these two simple and basic truths has, for over 6,000 years, stagnated human progress and kept the vast majority of people underfed, poorly clothed, embroiled in wars, and dying from famine and pestilence.

IDEAS ON



LIBERTY

HENRY GRADY WEAVER

DEMOCRACY in AMERICA-

A Challenge to Free Men

ROBERT G. BEARCE

I passionately love liberty, legality, the respect for rights, but not democracy . . . liberty is my foremost passion.

Alexis de Tocqueville

AS THE UNITED STATES approaches its Bicentennial date of July 4, 1976, attention is focused upon the meaning of the War for Independence and the *Declaration of Independence*. The Bicentennial period should be a time when we re-examine the ideals upon which the United States was founded. Hopefully, we will gain a renewed appreciation for the political, economic, moral, and spiritual foundations of freedom.

We can better understand our heritage of freedom by consider-

ing what a Frenchman wrote about America during the first half of the 19th century. Often we can obtain an accurate view of ourselves by listening to what others say about us. In the case of Alexis de Tocqueville, a foreign observer has given Americans a perceptive, prophetic analysis of freedom. First published in 1835 and 1840, Tocqueville's *Democracy in America* speaks today with a message that places our Bicentennial into sober perspective.

America's 200th Anniversary is now being heralded with enthusiastic references to "democracy," "equality," and "liberty." Tocqueville had much to say about these ideals—ideals which have been distorted, corrupted, and debased by modern political writers. When Alexis de Tocqueville journeyed to the United States in 1831, he had

Mr. Bearce is a free-lance writer in Houston, Texas.

an official commission from the French government to study the prison system in America.

His nine-month visit, however, was devoted to more than our prisons. Tocqueville was a keen observer. Traveling through the young nation, he had the opportunity to view free men and women working freely in a free society. As he wrote *Democracy in America*, he grasped the true nature of freedom. He clearly understood the meaning of "life, liberty, and the pursuit of happiness" mentioned in the *Declaration of Independence*.

For Order Under Law

"The Revolution of the United States," wrote Tocqueville, "was the result of a mature and reflecting preference of freedom, and not of a vague or ill-defined craving for independence. It contracted no alliance with the turbulent passions of anarchy; but its course was marked, on the contrary, by a love of order and law." (p. 62)¹

Although he used the word "revolution" to describe the American War for Independence, Tocqueville recognized that the Thirteen Colonies had thoughtfully weighed

their defiance of the British Crown. Men like Jefferson and Adams were not hot-headed demagogues shouting for the destruction of existing political and economic institutions. The patriots had been guided by a respect for traditional freedoms. The exercise of those freedoms had been in the process for some 150 years:

"The English who emigrated . . . to found a democratic commonwealth on the shores of the New World had all learned to take a part in public affairs in their mother country; they were conversant with trial by jury; they were accustomed to liberty of speech and of the press, — to personal freedom, to the notion of rights and the practice of asserting them. They carried with them to America these free institutions and manly customs, and these institutions preserved them against the encroachments of the state." (p. 296)

When Tocqueville spoke about the "encroachments of the state," he also pointed to the object of those encroachments — the free individual. The War for Independence was fought to preserve the right of men and women to order their own lives. America was a land where individuals rejected the lure of government benevolence:

"The citizen of the United States is taught from infancy to rely up-

¹ This and subsequent page references are from Tocqueville's *Democracy in America*, Mentor Book edition, edited by Richard D. Heffner (New York: The New American Library, 1956).

on his own exertions, in order to resist the evils and the difficulties of life; he looks upon the social authority with an eye of mistrust and anxiety, and he claims its assistance only when he is unable to do without it." (p. 95)

The early Americans were a tough breed. Along with personal freedom they accepted accountability and responsibility for their lives. Tocqueville vividly describes the character of free men who made the most of their individual liberties:

"In the United States, as soon as a man has acquired some education and pecuniary resources, he either endeavors to get rich by commerce or industry, or he buys land in the bush and turns pioneer. All that he asks of the state is, not to be disturbed in his toil, and to be secure of his earnings." (p. 261)

The Voluntary Way

Individual initiative! Capitalism! Personal freedom! Private property! Individual responsibility! The free market! These were the principles and practices Tocqueville saw in America. He further describes the superiority of individual endeavor as opposed to governmental action:

"When a private individual meditates an undertaking, however directly connected it may be with the welfare of society, he never thinks

of soliciting the co-operation of the government; but he publishes his plan, offers to execute it, courts the assistance of other individuals, and struggles manfully against all obstacles. Undoubtedly he is often less successful than the state might have been in his position; but in the end, the sum of these private undertakings far exceeds all that the government could have done." (p. 70)

Voluntary action and personal endeavor — and thus vibrant competition — laid the foundation for America's prosperity. Government was not the benevolent bricklayer, handing out "free" bricks to the citizenry with instructions on how to work. No, the early Americans managed their own livelihood without governmental interference. They believed in "rugged individualism," but they also knew the meaning of cooperation — "cooperation" not coerced by government.

"The most natural privilege of man," Tocqueville wrote, "next to the right of acting for himself, is that of combining his exertions with those of his fellow-creatures, and of acting in common with them. The right of association therefore appears to me almost as inalienable in its nature as the right of personal liberty. No legislator can attack it without impairing the foundations of society." (p. 98)

If the legislator and government-bureaucrat mind their proper business, free men will cooperate voluntarily in the release of vast amounts of energy and creativity:

"Americans of all ages, all conditions, and all dispositions, constantly form associations. They have not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds, — religious, moral, serious, futile, general or restricted, enormous or diminutive. The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; they found in this manner hospitals, prisons, and schools." (p. 198)

Forced Redistribution for Economic Stability

Today we are harassed by the socio-economic philosopher, the politician, and the statist. These men have no faith in the natural progress generated by free association and cooperative effort. They insist that economic stability is a matter of forcibly redistributing the wealth. If the farmer has a tough time with one kind of failure or another, then grant him a subsidy. If a portion of the citizenry is judged "underprivileged" or "disadvantaged," bless it with special

governmental handouts. Extended to its extreme, such governmental paternalism becomes an authoritarian system of confiscation — taking from the producers and bestowing favors upon the non-producers of society.

"But it would be a simpler and less dangerous remedy," advised Tocqueville, "to grant no privilege to any, giving to all equal cultivation and equal independence, and leaving every one to determine his own position. Natural inequality will soon make way for itself, and wealth will spontaneously pass into the hands of the most capable." (p. 161)

In *Democracy in America*, Tocqueville speaks of a "depraved taste for equality, which impels the weak to attempt to lower the powerful to their own level, and reduces men to prefer equality in slavery to inequality with freedom." Tocqueville knew that there was a difference between the "equality" proclaimed by the *Declaration of Independence* and that of the bloody French Revolution of 1789. One led to human dignity. The other degraded man. The *Declaration* stated that "all men are created equal" — equal in their right to personal freedom and independence. The French Revolution erected a despotic Terror under the slogan: "Liberty! Equality! Fraternity!"

Tocqueville saw the grim kin-

ship between tyranny and "equality":

"I believe that it is easier to establish an absolute and despotic government amongst a people in which the conditions of society are equal, than amongst any other; and I think that, if such a government were once established amongst such a people, it would not only oppress men, but would eventually strip each of them of several of the highest qualities of humanity. Despotism, therefore, appears to me peculiarly to be dreaded in democratic times." (p. 306)

Dangerous Equality

We are living today in "democratic times." Should not the ideals of "democracy" and "equality" be cherished, rather than feared? Consider what happens when the notion of equality begins to replace a devotion to individual freedom:

"As the conditions of men become equal amongst a people, individuals seem of less, and society of greater importance; or rather, every citizen, being assimilated to all the rest, is lost in the crowd, and nothing stands conspicuous but the great and imposing image of the people at large. This naturally gives the men of democratic periods a lofty opinion of the privileges of society, and a very humble notion of the rights of individuals; they are ready to admit that the

interests of the former are everything, and those of the latter nothing.

"They are willing to acknowledge that the power which represents the community has far more information and wisdom than any of the members of that community; and that it is the duty, as well as the right, of that power, to guide as well as govern each private citizen." (p. 291)

What is that "power which represents the community"? It lies in government—whether it be local, state, or federal. Held within justified limits, a government can defend freedom by organizing national defense and by punishing domestic acts of fraud, coercion, malpractice, and crime. Beyond those responsibilities, governmental authority paves the way towards regimentation and oppression.

"I think, then," warned Tocqueville, "that the species of oppression by which democratic nations are menaced is unlike anything which ever before existed in the world: our contemporaries will find no prototype of it in their memories. I seek in vain for an expression which will accurately convey the whole of the idea I have formed of it; the old words despotism and tyranny are inappropriate: the thing itself is new, and since I cannot name, I must define it." (pp. 302-3)

His definition is ominous. He describes the gradual and subtle regimentation now threatening a citizenry indifferent to freedom:

"Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications, and to watch over their fate. That power is absolute, minute, regular, provident, and mild. It would be like the authority of a parent, if, like that authority, its object was to prepare men for manhood; but it seeks, on the contrary, to keep them in perpetual childhood: It is well content that the people should rejoice, provided they think of nothing but rejoicing.

"For their happiness such a government willingly labors, but it chooses to be the sole agent and the only arbiter of that happiness; it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances: what remains, but to spare them all the care of thinking and all the trouble of living?" (p. 303)

Insight and Foresight

Recall that *Democracy in America* was written in the first half of the 19th century. Tocqueville, though, had both insight and fore-

sight. He understood ageless truths which affect human action — past, present, future. Unrestrained governmental power leads to human degradation.

"Thus," continues Tocqueville, "it every day renders the exercise of the free agency of man less useful and less frequent; it circumscribes the will within a narrower range and gradually robs a man of all the uses of himself. The principle of equality has prepared men for these things; it has predisposed men to endure them, and oftentimes to look on them as benefits.

"After having thus successively taken each member of the community in its powerful grasp, and fashioned him at will, the supreme power then extends its arm over the whole community. It covers the surface of society with a network of small complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate, to rise above the crowd.

"The will of man is not shattered, but softened, bent, and guided; men are seldom forced by it to act, but they are constantly restrained from acting: such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to be nothing bet-

ter than a flock of timid and industrious animals, of which the government is the shepherd.

"I have always thought that servitude of the regular, quiet and gentle kind which I have just described might be combined more easily than is commonly believed with some of the outward forms of freedom, and that it might even establish itself under the wing of the sovereignty of the people." (pp. 303-4)

The word "sovereignty" has an honest, sturdy ring to it. Regrettably, "We, the People" has been corrupted. There is a misguided belief that the citizenry as a whole is supreme. The current trend is to emphasize "society"—not the individual—as being of ultimate importance. When individual freedoms and rights are thus belittled, authoritarian rule gains more ground:

"But it happens that, at the same period and amongst the same nations in which men conceive a natural contempt for the rights of private persons, the rights of society at large are naturally extended and consolidated: in other words, men become less attached to private rights just when it is most necessary to retain and defend what little remains of them.

"It is therefore most especially in the present democratic times that the true friends of the liberty and

the greatness of man ought constantly to be on the alert, to prevent the power of government from lightly sacrificing the private rights of individuals to the general execution of its designs. At such times, no citizen is so obscure that it is not very dangerous to allow him to be oppressed; no private rights are so unimportant that they can be surrendered with impunity to the caprices of a government." (pp. 310-11)

Spirit of Negligence

Yet, as government continues to undermine personal freedom, individuals live complacently under the delusion that they are still blessed with liberty. The patriots of 1776 clearly recognized that their traditional freedoms were threatened by the British Crown. The spirit of 'Seventy-Six was the spirit of vigilance. The spirit of today is that of negligence. In *Democracy in America*, we see how there is an ever-present tendency for men to seek security and safety at the expense of freedom:

"Our contemporaries are constantly excited by two conflicting passions; they want to be led, and they wish to remain free: as they cannot destroy either the one or the other of these contrary propensities, they strive to satisfy them both at once. They devise a sole, tutelary, and all powerful form

of government, but elected by the people. They combine the principle of centralization and that of popular sovereignty; this gives them a respite: they console themselves for being in tutelage by the reflection that they have chosen their own guardians. Every man allows himself to be put in leading-strings, because he sees that it is not a person or a class of persons but the people at large, who hold the end of his chain.

"A great many persons at the present day are quite contented with this sort of compromise between administrative despotism and the sovereignty of the people; and they think they have done enough for the protection of individual freedom when they have surrendered it to the power of the nation at large. This does not satisfy me: the nature of him I am to obey signifies less to me than the fact of extorted obedience." (p. 304)

Trust and Obey

Obedience! Laws are passed, and they are meant to be obeyed. Month by month Congress passes its legislative acts, erecting new bureaucracies . . . interfering further with individual lives . . . imposing new restrictions upon the release of creative human energy. The EPA, CPSC, FEA, ICC, and so forth proclaim: "We are

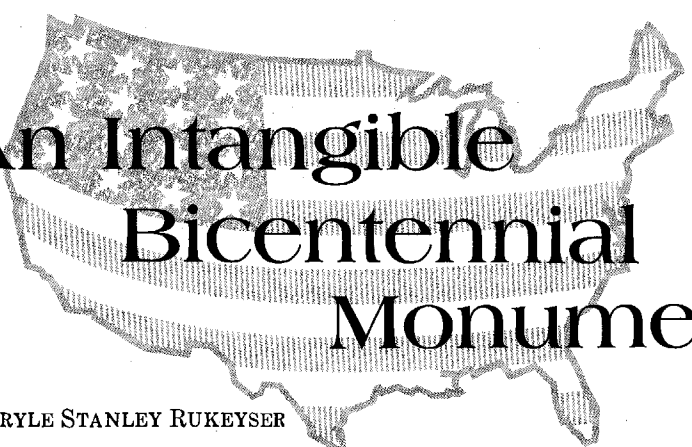
the arms of Government. Trust and obey!"

Tocqueville would have nothing to do with such blind faith in unlimited governmental power and authority:

"Unlimited power is in itself a bad and dangerous thing. Human beings are not competent to exercise it with discretion. God alone can be omnipotent, because his wisdom and his justice are always equal to his power. There is no power on earth so worthy of honor in itself, or clothed with rights so sacred, that I would admit its uncontrolled and all-predominant authority. When I see that the right and the means of absolute command are conferred on any power whatever, be it called a people or a king, an aristocracy or a democracy, a monarchy or a republic, I say there is the germ of tyranny, and I seek to live elsewhere, under other laws." (p. 115)

The insights and prophetic observations of Alexis de Tocqueville stand between us and the American War for Independence. Looking to the past, he wrote about our heritage of freedom. Looking to the future, he now warns us to protect that freedoms—the freedom to enjoy the fruits of our labors . . . the freedom to release our creative energies . . . the freedom to accept full responsibility for our own lives.





An Intangible Bicentennial Monument

MERRYLE STANLEY RUKEYSER

A VAST QUANTITY of human energy will soon be expended to commemorate our bicentennial year. Perhaps the most fitting monument would be intangible. In face of the seemingly insatiable appetite for gimmickry, it would be a ten-strike to go the other way and apply the surgeon's scalpel to prevailing fallacies. Obviously there will be honest differences as to what to cut away, since one person's false notion is another fellow's credo.

Recognizing the area of controversy, I submit my own inventory of myths which could be profitably eliminated:

1. On the excision list, let's begin with the late Harry L. Hopkins' recipe for enduring political

success—"spend and spend, elect and elect."

2. The global intellectual error of equating the printing of more money with social gains is not peculiar to Americans.

3. Fuzzy thinking is caused by the blunder of assuming that the civic minded must choose between "liberalism" and "conservatism." Such rigidity overlooks the fact that the human animal as a bundle of contradictions may be an advanced thinker in new life styles, including open marriage, while being a stickler for fiscal integrity. In his essay on "The Spirit of Conservatism in the Light of History," James Harvey Robinson disclosed the utter inability of wishful thinking to make the world stand still. A common illusion is

Mr. Rukeyser is well known as a business consultant, lecturer and columnist.

that conservatism is a basic ingredient for business success. Under modern technology, however, little in life is permanent except change. Business survival is heightened by innovation—not by looking backwards. The competent executive fights obsolescence.

4. One costly naïveté is the assumption that government as a cornucopia has limitless resources. The scientific-minded know that even the strongest bridge has a limited capacity.

5. While government has the power to redistribute wealth, progress in living standards springs from the creativity which uses resources effectively and makes two blades of grass grow where but one grew before.

6. It's deemed a truism that costs make prices, but this is really only a half truth. Constructive producers and distributors, instead of passively accepting expenses, are forever seeking to reduce costs through elimination of wasteful motions, through the introduction of better methods and complementing the human muscle with increasing quantities of mechanical energy.

7. As Charles Darwin revealed, some change is retrogressive. Thus it's a backward step to reject the

principle that users (consumers) should pay the freight. The introduction of subsidies, whereby part of the cost is borne by others, namely the taxpayers, weakens business discipline and narrows the ability of the customer to be the kingpin in determining what should be produced and in what quantities and style. The subsidy concept condones economic waste.

8. Economic theorists got us off the track in the past four decades by circulating the delusion that money manipulation by government can replace thrift and industry in lifting levels of material well-being. This fallacy, especially in underdeveloped nations, makes it easier for men on horseback to seize power by promising the moon—only to deliver inflation and frustration.

9. Another costly misconception is that we can preserve the U.S. constitutional system of checks and balances by supporting local government with Federal and state "aid." The system is corrupting, since local budgetmakers unrealistically tend to look upon such "aid" as free windfall money. Former President Nixon damaged a constructive idea for revenue sharing by stipulating that Washington continue to collect the highly productive taxes and then as Lady Bountiful make a gift of part of

the proceeds to the states and the subdivisions. This approach further promotes centralization and weakens the independence of the states and the localities, including the school districts. The Nixon method was wrong because of the axiom that he who pays the piper calls the tune. It would have been better to have made a compact under the constitution between the federal government and the states (including the subdivisions) whereby a newly-created independent tax-collecting agency, representing all levels of government, would collect the big-yielding taxes and then redistribute them without strings, in accordance with a previously agreed formula, to the various levels of government.

10. Through endless repetition the erroneous notion has taken hold that government by fiat power can short-cut the road to progress. By way of illustration, through legislation, court decisions and administrative rulings the power of labor unions has been greatly strengthened since passage of the Wagner Act in 1935. But it is sheer illusion to assume that bigness in labor or in business enables institutions to violate fundamental rules of human behavior. Thus during the current automobile recession the private unemployment compensation schemes set up by Chrysler

and General Motors under collective bargaining soon became exhausted. No matter how strongly entrenched, no pressure group by contract can arbitrarily fix a date for the conquest of cancer!

11. A school of economic savants has proclaimed the bizarre doctrine that big, "monopolistic" corporations are above the rules of the market place, and can administer prices and call the shots. If proof to the contrary were needed, little could have been more impressive than the weakness of the automobile Big Three in recent months in the face of wilting demand. This is a reminder that a business enterprise is strong only when it offers goods and services of a price, style and quality that potential customers are able and willing to buy.

12. With the global drift toward Marxism, it is illusory to equate increased intervention by government in economic affairs with progressivism. Totalitarian excesses emphasize that freedom is indivisible and that an open market, which gives the individual optimum free choice, is an essential ingredient in the all-around adventure in human liberty.

13. The public is exploited by the myth that a political incumbent has a right to be re-elected. Whenever an overpowering desire to retain

office at any cost develops a conflict of interests among incumbents, the public good can be served by rotation in office.

14. The psychological dislocations, incidental to stagflation, create a widespread misconception that the personalities in the great financial institutions know all the answers and that little folks should stay away in droves from the stock market. However, the scoreboard

of successful investment in this risk-oriented society shows that in times of economic maladjustment it is human even for the great to err, as changes in the valuation of institutional portfolios disclose.

If the bicentennial year can be dedicated to dissipating delusions, progress will be made toward achieving the future promise of American life! 

On Being 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 goodwill, 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

FRANK CHODOROV

Guess



Who

!

GUESS WHO spends more on advertising than AT&T and Chrysler and Lever Bros. and General Electric and Gillette and Coca Cola.

Guess who spends over *twice* as much on advertising as Kodak, Du Pont, Kellogg's, Pillsbury, Greyhound and Volkswagen.

Guess who spends over *three* times as much on advertising as Heinz, Schlitz, Mobil Oil, Toyota and American Motors.

Guess who spends more on advertising than Shell Oil, Scott Paper, Mazda, Delta Airlines, Eastern Airlines and American Airlines put together.

You do.

The U. S. Government is now the 10th largest advertiser in the United States, spending \$110 million of the taxpayers' money last year.

Actually, that ranking is misleading since the government has an advantage other advertisers don't have. It doesn't pay for radio and television time. That costly item is donated to the government free as a public service.

Just imagine how much they'd be spending if they had to buy their own broadcast time!

You won't have to imagine it for long. They are now pushing for permission to pay for their own messages so they can pick better time slots.

While the rest of government was reportedly tailoring budgets in the past year, advertising expenditures increased 10%.

What are they selling you may well ask.

Well, uh — there's the Post Office.

But they don't have any competition, you scream.

Silly, you. Where there's a bureaucrat, there's a way.

The Post Office spent \$8 million in 1974 and is currently spending \$13 million a year.

A \$4 million campaign is budgeted to tell people to give forwarding addresses when they move. The Post Office says it spends \$300 million a year in avoidable forwarding labor costs. They must spend a lot of time staring blankly at those letters before returning them to the senders or putting them in the Dead Letter bin.)

Most recently it has been producing television spots for the purpose of "promoting letter writing to increase the use of first class mail."

This may seem strange to you, especially since the Post Office continually uses increased volume of mail as an excuse for inefficiency and the need for increasing postage rates.

Thus we taxpayers are in the position of paying our money to per-

suade ourselves to write more letters and thereby increase the mail load so the Post Office can charge us more for their expanded services.

Such is the absurdity that is inevitable when a government agency gets involved in marketable services.

And this campaign will double the Post Office's ad expenditures to almost \$30 million a year. All because postal authorities, with stunning buffoonery, want and expect people to use mail more frequently at the 13¢ rate than they did at 10¢ . . . even though use declined greatly with the last rate increase.

Or, maybe they don't *really* expect it. The Postmaster General concurrently is requesting Congress to double Post Office subsidies to almost \$2 *billion* a year for the next few years.

If the postal service were in the private sector where it belongs, along with all other non-protection services, advertising would not be purchased out of deficits and in spite of losses. It would be paid out of the same costs that would transform the service into a smooth-running, efficient and economical system . . . a condition which can be assured only by competition in the private sector. And the taxpayer/consumer would not be spending

money to work against his own interests.

We taxpayers are spending another \$16 million to tell ourselves to put out our matches, stay physically fit, get exercise, stop smoking, join car pools and so forth.

We spend millions to tell people about the welfare they should be getting. People who don't need welfare often don't know they're entitled to it anyway. So the taxpayer pays out of his own pocket to tell people to come and take his money whether they need it or not.

The bulk of government's advertising budget is used for military recruitment.

The Army alone spent \$35 million on recruitment advertising in the last year. This may very well be the most invisible \$35 million in the history of advertising. It strains the imagination to think of how so much advertising money could possibly be spent so unobtrusively.

The cost breakdown in *Ad Age* (August 18, 1975) reveals \$7½ million spent in magazines, about \$1½ million in outdoor and less than \$1 million in newspaper supplements. The other \$25 million is not accounted for except in a rather miscellaneous way as direct mail, displays, transit posters and promotional materials. And next year's budget has been upped \$5 million to \$40 million.

Where is the money going? One can only wonder.

When the government spends money, there are not the restraints of profit/loss statements. We are not told how many were recruited — or what the goal is. We do know, of course, that we already have servicemen populating countries all over the world.

If, as one branch says, they're "just looking for a few good men," the recruitment cost per man is astronomical. But tax money is like a mountain — it's just there. You can go to it any time and if you're a bureaucrat, it will even come to you.

Some questions persist:

What great need for recruitment advertising can there be when virtually all youngsters are exposed to recruitment through school ROTC programs?

Why is so much advertising necessary when the services all have big recruitment staffs?

What better officer recruitment could there be than our military schools and the academies?

If recruitment is so difficult why are appointments to the academies always in such demand?

What other organization's benefits are so well known as the military's 20-year retirement, medical and dental care, clothing, housing, training, travel and the like?

The Army is at least as well known as the Hershey Bar which spends no more than a whisper in advertising and for many decades found it unnecessary to advertise at all.

If anyone has the temerity to inquire why the Army budget is being increased to \$40 million for recruitment at a time of unemployment when the Army should be more attractive than ever, the response is that the Army doesn't want just anyone. It must compete with industry for high quality personnel.

So, now it becomes clear. All this expense isn't the cost of a volunteer military as opposed to the draft. The draft was never so persnickety. We're simply paying the cost of another federal boondoggle.

Judging by the budget, the Army must want to recruit the Chairman of General Motors.

The taxpayer now finds himself in the position of paying money to hire people he can't get while turning down the most likely, willing candidates for military service. Once again, his tax dollars are working in opposition to his best interests.

These expenditures simply represent another form of the draft . . . another uncalled for drain on the creative sector.

We are not only drawing millions

of dollars out of the market coercively through taxes . . . money that would otherwise be used productively. We are also drawing away skills — or attempting to. If we are paying these sums to lure high caliber people into non-creative, protective jobs, we are losing more than money. We are losing productive ability. By turning down the unemployed we are paying to keep the less skilled in the market where they are contributing minimally or collecting unemployment compensation, which we also pay.

The military is trying to attract the least-suited for service while turning down the best-suited.

Our tax dollars further compete with each other by pitting the services against each other. In addition to the \$40 million Army budget, the Navy spends \$23 million, the Air Force, \$16 million and the Marine Corps, \$8 million. The Marines quite understandably support the idea of an umbrella campaign for all the major services. But while paying to bring people into the military branches, we are also paying to keep them out.

The government is seeking to pay for radio and TV time in order to reach younger people, its prime prospects, without depending upon the free public service time availabilities. But at the same time,

the government is spending our tax money to tell these same young people to go to college — and at government expense.

Unemployment compensation also helps pay people to stay out of the military. All welfare programs are in competition with our military recruitment programs. We are using our tax dollars to bid up the cost of protecting ourselves.

The public and private sectors of the economy can never mix without the overlap being in many ways unjust and disadvantageous to everybody.

It is absolutely right to have a volunteer military, but wasteful tax expenditures, unrealistic aims and unnecessary encroachment in the market are merely a more indirect method of drafting resources from the creative sector.

These budgets are typical of the way in which bureaucrats enlarge their responsibilities via ridiculous expenditures and self-perpetuating waste. This is not what's needed for a volunteer military. It can only defeat the whole idea.

The government should happily accept its public service status for broadcast time and should depend on voluntary help or its own personnel for any other publicity needs. It should not be bidding up prices in the market.

The Advertising Council, through volunteer agencies, prepares public service advertising for many causes, none of which is so important as the military protection of the country. Their help would probably be forthcoming if the agencies didn't have \$110 million in budgets waved at them.

Even if volunteer aid were not forthcoming, it is difficult to see the need for recruitment advertising for services that have military academies, ROTC programs, information officers, recruitment personnel and the Government Printing Office at their disposal.

Whenever the government mixes in the private, creative sector of the economy we find we're fighting ourselves with our own dollars. All objectives become self-defeating.

It happens when welfare competes with wages, when laws control prices and salaries, when subsidies push up prices, when tariffs raise the cost of imports, when government-protected unions disrupt production, when government waste bids up prices of scarce materials and services — many ways.

The military, among others, could take a lesson from little Pogo who once uttered that immortal line, "We have met the enemy and he is us." 

Individual Responsibility

RIDGWAY K. FOLEY, JR.

INDIVIDUAL RESPONSIBILITY refers to man's willingness and ability to unflinchingly and without exception abide the consequences of every human act and choice. Consequence follows choice inexorably.

We live in a world of causal connection, a universe governed by predictable responses and guided by natural law. The earth spins on its axis while rotating in a fixed pattern about a celestial orb, leading to the result of a rising sun in the East each morning. In like manner, human action affects human history: "bad money drives out good" and "men are less careful with the liberties of others than with their own" state natural retorts to human conduct.

Man acts; this fact ineluctably attends the study of mankind. One can no more imagine a world devoid of purposeful human action (given the existence of human beings) than one can conjure up a land unfettered by cause-and-effect relationships or unblessed by a sun which arises in the East each day.

But what constitutes human action? Purely and simply, it alludes to that characteristic of personal conduct which we refer to as a choice between alternatives. Each individual confronts myriad potential courses of conduct as he faces each appointed task. He — or someone on his behalf — must choose between those available routes to his goal. Man must choose; he cannot remain static and survive. Abdication of the

Mr. Foley, a partner in Souther, Spaulding, Kinsey, Williamson & Schwabe, practices law in Portland, Oregon.

power to choose represents as much a choice as any other course of conduct. Try as one might, man cannot avoid the awful responsibility of that power which affects both his life and that of others.

The stark reality of the unyielding necessity to choose and act sometimes obscures a salient point: the very power to choose and ability to affect consequences marks the difference between man and other creatures or inanimate objects. Man is man because he can knowingly choose and seek his own destiny within the constraints of his physical limitations. This special nature sets the human condition apart from the animal world where the birds and beasts react instinctively but without rational purpose. A seal or dolphin may react to a maze or series of lights for a gourmet reward, but these mammals can never devise the system nor comprehend the essential relationships which cause it to work with relative infallibility.

A concomitant fact of human nature, whether termed universal truth, natural law, or reality, leads to the discussion of the concept of individual responsibility: man makes mistakes. Any objective observer of human history and nature recognizes that man necessarily falls short of his aspirations. The finest hitter in baseball lore achieved success approximately

36% of the time; an accomplished musician manages a few "clinkers" in every performance; a proficient secretary snow-packs her typographical errors. If such a low ratio of success applies to those endeavors in which one exhibits consummate skill, how much greater the likelihood of mistake, confusion or misdirection in enterprises where the actor lacks mastery. In plain terms, man is a fallible, finite being prone to misjudge both means and ends and only dimly cognizant of the normative rules which govern the art of living.

Man acts; by his very nature he chooses between alternatives; he errs. Addition of the ingredients analyzed yields the equation of individual responsibility: Each choice represents a moral imperative: Individuals should endure the consequences of their actions, tolerating their mistakes as well as enjoying their successes. Responsibility encompasses the attribute of accepting the results of human action without attempting to shunt these consequences unto the shoulders of other human beings.

The Essence of Personal Responsibility

Two common rejoinders color the condition when human action produces untoward or unanticipated results. First, the actor seeks to diffuse his loss, or to avoid it entirely, by imposing the conse-

quences of his choice upon other persons. Second, even when resisting that temptation many individuals display a selectivity in acceptance of involvement; in other words, one may profess a belief in individual responsibility yet by his actions brook only a part of the output. So, we note a proclivity on the part of human beings to desire and revel in the choice-making power while circumventing the outcome of wielding that authority.

Remember the fundamental rule that action produces effect. Apostles of liberty glory in the freedom of human action, the ability of a human being to choose between alternatives in as many instances as possible without external constraints. All too often, these same individuals ignore or avoid the necessary obverse to free action, the concept of individual responsibility for the results of that action.

Shifting the Responsibility

Examples sometimes clarify a point. A may consider the oil industry profits excessive. To alleviate this situation, A secures introduction and passage of a bill by Congress limiting oil producing enterprises to a return of 6% upon their gross sales. Such an action produces results, both obvious and cloaked. One outfall will

exist in higher energy prices to consumers by virtue of the thwarting of investment capital and the disinclination of investors to incur substantial risks of loss for so slight a return. Existing companies in the field will concentrate upon relatively safe explorations; production will decline while demand remains constant or increases; demand increases concomitantly with artificially-lowered prices to consumers; since a lower amount of the commodity appears for sale to an equal or larger number of consumers bidding for the goods, prices will increase as the market replies to consumer pressure. If A truly believes in individual responsibility for his actions, he will accept the market dictation of higher prices for energy products. However, if he performs true to form of the mill run of the citizenry, A will rail at the result of his conduct and seek to shift the burden of those results to others by the imposition of wage and price controls. Price controls applied to the oil industry will only serve to aggravate an already perilous situation: a limitation on the price charged (particularly in a period of rapid inflation) will further eliminate both investors and producers in the field, secure unnatural cartelization of the industry, destroy capital formation and, if carried

to the extreme, annihilate the creation of the goods. *A*'s refusal to abide by the consequences of his choice will ultimately thrust the burden first upon the producers regulated and eventually upon all who use energy products.

Favored Treatment

Normally a follower of the freedom philosophy would not advocate enactment of such obvious market intrusions as profit, wage or price controls; that kind of tomfoolery seems to be the exclusive province of the misguided liberal who believes that state regulation supplies a ready and effective answer to all manner of human problems. Yet a freedom-oriented individual may fall victim to similar if more subtle persuasions possessing the identical defect.

For example, *X* dislikes his neighbor's use of the abutting property to grow begonias so he induces the county commission to adopt a comprehensive land use plan which will prescribe permitted uses and proscribe disfavored ones; yet when the neighbor complains about *X*'s use of his roof for a heliport, *X* secures a variance from the local planning board.

Or *Y*, feeling charitable and concerned about the poor and the downtrodden, favors a program of

food stamps to insure an adequate diet; yet, when the tax authorities assess the cost of welfare upon the creators of value, *Y* declines to pay his share and encourages the state to impose a staggered or graduated tax which will lay the burden unequally upon the populace so that *Y* defrays a lesser portion of the cost.

Or *Z*, aware of the value of education, may apply compulsory attendance laws to unwilling learners yet refuse to accept the result of an expensive institution which instills neither intellectual nor moral values in a large number of those in attendance.

In each instance propounded (and each situation merely represents a slight variation of a repetitious theme) ends which may receive the label "good" in the subjective value structure of many persons falter on the shoals of the means employed to reach those goals. In each instance, proponents of a subject seize power and employ aggressive means to compel others to comply with their dream, unaware that dreams differ as much as human beings. In each instance, the seeker sees his course of conduct produce disagreeable results which he promptly reassigns to others by the use of duress and coercion.

A wholly distinct situation partaking of the same evil occurs

when *B* and *S* enter into a contract wherein *S* sells *B* goods on credit. If *B* over-extends himself and mortgages his future, that represents his choice for which he should remain responsible. Yet in the current state of affairs, many purchasers and borrowers exhibit an increasingly cavalier attitude toward debt—the result of voluntary contractual relationships—and try to shift the burden to the lender or seller by means of default or to the consuming public by means of moratoria and like restraints.

Misuses of Power

One must distinguish between two discrete misuses of power. The more readily apparent misapplication of force stems from the act of directing others to perform or to refrain from certain conduct: blue laws, usury rules, zoning ordinances all partake of this sin. The more hidden transgression lies in the use of law to disperse or avoid the risk of loss or the cost of a poor decision made with or without the aid of law. Governmental payments to Penn Central and Lockheed, bankruptcy norms, and compulsory automobile insurance reek of this offense.

Moreover, one should perceive that mankind does not restrict this particular propensity to the use of law or to the field of economic

activity. Psychologists and psychiatrists recognize the habit of many patients to lay off their problems upon others or to attribute misfortune to God, chance or the position of the stars, instead of their own poor choice. Almost everyone has seen a fellow who moans at his fate in this manner, imputing his fortuity to a conspiracy rather than the natural outgrowth of human action. At the core, the attribute forms a moral and personal problem.

Freedom and responsibility truly represent two facets of the identical aspect of truth. Freedom postulates a belief that no person should initiate coercion against another, and that the use of force receives justification only to protect persons from loss of life, liberty and property caused by coercive or fraudulent means, and to adjudicate disputes which the parties cannot resolve on their own. Responsibility stands on the tenet that each citizen must accept the consequences of such unfettered human action without employing the law to ameliorate the results of his free choice. Arising from the same base, the two concepts exhibit compatibility and an inherent relationship: A free man chooses and a responsible man accepts the results of his choice without infringing upon the equivalent freedom of others.

The Rationale for Responsibility

Two separate lines of reasoning undergird the doctrine of individual responsibility outlined above, similar to the rationale supporting the concept of liberty.¹

First, recur to a pragmatic reason: A man makes better choices if he bears the ultimate responsibility for his actions. He will tend to think through the problem, apply his best judgmental, experiential and analytical tools, and reach the most reasoned result in harmony with his personal dynamic scale of preferences. Individual responsibility does not mean that man will not make mistakes; nothing can entirely eliminate that problem, for to do so would amount to a reconstruction of human nature. Individual responsibility does mean that men, singly and as a whole, will make fewer and less tragic mistakes and will more nearly reach their personal aspirations.

Again, an example may prove instructive. History demonstrates that men adduce better choices for their largess if they maintain personal accountability for choosing the objects of their charities. Almost all men betray the very human (natural) trait of sympathy with those less blessed with

material things. Pragmatically, both the giver and the recipient of gifts will receive a greater benefit if each remains wholly responsible for the donation than if some coercive intermediary intervenes and designates not only donor and donee but also the amount, terms and conditions of the transfer. The prevalence of welfare abuses and the failure of the food stamp program lend poignant testimony to this fact. Individual initiative leaves the giver with a warm feeling of having helped another and the legatee with the pride which suffers no demeaning from the status of a public charge. Coerced gifting bequeaths a residue of distaste on the part of each participant, a claim of "right" by the receiver and a feeling of being oppressed by the donor.²

Second, a distinct moral reason separately and wholly justifies the practice of individual responsibility. Insofar as individual responsibility requires the actor to accept and live with the ramifications of his choice and not employ legal process to coercively shift the results to another person or group, justice and morality support the proposition. The same fundamental moral principle ap-

¹ See Foley, Ridgway K., Jr., "A Rationale for Liberty", 23 *Freeman* 222-229 (April, 1973).

² See Foley, Ridgway K., Jr., "Welfare as a Right", 23 *Freeman* 663-671 (Nov., 1973).

plies here as it does in any instance where mankind rejects the suggestion that "might makes right."³ Reduced to an *a priori* declaration, fundamental morality condemns the initiation of force against another who persists only in minding his own business and going about his pursuits in a non-aggressive way.

Furthermore, a collateral proposition of moral suasion justifies individual responsibility even on those occasions when the actor seeks to divert the effects of his decision by nonjural means. If choice-making ability distinguishes mankind from other inhabitants, then it rationally follows that choice means nothing without a concomitant responsibility for that choice. If choosing descends into meaninglessness, then the ability to choose does not mark the actor in a different fashion from other creatures. Therefore, man must accept the effects of his causal action and cannot escape responsibility by importuning, deception, disregard or any other means. Whether one posits the primacy of choice or deduces it from human nature or basic reality, the result remains identical.

In addition to the unassailable

pragmatic and moral reasons discussed, a third support appears for many analysts. A believer in universal justice, whether based on religious or natural theory, must necessarily propound a belief in the essential orderliness of the universe. Things work in a repetitive pattern; cause-and-effect flow through the unseen mechanism. Postulate an orderly nature of things and it requires but a small step to subsume a retributive form of justice where events finally come to rest at the feet of the doer: "As ye sow, so shall ye reap." Ultimately, those who contribute to the fires of a raging inflation by their vote, by their deed, or by their theories are bound to suffer the effect of the necessary cataclysm. Such a theory of natural justice necessarily imposes the normative rule that man cannot avoid the consequences of his acts; he may defer the effect of bad choice A by a series of other poor decisions, but he will ultimately pay the piper in regard to A.

The Misdeeds of Enterprise Responsibility

One cannot adequately investigate the doctrine of individual responsibility without a cursory examination of two related subjects: corporate and government responsibility.

³ See Foley, Ridgway K., Jr., "You Can't Sell Freedom To a Starving Man" (Unpublished Manuscript).

Corporate responsibility relates to the extent to which corporate enterprises bear an obligation for entrepreneurial action. By their very legal structure, corporations and limited partnerships render the investing entrepreneur only liable to a limited amount, generally the total of his investment or subscription. The justification for this special privilege rests in part upon the policy determination that venture capital cannot be pooled in sufficient amounts without the protection of limited liability, and in part upon the consensual or implied contractual basis that all who deal with such a business recognize, and consent to, the limitation of liability.

The former policy reason probably represents a historical fact although not a necessary one. One could achieve a similar limitation of liability by the judicious use of insurance (written in an association rather than in the corporate form) without the inconsistency bred into the law by corporate enterprise. The latter consensual reason supplies a simplistic justification which proceeds upon the assumption that all men know the law and assent thereto, an assumption probably unjustified in this or any other state. Each year literally thousands of good faith creditors receive naught for their goods, services, ideas or money

when a limited liability venture comes a cropper, while the principal owners of that enterprise remain insulated behind the corporate form, enjoying property protected from attachment for judgment debts. In such a manner, the owners shift the effects of their actions to other persons and shirk individual responsibility.

Social Responsibility of Business Enterprise

In other ways, corporations occupy a similar position to that of individual actors. Causal connection governs group acts as well as personal conduct. Shifting responsibility and spreading of risk occupy considerable managerial time and effort. Postponement of consequences, rather than total avoidance, affects both the group and the person.

Currently, some would advocate a concept of "social responsibility of business," implying that the business enterprise possesses some greater obligation to the community beyond the sale of goods, services and ideas. While such a notion merits separate treatment, suffice it to say that the sole business of business is business, to produce the best possible goods, services and ideas at the lowest possible cost and the greatest possible profit. Business enterprises owe no social responsibility outside of

the common duty to refrain from the initiation of force and fraud and abiding by standard dispute-settling rules.

Perhaps corporations do possess the tools to make better decisions and fewer mistakes within the perimeters of their actions. Corporate managers and directors often own substantial expertise in their chosen field and devote a large portion of their time to analysis and solution of business problems. Often several individuals pool their efforts and talents to the answer of a particularly difficult problem and the making of a particularly trying choice. Yet, in final analysis, corporation decisions *are* personal decisions rendered by the individual officers and directors, and the resultant choices achieve no higher plane than the best that these finite men have to offer.

The Miasma of Government Responsibility

One manifestation of group responsibility affects both corporate and state enterprises in common, although more apparent at the latter level: the readiness of the individuals involved to evade or attempt to shun individual responsibility for enterprise acts. Devoid of its outer garb, this feature merely forms another facet of the individual tendency to decline ac-

ceptance for mistaken or misguided choices.

Individuals acting in a corporate or state capacity owe precisely the same moral obligation for the consequences of their enterprise actions as they do for personal conduct. One cannot repudiate responsibility by the artifice or device of membership in the United States Army or United States Steel Corporation. The law perverted permits individuals to postpone effects of enterprise acts but human law cannot overcome and obviate the natural course of events. Ultimate responsibility remains and finally rests upon the back of the individual decision-maker.

Governmental servants and officials owe an even more stringent duty to make proper choices since they deal with the coercive powers of the state. It requires little insight to recognize that one who seizes or utilizes power should do so fairly and under restraint lest that power be abused. The decision of otherwise insoluble disputes and the protection of life and liberty from fraud and force represent an awesome task in any view; those chosen to perform these state functions must not only accept ultimate personal responsibility for their activities but also exercise the highest degree of prudence and foresight in handling the entrusted affairs of state.

To the extent that the state exceeds the limits of its appropriate functions, the individual officials cannot escape their personal responsibility for their role in such action. Acceptance of the premise that restrictive state action amounts to immorality leads to the inevitable conclusion that the state servant bears the final obligation for that immoral conduct. After all, neither a corporation nor a government can act; artificial entities perform only by means of individuals functioning in their stead.

Both corporate and governmental enterprises tend to prove the natural law that one takes less care with the lives, liberties and properties of others than he does with his own. If Congressmen had to man machine guns, wars would end quickly. If Presidents had to pay the bills for housing and feeding those unwilling to work, the budget would balance. If judges had to live next door to suspects on bail, less criminal relapse would mar the community. One can hardly apply the term "responsible" to

governmental action where deficit spending in a year reaches \$44, or \$60, or \$100 *billions* (depending on who provides the estimate), where the resulting inflation chips gaping holes in the buying power of the measure of exchange, and where taxes absorb 40% or more of the national product. Corporate officers at least often own a substantial interest in their enterprise and thus suffer the effects of their conduct in some regard; state officials normally achieve strict insulation, if not immunity, from the consequences of their conduct since their state actions necessarily harmonize with their own subjective values.

True freedom cannot exist in the absence of individual responsibility. Individual responsibility, whether exercised on one's own behalf or in the employ of a voluntary or state organization, requires the actor to accept the consequences of his conduct without using juridical rules to shunt the natural effects unto another, unwilling party. 

With You and Me

IDEAS ON

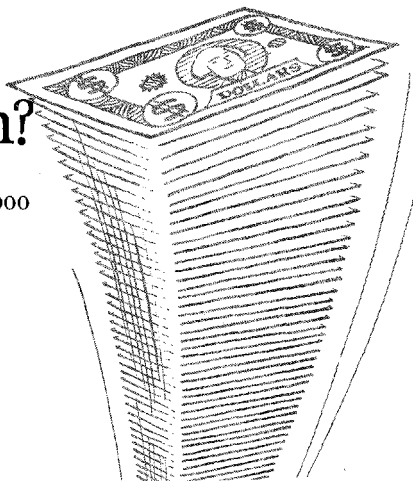


LIBERTY

FREEDOM RESTS, and always will, on individual responsibility, individual integrity, individual effort, individual courage, and individual religious faith. It does not rest in Washington. It rests with you and me.

How Much Will Be Enough?

JAMES E. MCADOO



IN WHAT are turning out to be "the old days," a special kind of advertisement appeared regularly in many magazines. It pictured an attractive, gray-haired couple, attired in sports clothes, and smiling happily. The caption said, in effect, "I retired with \$250 a month, for life". The clear implication was that, with the proper plan for prudence and thrift, the reader could provide for a comfortable lifetime income.

As years went by, the \$250 a month became \$350, and then even higher. Obviously, the idea of a future income inadequate to meet future expenses has little appeal. If the ad is still being run today, it is doubtful that any monthly income figure is mentioned at all. No one knows what it will cost to live for a month in 1985, or 1995. The price level, ten or twenty years hence, is anybody's guess.

For many people, the future has arrived. Those who have retired from their working careers are now relying upon whatever sources

of income their previous planning provided. It is a fair guess that very few of those who are now dependent on the fruits of their early planning could have envisioned how little their money would buy. An income figure which might have seemed abundant twenty years ago might today be less than adequate.

A money income is almost essential in a modern economy. Dreams of happy self-sufficiency on a picture-postcard farm are dreams of the young and energetic. For almost everyone else, an income of money is the *sine qua non* of survival. With enough money, it is generally believed, people can buy what they need. Such a premise, however, contains one fallacy, and one disquieting uncertainty. Money cannot buy what is not produc-

Mr. McAdoo is an investment advisor residing in Nevada.

ed and made available for exchange. And it is highly uncertain how much money will be "enough." While we may have a good grasp of current prices, no one can predict, with any degree of assurance, what prices will prevail even one year from now, much less ten or twenty.

Planning for a future income is seriously hampered by one crucial fault of our money: it is not a store of value. Despite the faith and the law which give the Dollar currency as a medium of exchange, the Dollar has shown a pronounced tendency to lose its purchasing power. Anyone who seriously considers, and tries to plan for his needs for a future money income, must take that phenomenon into account.

There is little evidence to suggest that the adequacy of future income is a prominent concern of the majority of people. Those who think of it at all are subject to continuing reassurance that inflation will soon be controlled, and that prices will not rise at previous rates. Added to the hopes and promises of a more stable price-level ahead are built-in programs for the production of future income: Social Security, Pension Plans, and Retirement Programs. Further opportunities for future income lie in the individual's ability to save and invest: bank sav-

ings accounts, corporate stocks, life insurance programs, Government bonds, real estate, and so forth. With careful planning, and reasonable thrift, an individual can provide for a future income in Dollars. But the nagging question remains: how many Dollars will be enough? The problem, whether or not we prepare for it, will arise for all those who live to see the future.

Inflation Eats the Principal

It is an obvious, but shocking, fact that, with an inflation rate of 10%, the break-even point on a tax-free investment is a yield of 10%! And even such a remarkable return on a municipal bond, for example, would not provide future income; it would only offset inflation's 10% erosion of capital.

Given the same inflation rate, a person in the 50% tax bracket would require a yield of 20% on a Government bond, just to stay even. If inflation rose to 15% he would need a 30% return, and would still have no real income.

While someone in the 50% bracket may neither solicit nor merit public sympathy, the problem he faces is even more severe for those in lower tax brackets. The scissors-like effect of inflation and taxes inevitably destroys the adequacy of a money income. Planning for the future becomes a scramble to assure the largest pos-

sible Dollar income, in the hope that that amount will prove to be enough.

Recognizing the problem, and seeking countermeasures, many people have tried to identify, and acquire, a store of value. They strive to convert capital and income not currently essential for survival into *some thing* which will at least retain its value into the future. A list of things considered by some to be stores of value would include rare stamps, rare art works, rare porcelain pieces, rare firearms, rare books, rare coins, and rare metals.

Yet, even those who have the means and the inclination to acquire rare collectibles must do so with considerable reluctance. Aside from the downside risks involved, such "investments" have many drawbacks. A rare stamp, or painting, or book can never yield an income. Nor can it, with any certainty, appreciate in value. What is usually construed as appreciation is most often only the reflection of money's reduced purchasing power. While a calf or a lamb should appreciate in value as it matures, a rare coin or rare metal remains precisely what it always was.

Perhaps equally regrettable to some who seek the shelter of stores of value is the non-productive deployment of assets. A rare and valuable painting represents, to

some, capital which might under more favorable circumstances be employed in enhancing the productivity of an expanding and successful enterprise. The argument may not hold water, but the feeling may be there, nonetheless. Unfortunately for the general welfare, those who have proven their ability to contribute to productivity through successful investment may be the very ones whose attention is diverted to an emphasis on stores of value. Inflation, coupled with taxation, diminishes the incentive to engage in customary forms of investment.

One can only imagine with horror the devastating impact upon our entire economy if a substantial number of traditional investors were to divert their assets into what they considered superior stores of value. Yet, the ravages of inflation upon the real return available through traditional forms of investment tend to direct attention to stores of value. Considerations of future income are of increasing urgency in a period of anticipated inflation. When no traditional form of investment can yield a real income after inflation and taxes, prudent people will look for a way to preserve capital. They will seek merely a store of value; some thing that will hopefully provide the equivalent of a future income. 

A Better Store of Value

Every citizen has a stake in securing future income. The question of how many Dollars will be needed to assure an adequate standard of living in the future is not one to be left for future consideration; it is of vital importance now, when plans can be made, and when suitable action can be taken. Hope, or even confidence, that "things will work out" are an unreliable hedge against an uncertain future value of money.

What are becoming, in a restricted sense, popular forms of a store of value are largely beyond the experience, if not the means, of the public at large. Few people could distinguish between the genuine and the counterfeit. What is sorely needed, by everyone who will require future income, is an *ideal* store of value, equally available to all. Fortunately, the creation of an ideal store of value is within the capabilities of an informed and active electorate: a better money.

Historically, money has served well as a store of value. Indeed, that characteristic has been an essential aspect of a good money. With disappointing regularity, however, governments have either caused or permitted money to be deprived of that characteristic. Through either debasement of coinage or inflation through legal tender paper cur-

rency or bank credit, money has periodically been divested of its intrinsic or representative value. The Dollar is presently in that condition.

For more than a generation, fashionable economic theory has held that a money devoid of intrinsic value is not only the equal of, but superior to money which serves as a store of value. Legal tender and credit are defended as being "more flexible," and free of the "tyranny" of precious metals. Despite these supposed "advantages", however, our money continues to lose its value. As history has shown so often in the past, an intrinsically worthless money not only reduces the adequacy of present income, but jeopardizes the reliability of future income. Equally serious are the inescapable attendant problems of social and political discord.

While it would be incautious to predict the economic future for this or any other country, it is safe to say that the future is, at best, uncertain. Past experience of others would strongly suggest that the best money is one which serves not only as a medium of exchange, but as a store of value. Those who are concerned about the adequacy of future income might best prepare for that future by asking the Government to restore the value of money.

MORAL LAW



and FREEDOM

V. ORVAL WATTS

NECESSARY AND BASIC in the Judeo-Christian Ethic is recognition of the enduring nature of Moral Law. The essence of this moral law is summed up in the "Golden Rule," and it derives from the fact that *humans need one another.*

Without other human beings, we cannot be born, cannot be reared, cannot prosper; and to have the cooperation of other humans—to avoid the conflicts which would be suicidal for humans—we must fol-

low the "Golden Rule." When we apply it in practice, we find it is the unifying principle of those commandments that refer to the relations between the individual and his fellows: "Thou shalt not steal," "Thou shalt not kill," and "Thou shalt not bear false witness."

Now, it should be clear that obedience to Moral Law means voluntary cooperation and freedom. If we don't steal, we leave other persons free to use their talents in peaceful cooperative ways to produce goods for their own use, for exchange, or for gifts to others, such as gifts to one's family or heirs.

Therefore, we have a state of individual freedom if we live by

Dr. Watts, author and lecturer, is Burrows T. Lundy Professor of the Philosophy of Business at Campbell College, North Carolina, and Director of Economic Education for Northwood Institute, with headquarters at Midland, Michigan.

His latest works, of which he is co-author and editor, are *Free Markets or Famine and Politics vs. Prosperity* (Midland, Michigan: Pendell Publishing Co., 1975).

the "Ten Commandments." We have private property and numberless associations for voluntary cooperation.

And humans develop as humans and make progress only in this condition of individual freedom and voluntary association established by adherence to these moral principles. Therefore, these moral principles are antecedent to and take precedence over all man-made laws and customs.

In other words, these enduring moral principles require of us respect for the property rights of other people — that is, respect for their rights to control their own persons and for their rights to control those things which they obtain in voluntary cooperation, whether by gift, by voluntary exchange, or by the productive use of these things.

Living by these principles requires that we fulfill our contracts, that we speak the truth, and that we revere the laws of Life and Nature. The human need for this reverence appears in the first four of the "Ten Commandments."

This voluntary cooperation and

exchange are doubly productive of benefits in contrast to the one-sided gain that anyone may get by coercion, as for example, burglary, by slavery, or by taxation. In voluntary cooperation, all participants must benefit if the cooperation is to continue, for if it is voluntary, anyone may withdraw when he feels he is not benefiting, when he feels that the gains are distributed unjustly or going entirely to one person or group at the expense of the time and energy of others.

We should note also that living by the Golden Rule involves respect for privacy — the right to be let alone and the right to choose one's associates. Coercion — the attempt to compel people to associate with others — leads to conflict rather than to the attitudes and actions which are mutually beneficial. Freedom established by the Moral Law of the Golden Rule and the Ten Commandments includes the moral right to withdraw from an unwelcome contact with other persons, as well as the right freely to cooperate in mutually beneficial ways. 

IDEAS ON

Killed by Corruption

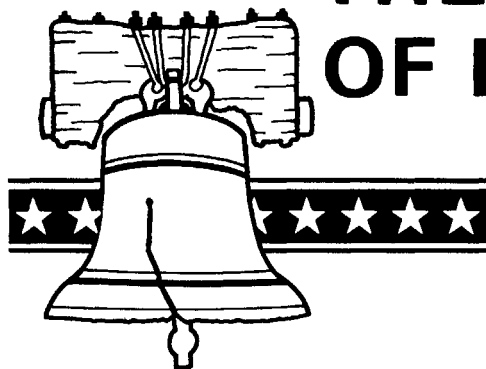


LIBERTY

ALL who have ever written on government are unanimous, that among a people generally corrupt liberty cannot long exist.

EDMUND BURKE

THE LOVE OF LIBERTY



GOING AROUND ISRAEL on an archaeological junket, I encountered the word "hitnadvut." It means voluntarism as opposed to coercion, and it connotes social power as opposed to State power. I happened during the same trip to be reading Leonard Read's new book, *The Love of Liberty* (The Foundation for Economic Education, \$5.00). What Leonard Read is all about is "hitnadvut."

Israel, of course, is surrounded by enemies, and in retaining a war footing it does not quibble about subordinating social power to State power when it is a matter of taxing and drafting to keep its

army in readiness. Since the nation was formed in good part by Marxist ideologues who had grown up in eastern Europe during the period of pre-Bolshevik revolutionary ferment, "hitnadvut" has had a pernicious tradition to overcome. But it is interesting to note that the Israeli Founding Fathers who came trickling into late nineteenth and early twentieth century Palestine from the Jewish Pale of Settlement in Czarist Russia had to jettison all their ideas about an orthodox socialist economy in order to get Galilee swampland to produce. Even though they were committed ideologically to social-

ism, the Israeli pioneers had to find a form of economic organization that would be compatible with "hitnadvut."

The result was the kibbutz, or voluntary collective. I don't suppose Leonard Read would fully approve of it. The kibbutz does not reward the gifted individual by paying him more than the yeoman laborer. But it conforms to the Read idea of "anything that's peaceful." Nobody is compelled either to join or to remain in a kibbutz. The kibbutz buys its land in the open market — its purchase of fallow acres, open to all comers under the prevailing Turkish law, were made in pure capitalistic and "hitnadvut" fashion. The rules of the kibbutz are made by democratic vote. Besides farming, the kibbutz engages in everything from manufacturing to inn-keeping. It lives by competition with individual enterprise. It has even begun to hire labor from the outside. In short, it functions very much like an employee-owned corporation. It does not even ask the State to help provide Welfare for its elders. They simply go on working after age 65 at jobs they are still able to do. So there is kibbutz social security without bringing in the strong-arm tactics of the State.

So this is Israeli "socialism." I don't want to sound lyrical about it; I would not like to live on a

kibbutz. But it was interesting to see that where Leonard Read's principles of voluntarism and "anything that's peaceful" are followed, even a nominally collective way of life can flourish.

Declining Self-Reliance

It was good to be reading Leonard Read while going about in a strange country. The various essays in *The Love of Liberty* took on added freshness simply because their principles could be tested by observation of new things. Israel, beginning in Marxist dogma, strains toward "hitnadvut" self-reliance. This is a quality that is on the rise both inside the kibbutz and outside, where individuals start factories to make all sorts of useful objects out of olive wood. In writing about America, which once produced so many Thomas Edisons and Samuel Morses, Leonard Read has been forced to speak of the fall of self-reliance. It does not strike Mr. Read as mere happenstance that the figures for those receiving food stamps almost exactly balance the number of "keepers" who work for federal, state and local governments. The total — it is 16,000,000 in either case, or a whopping 32,000,000 in all — live off the rest of us. Mr. Read notes that there are no more Edisons or Morses among the keepers than among the kept. And

32,000,000 non-producers are giving the U.S. more and more the flavor of the drone society.

If Mr. Read were prone to pessimism, his essay on "What We Can Learn from a Communist" would have him permanently in the dumps. Quoting Earl Browder, who headed the American Communist Party for years, he mentions twenty-two specific examples of the development of socialism in the U.S. They range from government debt financing to price controls, and from the Employment Act of 1946 to government housing. Mr. Browder wrote that the single feature that the twenty-two items had in common was that they "express the growth of State capitalism." In substance if not in form, said Browder, State capitalism has progressed further in America than in Great Britain. As the Marxists define it, State capitalism is just another phrase for socialism.

The revealing word in many of Browder's twenty-two items is "guaranteed." Who, asks Leonard Read, is the guarantor? It is the government, which backs its guarantees with "coercively collectivized collateral."

Instead of panicking at Browder's list, Leonard Read thanks God for the "mess that we are in." The "mess" is the evidence that we have been doing things wrong.

It sends up signals that are loud and clear. Sooner or later there will be action on these signals.

Who Will Lead?

Who will lead the way to necessary change? Mr. Read thinks that appealing to the masses defeats itself. The masses fall easy prey to dictators. Name-calling doesn't help. It can be exhilarating to the pejorative verbalizer, but name-calling only serves to get peoples' backs up. As the backs rise, the ears close.

Heightened consciousness, says Leonard Read, can't be sold. The way to convince others is, first, to perfect one's own understanding, to become a member of Albert Nock's — and Isaiah's — saving Remnant. It is only when individuals become advanced in self-reliance and personal creativity that they project a contagious image. "Exemplarity," Mr. Read calls it. He quotes Albert Schweitzer: "Example is not the *main* thing in influencing others; it is the *only* thing."

Exemplarity, of course, works in bad ways as well as in good. Consider the present-day rash of teachers' strikes in communities that have anti-strike laws for public employees. The exemplarity here does not encourage students to believe in law and order, or "anything that's peaceful." The

bad example, however, adds to the "mess" that is the evidence that we are doing things wrong. If the teachers strike long enough, it will promote a grand efflorescence of private schools — "exemplarity" of the good sort.

Leonard Read says that "the abundance we still enjoy is exclusively the result of a leakage of free human energy." It was interesting to me that the Israelis have a word for such leakage. It is "le'histader," meaning "working around the rules." You can't beat Leonard Read: he applies anywhere.

► **RENT CONTROL: A POPULAR PARADOX** (The Fraser Institute, Vancouver, B.C., Canada, 1975) 212 pp., \$3.95

Reviewed by Bettina Bien Greaves

PEOPLE generally will buy more of a thing at a lower price than at a higher price. At the same time, owners will be less eager to sell at a lower price than at a higher price. Thus, a gap will always appear between the quantity of a thing people want to buy and the quantity its owners are willing to sell, *if government uses force to keep the price down*. This theme is applied to housing in *Rent Control: A Popular Paradox*.

The authors in this anthology describe the gap in the number of rental units sought and the number that appeared on the market when governments imposed ceilings on rents:

- In Vienna, Austria in the 1920's (1974 Nobel Economics prize winner F. A. Hayek)
- In Paris, France (French journalist Bertrand de Jouvenel)
- In the U. S. during World War II (Chicago professors Milton Friedman and George J. Stigler)
- In the United Kingdom (British professors F. W. Paish and F. G. Pennance)
- In New York City (Virginia professor E. O. Olsen)
- In Sweden (Swedish lecturer in economics Sven Rydenfelt)
- The Institute's Chief Economist, Michael A. Walker, also contributes a couple of chapters about the situation in Canada. In each case, would-be tenants wanted to rent more space at bargain prices than owners of real estate offered on the market.

Because of the nature of rental housing — it usually deteriorates gradually — there is generally some lag in the appearance of a housing shortage when government controls rents. Yet rent controls are bound to have significant side effects in time — over and above a gap between supply and demand. Savers look for more lucrative in-

vestments than rent-controlled housing; builders hesitate, or refuse, to start new construction; tenants fortunate enough to be living in bargain-priced housing units spread out to occupy more space than they otherwise would and refuse to move, even if new and/or better jobs open up elsewhere; and additional housing units cannot be produced overnight precisely where and when they are needed. Thus, rent controls aggravate and prolong economic rigidities and distortions.

There may be widespread agreement among economists as to the inevitability of a housing shortage under rent controls. Yet many politicians still expect that rent controls will gain them votes and help them stay in office if the number of happy tenants who enjoy rental bargains outnumber the disgruntled landlords and dissatisfied would-be tenants for whom suitable housing is not available.

Apparently there is renewed political pressure now for rent controls in Canada (two Canadian provinces have already enacted them in some form). It was this agitation that induced The Fraser Institute to publish this worthwhile book on the subject. One need not endorse the Institute's scheme for income supplementation in hardship cases during decontrol to find the book helpful.

The material should be useful to anyone trying to combat political control of rents as well as to students looking for examples of government intervention. The book illustrates with historical evidence and statistics one of the economic truths stressed by the late Professor Ludwig von Mises, namely that government-imposed price ceilings, of which rent controls are one example, produce effects which, from the point of view of the very persons who advocated them, are even worse than the state of affairs they were trying to remedy.

Whenever enacted and enforced, rent controls have always exaggerated the shortage of rental housing — and they always will.

► **CLEAR AND PRESENT DANGERS** by M. Stanton Evans (New York: Harcourt Brace Jovanovich, 1975) 445 pp., \$4.95.

Reviewed by William H. Peterson

MR. EVANS, nationally syndicated columnist, chairman of the American Conservative Union and former editor of the *Indianapolis News*, here attacks liberalism with a vengeance. He charges that liberalism has matters backward in its basic approaches, and because of this initial error it also reverses

the fundamental facts of our economic and political life. Hence, our country, under liberal guidance ever since the Great Depression, has been reeling from one catastrophe to another. Liberal answers to questions of poverty, pollution control, urban transit, public education, health care, oil profits, national defense, and the like are counter-productive, or to put it less mildly, frequently outright disasters.

Evans' research on liberalism is alone worth the price of admission. He notes, for example, the definition of "liberal" as propounded by former Senator Joseph Clark of Pennsylvania in 1953. "A Liberal is here defined as one who believes in using the full force of government for the advancement of social, political and economic justice at the municipal, state, national and international levels." Evans also quotes liberal economist Robert Theobald (an early champion of guaranteed annual income) who says, "we must recognize the fact that the society's needs may be more important than those of a single person" and "a strict insistence on existing rights would lead to an intolerable situation for all."

Mr. Evans derives his conservative stance from what he calls "the American design," from the first principles as laid down by the Founding Fathers. He stresses

the idea of having a written instrument of authorization — a Constitution. He stresses, too, the Founders' concept of, to use the Evans word, "antimajoritarianism." The Messrs. Washington, Jefferson, Madison, Franklin, *et al* believed in the ultimate authority of the people but they also believed in limits to what a majority in the legislature should be able to do. Such a majority could be hostile to sound government and the rights of the individual. So Mr. Evans hails the Constitutional design of checks and balances, of the separation and subdivision of power so that no single branch of government could exercise despotic authority.

Unfortunately, such authority has reared its ugly head time and time again. Mr. Evans notes, for example, how the Federal Communications Commission has especially subjected broadcasters such as Dean Clarence Manion and Rev. Carl McIntire, both spokesmen for the political right, to harsh "balancing" viewpoint requirements — which has had the effect of causing some radio stations to drop the Manion and McIntire broadcasts. Ironically, the requirements were promulgated under the name of the "Fairness Doctrine."

Similarly Mr. Evans takes the Interstate Commerce Commission to task for requiring railroads to

acquire a certificate of convenience and necessity to build new track or otherwise enlarge services. The Civil Aeronautics Board is likewise criticized for all but wiping out real competition in air transportation.

Thus does Mr. Evans tear into liberal programs and notions, spelling out facts and cases in a gold-mine of a paperback. He concludes:

There is little likelihood that America can regain its vigor as a free society, cure its economic ills, or correct its political disorders, if it continues to drift in metaphysical confusion. We therefore end as we began, in the awareness that our political troubles arise from the deeper realms of ethics and religion.

► **THE INCREDIBLE BREAD MACHINE FILM** (World Research, Inc., Campus Studies Institute Division, 11722 Sorrento Valley Road, San Diego, California 92121, 1975) 32 minutes, color, 16 mm.

Reviewed by Brian Summers

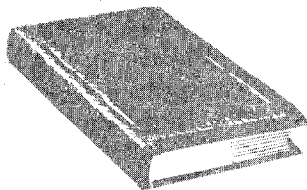
THE CAMPUS STUDIES INSTITUTE has a bestselling libertarian paperback (100,000 the first year) in *The Incredible Bread Machine*. Now they have made a movie based on the book.

The results are devastating.

Here is a documented, fast-paced, all-out assault on statism. Scene: the state seizes an Amish farmer's horses for refusing to pay Social Security taxes. Scene: The state lays siege to the home of a man who, rifle in hand, refuses to yield to eminent domain. Scene: The parking lot where the home once stood. Scene: Narcotics agents break into a home, terrorize the occupants, smash the furniture, and discover they are in the wrong house. Scene: Economist Murray Rothbard speaks of the wonders of government housing while seated before scenes of the government blowing up its own housing projects. And on and on.

The film makes effective use of dialogue. No one preaches to the audience. Instead, young adults rap about freedom, rights, socialism, and the market. The overall effect is to engender an interest in the freedom philosophy.

The film is being distributed by the Campus Studies Institute. For classroom use, study guides are available. 



the Freeman

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LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

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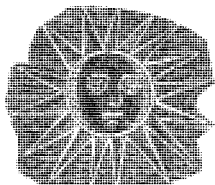
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CLARENCE B. CARSON

A Bicentennial Question:



An Ascendant or Setting Sun?

As the Constitutional Convention at Philadelphia drew to a close in 1787, James Madison noted some concluding remarks by the elder statesman of the gathering, Benjamin Franklin. His observations had to do with a sun painted on the back of the chair of the presiding officer. Franklin declared

that Painters have found it difficult to distinguish in their art a rising from a setting sun. I have, said he, often and often in the course of the Session, and the vicissitudes of my hopes and fears as to its issue, looked at that behind the President without being able to tell whether it was rising or setting. But now at length I have the happiness to know that it is a rising and not a setting sun.

A painter of course, can distinguish between an ascendant and a setting sun. However, for those of us attempting to assess the state of the republic of the United States on the two hundredth anniversary of its founding, it is not easy to locate the position of our sun. The signs are mixed, and the sun is obscured by a cover of clouds.

There are many indications that these United States are in the ascendant. Certainly, the wealth of Americans is great as is attested to by their homes, their automobiles, their appliances, their weekend and vacation paraphernalia, and the food they consume. The great abundance in the land can be viewed in the innumerable markets within easy access of almost any inhabitant of the country: the supermarkets with their array of food and drink, the department stores with

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty* (1973), covers the founding of the American Republic from 1760 to 1800.

their astonishing variety of goods, the gleaming automobiles for sale in the lots, and the specialty stores which cater to almost every whim and taste. Public buildings are usually massive and nearly always in a good state of repair. Superhighways crisscross the land to link the people together, as do television networks, railroads, airlines, and two-lane highways which have long since become commonplace. Engineers manipulate tiny computers to set in motion giant construction equipment to build more still of what is wanted to dwell in, work in, look at, or use in some fashion. A disinterested observer surveying this immense material achievement would surely be moved to declare that the American sun is in the ascendant.

Nor should it be thought that the reaches of the mind and spirit have been neglected in the United States. Although it is not possible by alluding to outward signs to give any measure of the quality of what is provided, there is much to show that wealth and attention have been lavished upon intellectual and spiritual matters. Of books, records, libraries, schools, colleges, universities, churches, seminaries, newspapers, magazines, seminars, theaters, and auditoriums there are a plenitude. Clergymen, professors, musicians, writers, commentators, critics,

evangelists, painters, architects, and lawyers abound. Missions of one sort or another to other parts of the world attest to some degree to the ascendancy of the United States.

Not Clearly Marked

But the signs are mixed, as I said; some point to ascendancy, others to descent, decline, to a setting sun. One such sign is the fiscal operations of our governments. Despite the huge take in taxes, the debt of the United States government, already grown astronomical, continues to mount. Our politicians do not have the courage to balance the budget, reduce expenses, or set aside funds for the retirement of the debt; indeed, few appear to reckon the debt as a problem. Many states and municipalities totter under the heavy burden of bonded indebtedness. The huge debt, both public and private, is kept afloat largely by massive infusions of paper money which results in a continuous deterioration of the value of the dollar.

Back of this mounting indebtedness accompanied by the decline in the value of the dollar is a related development which is its cause. It is the proliferating government programs of aid, subsidy, and welfare. Most of these programs have started modestly and then begun to balloon in fairly short order. The

Medicare program cost somewhat over \$3 billion in 1967, its first full year. Advance estimates of the cost in 1975 are just under \$14 billion. So it has been, in program after program. The advance commitments of the Federal government have reached the point that it is difficult to conceive how the budget could be balanced, much less that the debt should be funded.

It is not my intention, however, to enter upon a lengthy recital of the assets and liabilities of either their government or the American people. Whatever the merits of such assessments, they are regularly made by the Bureau of the Budget and wrestled with, however ineffectively, by the President and Congress. And certainly, it is not to the purpose here to construct lists of American virtues and vices from which to draw conclusions about where we are headed. Those with a taste for American virtues and vices, particularly the vices, can find accounts aplenty, if the daily newspaper does not entirely dull the appetite for more.

Whether the American sun is in the ascendant or is setting cannot be determined by totting up what someone or other believes are our virtues and vices, entering them in separate columns, and drawing conclusions about which predominate. The question must be answered, if it can be answered even ten-

tatively, in terms of deep-seated trends and where they are tending. Unbalanced budgets, deficit spending, and inflation are long-term trends, but back of them and lying at their roots are others which need to be explored.

Between Hope and Despair

To discern these, it helps to recall what it was that led Franklin to conclude that the painting was of a rising sun. His remarks were prompted, of course, by the approval which the Convention had given to their handiwork of the last several months, the United States Constitution. If Franklin intended any effect from his words — and he probably did, for he was a skilled diplomat with many years of practice in calculating the effect of what he said with great care — it was to say to those who heard him to get on with the business of getting this Constitution ratified and put into operation.

But his words conveyed more than that. They summed up the alternating hope and despair which he and others must have felt about developments in America in the preceding dozen years or so. Against great odds, odds lengthened by the ineffectiveness of their governments, they had achieved independence from Britain. Not only were they confronted all along the way by the danger of breaking up into

factions and camps; but also, once victory was won, they were little nearer to achieving real unity. The Constitution promised a government which could bring the states into union.

The Constitution provided for more than an energetic government which would bring about a United States, however; if it worked as intended, it would provide for Americans something rare, much sought after but seldom achieved. The United States Constitution promised *limited government and free men*. It promised to bind those who governed to the performance of their appointed tasks and thus to loose the energies of Americans to go about their constructive activities. If it accomplished this, there should be little doubt that the American sun was rising.

How unlikely that this promise should be fulfilled is not sufficiently appreciated. The story of most governments in the course of what we know of history is more sordid than not. It is the story of unleashed power, of tyrants, of oligarchies, of Caesars, of arbitrary kings, of absolute monarchs, and of dictators. It is the story of the plundering of peoples by robber barons, of ubiquitous tax collectors eating out their substance, of contests for power erupting in assassinations, intrigues, rebellions, and wars. It

has been all too often the story of rulers riding roughshod over the populace while they were oppressed and bound.

Limitations on Power

There have been, of course, governments which provided greater measures of justice than this would suggest, rulers who were contained to allow considerable freedom for the people, and monarchs who were held in check by constitutions. But these latter have been rare enough to make the promise of limited government and free men something out of the ordinary if it could be fulfilled.

Perhaps "promise" is not the right word. The United States Constitution does not just promise limited government and free men; in fact, no such statement is to be found in the document. The Preamble does state that one of its purposes is "to secure the blessings of liberty to ourselves and our posterity," but the body of the document is taken up with arrangements for the exercise of power, who should exercise it, and what powers were to be exercised at all. From what the Founders produced we can deduce that they thought promises would be nothing more than rhetorical flourishes. The Constitution at that point did not even contain a bill of rights. What they attempted to do was to build into

the structure of the government the limitations which would free men.

The main way they attempted to do this was by an intricate dispersion and balance of powers. The powers of government were dispersed among the three branches of the Federal government and between the Federal and state governments. (Of course, the United States Constitution does not grant powers to the states, though it prohibits them from exercising certain powers; the powers of state governments derive from their own constitutions.)

Three Branches

The Constitution says, "All legislative Powers herein granted shall be vested in a Congress of the United States . . ." "The executive Power shall be vested in a President of the United States of America." "The Judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish." The main purpose of the separation, balance, and dispersion of power was not only to prevent its concentration but also to limit its exercise; each branch and government might be expected to guard its own powers and prerogatives by preventing the growth in the powers of the others. The

underlying idea was to invoke human nature in the continuous struggle to limit government.

Benjamin Franklin's prophecy of a rising sun was correct. Under the auspices of the new constitution, the United States did expand and grow. Americans, their energies loosed by it, did press on across the Appalachians, push their way to the Mississippi, surge across the great plains, pick their way through the Rockies, and establish themselves on the Pacific. Those who were at first denied the full benefits of liberty were in the course of time freed. Americans built on a scale hitherto unimagined: they hacked their way through forests to make farms, built roads, canals, railroads, bridges, factories, and cities. The production of the United States became one of the wonders of the world to which others sought the secret. In time, they were so productive that the Europe which had once succored them would turn to America for sustenance. The United States became a power among the powers of the world and wielded great influence in world affairs.

The rise of America followed upon the establishment of individual liberty, upon allowing the individual scope for exercise of his abilities for the benefit of himself and others with whom he

worked, traded, discoursed, played, and prayed. The pertinent Bicentennial question is this: Do those same conditions still prevail in these United States? Is individual liberty still the keystone of the American government arch? George Washington could say with assurance in his Farewell Address, "Interwoven as is the love of liberty with every ligament of your hearts, no recommendation of mine is necessary to fortify or confirm the attachment." Would the statement be true if it were made today, and what does it portend if not?

Now it is doubtful that the question of whether Americans love liberty today as they were said to do in 1797 could be answered directly. The individual in America is attached to many values, and we may hope that one of those values is liberty. The chances are good that if someone were to attempt to answer the question for today he would take a poll of a selected group of Americans. Those polled would probably be asked to rank liberty with other values which would be named. The results might have some interest, but their reliability would be most doubtful. So much would depend upon how the questions were posed; what we would most likely get would tell us more about the pollsters than the polled.

At any rate, there is a much better way to get at what people believe. By their fruits you shall know them, Scripture says, and that is certainly much more to the point than what people say or think they believe. The thrust of political activity for a good many years now has not been in the direction of maintaining or extending individual liberty. Rather, it has been in the direction of centralizing power in the Federal government, the empowering of groups, the imposing of controls, increases in taxes, and the political determination of more and more questions.

A Tenuous Balance

The semblance of a balance of power remains in the structure of our governments, but if the heavens were as out of kilter as this "balance," the law of gravity would not suffice to keep the stars on an orderly course. In the first place, there is today a gross imbalance between the powers of the Federal and the state governments. The sway of the Federal government is such that states depend increasingly for revenues upon the government of the union, contrive their programs to fit the Federal formulas, and seek increasing aid while clinging to the remnants of fiscal and legal independence. The states are today

little more than puppets, moving in whatever way they are manipulated by the government in Washington.

In the second place, the balance within the Federal government among the branches has been greatly altered. There never was a perfect balance among the branches in the sense of each of them having equal power. The makers of the Constitution gave considerably more weight in decision making to the Congress than to the President or Supreme Court. (Within the Congress, however, the weight of the House and the Senate was made about as nearly equal as might be.) Congress was given the power not only to make the laws, appropriate money, and declare war, but also a share in appointive powers and authority to impeach and remove members of other branches as well as that of governing themselves.

In the twentieth century, however, the weight has shifted away from Congress, if not technically then in actuality. From the early 1930's to the mid 1960's the powers of the President were vastly augmented. In effect, the President usually initiated legislation, conceived programs for the government and administered them, conducted the increasing involvement in world affairs — dispatched armies, disposed of foreign aid,

and carried on extensive personal diplomacy with the leaders of other nations — and was everywhere understood to be at the apex of power in the United States.

Since the mid 1960's, however, indications are that the office of the presidency has declined in power and influence. It began during the last years of the Johnson administration, continued through the Nixon years, may have been accelerated by the disgrace of Nixon, and has not abated with the coming of President Ford. The trend does not thus far signal a restoration of a balance of power, however. The executive branch continues to grow in numbers and powers accorded it; but it is the growth of a body while the head shrinks. Most likely, it was Nixon's inept wrestling to gain control over the executive branch which may now be beyond administering that was his undoing.

The Supreme Court

Meanwhile, the Supreme Court has assumed unprecedented powers in recent years. The Warren Court, as it came to be called, solidified this trend in the 1960's by its activist decisions. Under the sway of a mass of decisions, the Federal courts became not only the final arbiter of the meaning of the Constitution but also the only

arbiter. Congressmen are heard to say that we cannot know whether this or that measure is in keeping with the Constitution until there is a court ruling on the matter. This is a serious abrogation of the duties of a Congressman and a contribution to the unbalancing of powers.

Congressmen are sworn to uphold and defend the Constitution. Their first line of defense of the Constitution is to enact no laws believed to be in conflict with its provisions. This is made more serious by the presumption of the courts in favor of the constitutionality of acts of Congress signed into law by the President. Be that as it may, the Federal courts have assumed extensive powers over American schools and unusual powers to determine the legal rules under which we live.

There is yet another development, however, which more seriously effects the balance of power than the others, if that is possible, and has changed the posture of our government. It is the accelerated growth of the bureaucracy and its expansion into more and more areas of our lives. Some have referred to the bureaucracy as a fourth branch of the government. The intent of the characterization may be good, but it fails adequately to describe the development. The bureaucracy is not just another

branch of the government, it comes nearer to being another government. It is as if we now have over us the state, Federal, and bureaucratic government. There is hyperbole in this way of looking at the matter, but not as much as might be supposed.

Growth of Bureaucracy

The separate bureaucratic government phenomenon is best exemplified by the "independent" boards and commissions, such as, Federal Communications Commission, Civil Aeronautics Board, Interstate Commerce Commission, Equal Employment Opportunities Commission, National Labor Relations Board, and so on. They are called independent because they are creatures of Congress and do not fall under the administrative authority of the chief executive. They may be thought of as separate governments because they perform all three functions of government; they legislate, administer, and enforce the laws which they devise. The constitutional separation of powers is abridged, and power is concentrated in single bodies.

These and other bureaus now produce 10 times as many rules or, more accurately, laws as does Congress. This lawmaking power has become so obtrusive that there is now before Congress a bill to sus-

pend the operation of some of the bureaucratic legislation until Congress has had the opportunity to examine it. Congress, which has all the constitutional authority to legislate, would gain a veto power over bureaucratic acts — a notion sufficiently strange to provoke mirth if not tears.

Bureaucratic control, however, is not a fit subject for mirthmaking; it is serious, often dead serious. Bureaus now hold life and death powers over virtually all activities in America. Whether one wishes to build a church, operate a printing press, produce a car, buy a house, buy and sell widgets, hire or fire, he finds one or more or many bureaucrats athwart his path. They license, certify, approve or disapprove, inspect, classify, lay down rules, hold hearings, compile dossiers, make rulings, restrict, restrain, and confine. They are ubiquitous and omnipotent and often behave as if they were omniscient.

Judging by these developments, a reversal has been and is taking place. The constitutional principle was, as stated, a limited government and free men. The trends examined show government being loosed and men being limited and confined. The concentration of power in the Federal government, the growth of the executive branch, the assertion of power by the Fed-

eral courts, and the proliferation of the bureaucracy have been a letting loose of government from its constitutional confinement. The one being confined by the sway of this power is the individual.

What do these things portend for America? Is the sun in the ascendant or is it setting?

At the rate things are going, the sun is setting for individual liberty in America. There are those who claim that what is being regulated and controlled is only the economy. Such claims are entirely specious; the economy is an abstraction to which government controls cannot be applied. It is people who are regulated and controlled. Moreover, it is not possible to regulate people in the economic aspect of their lives and leave them otherwise free.

Economic Factors

There is no aspect of our lives that is not hinged in some way to the economic. Everywhere that we are and everything that we do involves the use of property; whether asleep or awake, whether eating or fasting, whether reading or looking at television, whether walking or riding, it is all upon or with property. Every transaction we engage in, whether buying a newspaper or book, whether contributing to the church or buying a house, whether traveling to Eu-

rope or visiting Colonial Williamsburg, is economic in nature. Indeed, there is no angle from which to control our lives that can begin to equal the economic. The spread of economic controls, or the control of business, as it is sometimes called, signals the decline of individual liberty.

Government control signals, too, the setting of the sun for America. There is no knowing how long a people can survive ever-tightening controls. For a very long time, no doubt. But they do so at the expense of prosperity, of economic growth, of that vitality which makes for greatness of a people and a nation. Controls make it ever more difficult to adjust to changing circumstances and conditions.

There is good reason to believe that the United States is already visibly suffering from the rigidity of an economy made so by bureaucratic controls. Repeated efforts to revive the economy by massive jolts of government power by inflating fails in its object. It fails because the problem is not monetary in origin, though the attempt to solve it in this way certainly aggravates the problem. The problem arises, in the main, from inflexibility, rigidity, and restrictions which stand in the way of making the needed adjustments. The long wait for bureaucratic approval and inspection before

changes can be made hampers businesses. We would probably have Alaskan oil today rather than at some date in the future if environmentalists had not intemperately delayed the drilling and laying of pipelines. A people who will tolerate such interference with their lives can expect that their lives will become harder and harder.

Time to Reconsider

The American sun may appear to be in the ascendant, but there is strong reason to believe that it has entered upon its descent. It is especially appropriate in this Bicentennial season to think back upon and ponder these things. Anyone who cares to know may rediscover those principles which reassured Franklin that he was looking upon a rising sun. Those who care to do so may review as well the histories of peoples who have not been so fortunate as to start their national careers on the foundation of great political principles. When they have thus studied history, they may well wish to restore those principles to their former place. It will be no easy matter to do so.

Governments are not easily induced to relinquish the powers they have obtained and are used to exercising. Politicians and bureaucrats do not relish yielding up their authority over our lives.

Only a resolute populace determined to assert itself and claim its rights can prevail against them. Only those who have that love of liberty intertwined with every ligament of their hearts could be expected to make the effort.

There is one hopeful thought. The rotation of the earth on its axis which produces the rising and setting of the sun is a natural phenomenon, something we can only observe but not control. The sun having risen, continues upward to its zenith, commences to descend, and must inevitably set. It is not so with peoples and with

nations. It is within their power to change the course, even to reverse it, to restore principles, to be revived and revitalized. When liberty gives way to fullfledged oppression it is most likely lost for a long time, but liberty threatened can be more readily recovered.

It would be good indeed if we could use the occasion of our national Bicentennial not to pay tribute to the dead but to rediscover and reinstitute those great principles which characterized the American Revolution — principles which could be made to live again in America. 

My Freedom Depends on Yours

IN ORDER for the highest ideas and ideals of mankind to prevail generally, it seems obvious that a condition of peace and freedom is required — a society wherein no person molests any other person; a society wherein no person prevents any other person from developing his creative potentialities to the fullest extent of his understanding and ability.

This desirable state of affairs will not occur all at once. It will grow only as freedom is understood and as faith in it is restored. If one person decides today to practice freedom, the evolutionary process in human relationships will move forward one more step. That is the only possible path to freedom — a peaceful change in thought and understanding and action among individual persons.

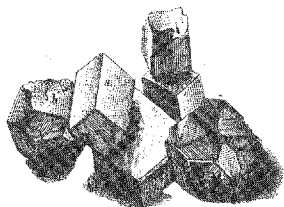
Anyone can begin the practice of freedom whenever he chooses to do so.

DEAN RUSSELL

IDEAS ON



LIBERTY



A MINERAL ALERT

HAVE WE WITHDRAWN so much land from mineral exploration and development as to seriously affect the long-term mineral position of our country? That is the key question explored by Gary Bennethum and L. Courtland Lee, young professionals in the Department of the Interior, in an article "Is Our Account Overdrawn?" in the September 1975 issue of the *Mining Congress Journal*.

President of the American Mining Congress, J. Allen Overton, Jr., introduces the article:

Bit by bit, acre by acre, vast tracts of the public lands of the United States are being withdrawn from entry for mineral exploration. The various federal bureaus and agencies have sharply accelerated this withdrawal process since 1968, without coordination and without regard for the cumulative effect on future production of metals and minerals from domestic sources.

Unbelievable as it may seem, an area larger than that encompass-

ing 25 of the 27 states east of the Mississippi River is no longer accessible even for mineral exploration, not to mention development for mining.

Much of this withdrawn land is in regions where mineral deposits of economic significance are most likely to occur — in the western United States and Alaska especially.

Lots of laws and governmental agencies are involved in this story but the essence of the situation is that of 824 million acres of public lands potentially available for mineral leasing, 24 per cent were withdrawn as of 1968 and 73 per cent withdrawn as of 1974; and of 742 million acres of public lands subject to the Mining Law of 1872, 17 per cent had been withdrawn from possible use in 1968 and 67 per cent as of 1974. Much of the problem developed in Alaska over the Native Claims Settlement Act of 1971. But other significant withdrawals have been made in the name of National Parks, Military

Claims, Wilderness Areas, Wild and Scenic Rivers, Fish and Wildlife Refuges, Utility Corridors, and Primitive and Roadless Areas, among others.

Special interest groups have gained political power to have lands set aside exclusively for their own purpose, thus precluding any other possible use of such land—even if two or more purposes might have been served simultaneously. At any rate, mining interests are deeply concerned about this recent trend of land withdrawal from mineral exploration and use.

Lest this be construed as special pleading by mining interests, let us view the matter in broad perspective. Of the total land area of 2,264 million acres in the 50 states, approximately one-third is federally owned/controlled—and not quite half of the latter is in Alaska. Private owners may have personal problems or difficult decisions about the sale or use of their property, but there is no public or general problem over mineral rights or withdrawals on privately-owned land. The problem arises in the public sector—on land not subject to market regulation and control.

This is the old, old problem of the wasteful use of scarce resources under a system of ownership in common; the ancient prob-

lem of chronic famine and starvation that still plagues people dedicated to socialism; the problem of over-grazing the commons in old England, and in the early days in New England where all produce went into a common storehouse for withdrawal by "each according to his needs"; the problem that has only been solved in comparatively modern times in those comparatively few places where the people have understood and respected the institutions of private ownership, specialized production, and voluntary exchange in open competition. This is the problem that currently perturbs mining interests with respect to exploring and developing mineral deposits on government lands. But on those same government holdings is the same problem with respect to grazing rights, water rights, timber rights or any other potential use the market might indicate.

Private owners of land and other scarce resources are free to waste them as they choose, of course, but always strictly at their own expense. If a private owner chooses to hold a given area as a park or preserve or for some other limited use, the market demand for other potential uses makes that owner painfully aware of the opportunity costs he bears to satisfy his particular purpose. And

he may be tempted, even persuaded, to allow a small mine opening or an oil drilling rig or pump or even some supervised timber harvesting on his otherwise scenic preserve. It is to his selfish interest to develop and use as economically as possible every scarce and marketable resource available on his property. There is every incentive for him to conserve rather than waste what he owns.

Not so on "the commons" — on that third of the land area of the United States remaining under Federal ownership and control. Not the bids and offers of potential buyers and sellers but only the numbers of voters favoring or deploring a given use have real meaning to the government official in charge of the land. To open such land to the highest bidder in the market place would be to bring it under private ownership — and that would diminish or even close out entirely the job of that government official. So his only incentive is to continue the land in some politically palatable but economically wasteful use — some purpose that millions pretend to applaud though unwilling to support it with their own resources.

Yet, when public officials dictate the disposition of scarce and valuable resources, the millions who applaud are nonetheless obliged sooner or later to foot the bill.

And that bill is falling due far sooner than many had supposed — next week, or next month (or was it yesterday?) for New York City.

The bill already has fallen due and is being paid for government mismanagement of natural gas and petroleum prices, production, marketing, and wasteful consumption.

The bill has fallen due and is being paid in countless "downtowns" laid waste in the name of zoning and rent control and public housing and urban renewal and related objects of urban planning. And there will be additional bills to be paid for urban and rural land utilization schemes and regulations.

Whenever scarce and valuable resources are taken out of private ownership and control — withdrawn from the market — and thrown into "the commons" there is a cost and the taxpayer will be obliged to pay. So let us beware the plans and controls and withdrawals we applaud, for most certainly we will pay for them.

No one knows precisely what the price will be or how long before the bill falls due for the recently accelerated withdrawal of a major part of the public domain from mineral exploration and use. But we should be grateful to Messrs. Bennethum and Lee for the early warning.





The Businessman and

Free Enterprise

BENJAMIN A. ROGGE

THE QUESTION before this house is not whether the survival of capitalism is in doubt (this is admitted). The question for us, as it was for Lenin at an earlier time, is What To Do? His concern was how best to hasten the collapse of capitalism; our concern is how to postpone or ward off that collapse.

Frankly, I feel more at ease as the diagnostician than as the therapist. Cancer is still easier to identify than to cure, and so is over-expanded government. Admittedly, diagnosis must usually precede therapy. After a lengthy diagnostic examination, the doctor looks up at the patient in some puzzle-

ment and asks, "Have you had this before?" To this the patient replies, "Yes," and the doctor says, "Well, you've got it again." Quite obviously something more than this is needed. Proper therapy usually rests upon diagnosis of the specific problem, including some notion of how the patient got into his fix, whatever it might be.

I begin then with the question "What is our problem?" In an earlier sentence, I identified the problem as that of over-expanded government. This is not really correct for the purposes of therapy. Over-expanded government is, in fact, but the most noticeable, objectively-evident *symptom* of our problem. Our problem is in the form of a set of ideas whose im-

Dr. Rogge is Distinguished Professor of Political Economy of Wabash College. This article is from a speech of September 16, 1975, before the Indianapolis Rotary Club.

plementation calls for the use of force and government in that agency of society given a monopoly of the right to use force. For so long as those ideas are dominant in society, Behemoth will continue to grow. Nor is it useful for those who hold and espouse those ideas to publicly regret the associated growth in government and all its instrumentalities. Thus Senator Edward Kennedy has said recently that "one of the greatest dangers of government is bureaucracy," and Senator Gaylord Nelson has said that, "The federal bureaucracy is just an impossible monstrosity." All well and good but that growth in bureaucracy which they so rightly lament is the necessary and inevitable outcome of the ideas that these two (and others) have so well and so convincingly espoused.

Man and Superman

What are these ideas that produce bureaus as larvae do moths? They can be expressed in various ways but their essence is to be found in the following related propositions:

(1) There exist individuals and groups in society who know not only what is best for them but what is best for others as well; and

(2) This wisdom, when combined with the coercive power of the state, produces "the good soci-

ety." An accurate verbalization of these ideas is to be found in the statement of Newton Minow, who said as chairman of the agency controlling television in this country, "What is wrong with the television industry in this country is that it is giving the viewers what they (the viewers) want."

Compare this, for example, with these words from Adam Smith's *Wealth of Nations*:

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. 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.

Some of you may see in other idea-systems (such as economic determinism, or relativism or envy or what have you) the real source of our malignancy. God, my wife, my children and all of you know that I am fallible and perhaps I have chosen poorly in this case.

What I *am* prepared to argue in a more strenuous way is my conviction that our struggle is at the level of ideas and not that of men or institutions.

In the words of the celebrated John Maynard Keynes:

The ideas of economists and political philosophers, both *when they are right and when they are wrong*, are more powerful than is generally understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.

My first point then is that we are involved in a war of ideas. My second is that our target is not the masses but those men and women in society who deal in ideas and who shape the thinking of the masses. In the words of one of the great idea men of this century, the late Ludwig von Mises:

The masses, the hosts of common men, do not conceive any ideas, sound or unsound. They only choose between the ideologies developed by the intellectual leaders of mankind. But their choice is final and determines the course of events. If they prefer bad doctrines, nothing can prevent disaster.

My third point is that the ideas

that finally count are those that relate to such fundamental questions as the nature of man, his purpose here on earth and the moral character of human action. Arguments on the basis of economic efficiency are not alone capable of saving capitalism.

According to Joseph Schumpeter: ". . . it is an error to believe that political attack [of capitalism] arises primarily from grievance and that it can be turned by justification. Political criticism cannot be met by rational argument. Utilitarian reason is in any case weak as a prime mover of group action. In no case is it a match for the extra-rational determinants of conduct. The stock exchange is a poor substitute for the Holy Grail."

Ideas Shape Society

I have now enumerated my assumptions as to the nature of the task in which we are involved. I have argued that we are really involved in a struggle for the souls of men, that in that struggle it is ideas that count and that the questions that are relevant are largely ethical in nature. Moreover, I have argued that our target is not the masses but those who live by the spoken and written word and who thus largely shape opinion in society.

If these assumptions be even

roughly valid, what then is implied as to the role of the businessman in the fight to save capitalism? Before attempting an answer to that question, let me consider one that seems to precede it. Should the businessman *as businessman* even get involved in the struggle?

A number of factors would seem to indicate a negative answer to that question. To begin with, the businessman is not typically hired by the stockholders to carry on programs of social reforms; he is hired to add to the net worth of the company. Admittedly the net worth of the company may be adversely affected by particular acts of government, and the stockholders would surely approve of management action in opposition to those specific threats to profits—for so long as the potential gain exceeds the cost. At the same time, the company may often stand to gain through specific acts of government, including actions that work *against* the principles of capitalism. Is it a tariff against foreign steel producers? or an export subsidy that would increase the demand for the company's products? or a government-enforced price or interest rate that adds to the profits of the company? How now the businessman? How can the President of the Mobil Oil Company be a convincing spokes-

man for free enterprise when his job seems to require that he oppose immediate decontrol of oil prices? How can the President of General Electric stand four-square for capitalism, yet support export subsidies for many of the products sold by his firm?

The Businessman's Dilemma

The fact is that there is hardly a businessman in this country who is not receiving favors from government in one way or another. The fact that this is true of most other elements in the society, including his critics in the ranks of the intellectuals, does not really change the nature of the businessman's dilemma. His job may seem to require of him that he support specific government intervention in the economy of precisely the kind that, in the fight for men's souls, he must condemn as general practice. Knowledge of Kant's Categorical Imperative—do only that which you would be willing to see done by all—may get you an A in a college course in philosophy but may get you fired if you attempt to practice it as a businessman.

In other words, his very position may seem to require of the businessman that, in the struggle against government intervention, he be as often a part of the problem as of the solution. Moreover,

how can he face those he is attempting to persuade to hold the capitalist faith when his own hands are so obviously unclean?

This is not a plea for the businessman to abjure all government assistance, even at the cost of dollars and perhaps survival. With Adam Smith, I assume that businessmen (as all others) are rarely prompted by general benevolence. In fact, with Adam Smith, I would urge us to "examine any proposal which comes from this order of men (the businessman) not only with the most scrupulous but with the most suspicious attention."

A second reason for a possible negative answer to the question of whether the businessman should get into the fight to save capitalism is that he is usually an amateur in the practice of the arts required by that struggle. The art required is not that of making or selling men's suits or aircraft motors; the art is that of the dealer in abstract ideas, including particularly systems of ethical judgment. Don't misunderstand me; it is not that the businessman is unintelligent. I yield to no one in my respect for the great practical and theoretical intelligence required for effective entrepreneurship. It is simply that his intelligence is not applied, day in and day out, to the kinds of questions and considerations that are at the center of

the argument. This is not his turf, nor is he usually adept at the word games played on it.

What I am saying in essence is that here, as in most of life, the prizes (in this case, the souls of men) will go largely to those who are specialists in the arts involved. Admittedly there are some such (I could name you a dozen or so) from the ranks of the businessmen, but their skills in the arena of ideas and words are not a product of their business experience but of what they have done on their own initiative to improve their own understanding of the ideas involved here and their skills in communicating those ideas.

Who Stands Most to Lose?

Where then does this leave us? Can the typical businessman do nothing but deplore the growth of government and go on about his task — which may have been made easier in some ways and more difficult in other ways by that selfsame expansion of government involvement in economic life? I believe that the answer to that question is "no" — but I have some real sympathy with those businessmen (and this will be the great majority) who by their inaction say "yes". After all, as Henry David Thoreau put it, "I came into this world, not chiefly to make this a good place to live in, but to live

in it, be it good or bad." Nor, as I have argued elsewhere, is it the administrator-businessman who has the most to lose from the passing of capitalism. Most of them will end up as administrators of socialist enterprises if and when full socialism arrives. It is the masses who have the most to lose — and who also have the least understanding of that fact.

But for those of you who *are* interested in doing something as business and professional people to counter the drift to collectivism, here is what I would suggest that might be both useful *and* consistent with the profit-oriented role for which you draw your pay.

(1) Work with your own staff members and employees. A work force that has some understanding of the market place and of where its own goodies come from *may* (and it is only a *may*) be a less troublesome, more effective force over time. Any number of such programs, of varying effectiveness, are now in operation and available for general use.

(2) Work with the appropriate audiences in the communities where you have operations. Here again, there may be some pay-off in terms of a better political environment in which to function. Again, there are a number of such programs now in operation.

Anything more? Frankly, I am

not much impressed by the usefulness of business attempts to reach nation-wide audiences with free-enterprise propaganda.

What else? The "else" is what the businessman *shouldn't* do rather than what he should do. Moreover, it requires that the individuals involved must have done their *own* homework.

In fact, let me say right now that even the first two steps I have identified can do more harm than good if the people selecting and authorizing the operations have not themselves taken the time and effort to decide exactly what it is they believe and why. There is nothing about being a successful businessman (even a *very* successful businessman) that automatically endows one with an understanding of or an attachment to the principles of freedom — a statement I could support with a hundred examples, if time permitted. In fact, some of the great fortunes of America have been made by those who have learned how to use government intervention to their own advantage.

Examine Your Principles

I cannot emphasize too strongly that the very first thing each of you who wishes to be a truly effective part of this struggle must do is to do your own homework. This requires reading, thinking

and, yes, writing. I challenge each of you to go home tonight and put down in brief form your guiding principles in life and their applications in this area of the relationship of the individual to his government. You might also find it interesting to follow that with a list of those things which you and/or your company or group are now doing that are clear or possible violations of those principles.

Am I asking you to immediately cease all ideological wrongdoing? to cut yourself off completely from all areas of government involvement? Were you to do so, there would be literally no way you could eat or move about or keep warm or survive—such is the extent of government's involvement in our lives. Each of you, in your professional role must decide for yourself the limits of your compromise with the apparent demands of the moment.

Summation and Concluding Suggestions

(1) I am arguing that the first and indispensable step for any person who wishes to be a part of the effort to save capitalism is a determination of precisely what he believes and why. This will usually involve, not just putting down the already-determined, but active study, reflection and discussion. This is your intellectual and philo-

sophical armor and without it you are not only vulnerable but as likely to be a handicap as a help in the struggle as well.

(2) Try as best you can in this imperfect world to live by those principles.

(3) In using your professional role or your company in the struggle, do only those things that seem consistent with the long-run interests of those whose money you are using. Remember, not all stockholders will wish to have their money used in this or any other crusade.

(4) If you wish to play a personal role, apart from your company or professional connection, then you must dig even deeper into what you believe and why; you must know even more fully the arguments and values of those with whom you disagree; you must continually seek to improve your skill in expressing your ideas and in demonstrating the errors in contrary positions. My guess is that only a few of you will carry through to this level of participation—but it is not a numbers game anyway; it is a game in which it is the quality of the few that finally counts.

(5) I spoke earlier of the things that you should *not* do but didn't specify them. What are they?

(a) Don't make a pest of yourself by trying to force your free-enterprise ideas down the throat of every passerby — whether in your home, your office or at the cocktail party. In the words of Leonard Read, founder and President of the Foundation for Economic Education, who has taught me everything I know on this and many other questions, "Go only where called — but do your damndest to get good enough to be called."

(b) You may not be able to avoid involvement in departures from principle but at least don't lend your voice or your money to the support of those departures. You may have to pay into Social Security or submit to a system of wage-price controls but you don't have to join committees or groups who support such programs.

In a hundred different ways and forms, the American businessman is aiding and abetting the enemy by continuing his involvement in organizations and programs that are as likely to propose as to oppose extensions of government. Don't let this reciprocity game you people of substance play with each other or your desire to be a good

guy or what have you lead you to give your money or your name (and hence, by implication, your support) to activities or organizations that are working the other side of the freedom street.

To return to Thoreau:

It is not a man's duty, as a matter of course, to devote himself to the eradication of any, even the most enormous wrong; he may still properly have other concerns to engage him; but it is his duty, at least, to wash his hands of it, and, if he gives it no longer thought, not to give it practically his support.

Forgive me if I seem to blaspheme, but even your church and your college should be examined with some care before you bless them with your dollars and your support. You don't have to prove you are a nice, broad-minded guy by providing the devil with the coal for your burning.

Again to be specific, you needn't insist that every professor on your old campus think exactly as you do but I believe it completely appropriate for you to find out if the general idea system that *you* believe to be best is well and ably represented in the ranks of the faculty.

I close this sermon with these words: Avoid anger, recriminations and personal attack. Those with whom you are angry are

probably (taken by and large) at least as filled with or as empty of virtue as you. Moreover, they are the very ones you might wish later to welcome as your allies.

Avoid panic and despair; be of good cheer. If you're working in freedom's vineyard to the best of your ability, the rest is in the hands of a higher authority anyway. If you can see no humor in what's going on (and even at times in your own behavior) you'll soon lose that sense of balance so im-

portant to effective and reasoned thought and action.

Finally, take comfort in the thought that the cause of freedom can never be lost, precisely because it can never be won. Given man's nature, freedom will always be in jeopardy and the only question that need concern each of us is if and how well we took our stand in its defense during that short period of time when we were potentially a part of the struggle. 

The Personal Practice of Freedom

YOUR FRIENDS and acquaintances may not always believe what you say, but none will question for one moment the fact that your personal conduct and consistent personal practices speak the truth as you see it. You cannot convince your neighbor by word of mouth that you are a believer in temperance if he sees you staggering around your house each Saturday night. You cannot convince him that you are in favor of government economy and then sign resolutions calling for federal funds with which to build your town a bathing beach or even a hospital. You cannot convince him that you believe in economic freedom and independence for the individual and then ask that Washington underwrite your personal or business risks.

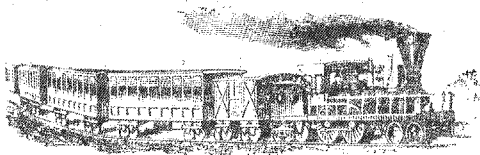
The first step, then, is to make certain that we actually believe in this thing. We have got to want it enough to practice it personally. If not, the answer is already given as far as we are concerned.

IDEAS ON



LIBERTY

Why Reforming the ICC Is Not Enough



WILLIAM D. BURT

THE CHOICE confronting us today is clear: either abolish the Interstate Commerce Commission, or accept the impending breakdown of transportation.

We can have deregulation and a free market.

We can, to a point, also endure nationalization with its army of featherbedders whose pretenses at "service" will be a sad joke on shippers and taxpayers alike.

But regulated transportation — the politically palatable middle ground — is nearing the end of the line.

Like the canals before them, early railroads received substantial government aid which caused

over-investment in facilities. When direct Federal support began to recede in the 1870's, a day of reckoning loomed which could not be forestalled despite the industry's hapless attempts at cartelization. Rather than permit the weakest carriers to face the music, Congress in 1887 created the Interstate Commerce Commission to regulate competition and pricing.

Initially confounded by the multifarious forms of rebating with which companies had circumvented private pooling, the Act to Regulate Commerce needed several "perfecting" amendments. However, with the passage of the Mann-Elkins Act in 1910, the ICC began policing its price-fixing system with relative effectiveness. The Transportation Act of 1920 formalized the Federal govern-

Mr. Burt is a former legislative assistant to Congressman James F. Hastings, member of the House Subcommittee on Transportation and Commerce.

ment's commitment to railroading as a public cartel.

All this merely encouraged shippers to avoid rail transport. Regulation or no, this was bound to occur. Trucking, barges, pipelines, and air transport all developed to some degree as the market's answer to attempted rail monopoly. For instance, railroads tended to set rates low on competitive routes (despite cartels) while holding up rates to places they served alone; hence, the short-haul trucker. But the growth of such alternatives through the 1920's and '30's hardly implied an efficient free-market reallocation of traffic, for government still meddled with all transportation. Overbuilt trackage, shielded pricing, and the headlong leap into building public roads, waterways, and airports combined to initiate an exaggerated shift of business to the railroads' new competitors.

Despite such distortion, the grip of the rail cartels was so loosened that Congress was persuaded to bring the newcomers under regulation: trucks and buses in 1935, and water carriers in 1940. This time, "fairness" and "equality" did not cloak the intent to cartelize the competitors, and shipper groups almost unanimously opposed extending regulation. Shaken by the depression, trucking firms pleaded for it.

Today, exemptions mean that the ICC regulates and sustains a cartel made up of one-tenth of barge traffic, one-third of trucking, and all of railroading. Airlines are similarly overseen by the Civil Aeronautics Board. Economists say that transportation policy amounts to an implicit tax of more than \$10 billion a year. This figure, derived mainly from the costs of idled resources and regulatory misallocation of traffic among transport modes, cannot begin to account for the awesome loss of opportunities. But the U.S. Department of Transportation has found the case sufficiently convincing to press for regulatory *reform*: speeding up the ICC's rate-making process, allowing "zones of reasonableness" within which railroads and truckers may freely tinker with rates, and supervising traffic associations (rate bureaus) to ensure that these agents of the public cartel do not act "anticompetitively."

Instead of merely enumerating costs of regulation, a more logical approach would note these six major features of regulation which have been the undoing of transportation:

Antitrust

The major impetus for regulatory reform comes from those who would remodel transport regula-

tion along the lines of antitrust policy. Envisioning "perfect competition" — an economy where consumers are so wooed by producers that all *political* complaints about "high prices" or "scarcity" have been stilled — they overlook the certainty that antitrust policy will foster inefficiency by imposing artificial limits upon the size and functions of transport firms. Unreached economies of scale and pervasive misallocation of traffic to less able carriers can be the only result.

Startling evidence of this has been unearthed recently in the case of trailer or container-on-flat-car rail traffic, which, was once touted as the savior of transportation because it uses trucks for short-haul pickup and delivery of containers while availing itself of the rails' long-haul efficiency. "Piggyback," as such shipments are called, now loses money for many railroads. Why? The idea is untarnished; however, because railroads are prevented from owning truck firms performing piggyback's "retail" services, and because the ICC requires railroads essentially to price their services "by the mile," incentives have been bent towards maximizing the percentage of each piggyback trip spent *on the rails*. Thus, low-volume piggyback and container terminals have proliferated, suffocat-

ing the concept of efficient "wholesale" rail service. Antitrust guarantees such expensive mischief.

Egalitarianism

In response to its recent critics, the ICC has returned to waving its most infamous bloody shirt: "unfair and unequal treatment." That the would-be reformers have also bowed to this emotional appeal is apparent in the fact that their proposals leave intact extensive ICC powers compelling carriers to handle each other's equipment "without prejudice," to cooperate in any through route or inter-line rate "reasonably" proposed by connecting carriers, and to peg freight charges to mileage (the "long-haul/short-haul clause") so as not to favor shippers in any one location.

But discrimination incurs no injustice. The only thing "binding" a customer to any product such as transportation is his continued judgment that, whatever its undesirabilities, he is still better off buying it than not. In contrast, *forcing* carriers to sell their product on terms other than their own is but slavery.

Ironically, price discrimination often benefits those who bewail it. For example, wherever several producers of the same product who are located differently ship to the same destination, strict mileage

rates result in the nearest producer's underselling all others. This, of course, reduces the number of competing shippers, each of whom now bears a much higher proportion of the overall costs of the transportation company. On the other hand, reducing rates to more distant producers permits costs to be spread over many rather than few customers. This makes possible many kinds of transportation which could not be supported by "nearest" shippers alone. Though discrimination simultaneously increases transport efficiency, and contributes to the plenitude of goods "from all over" found in most marketplaces, it has occasioned such lasting envy among its imagined victims that its benefits seem permanently forgotten.

To the extent, then, that egalitarianism wastes transportation resources, it is responsible for the railroads' dismal return on investment. Despite the ICC, though, proscribed *price* discrimination often reappears as *service* discrimination — by far a relatively inefficient substitute.

Consider the latest generation of "hy-cube" boxcars designed to handle auto-parts. These emerged when railroads were prevented from cutting rates to the auto makers, or from bending ICC car-service rules to assure GM and

Ford a dependable supply of freight cars. By building the capacity of two older cars into one big new one, railroad managers cleverly improved their ability to assure car supply and do so at effectively discounted rates. However, costs were run up in ways that didn't show until later. When auto traffic slackens, hy-cube cars amount to little more than white elephants. As maintenance forces have discovered, the weight of the big cars crushes already-weak track structures. Adding insult to injury, hy-cubes are found to generate extreme lateral "waddling" movements at slow speeds which figure in an increasing number of derailments.

Common Carrier Obligations

How would we fare if carriers weren't required to provide stable service for everybody?

We'd be better off . . . with more variety and *improved* transportation. Best of all, most of us could quit footing the bill for those "disadvantaged" people who choose to do their business from relatively inaccessible corners of the world.

The common carrier obligation, a queer but time-honored anomaly of common law requiring transport firms to serve all "reasonable" comers, underlies nearly every power of the ICC. It also accounts for the familiar behavior of trans-

port employees toward the public. As Clarence Carson observes, theirs is the enthusiasm of a serf.¹

Included in the category of "common carrier" ICC decisions are those governing railroad branchline abandonments, truck service to small communities, and the rail passenger-service discontinuations of the 1960's. The CAB's requiring airlines to serve small airports is yet another example. When carriers are required to serve all (or when tax monies support Amtrak's passenger trains), uninspired, mediocre service is "assured" to "disadvantaged" recipients at the expense of others. More importantly, such requirements abort better ideas by keeping their potential markets locked in the cold arms of the common carrier.

Railroads ran long-distance passenger trains decades after it had become clear that such operations had been doomed by union rules and government subsidy of interstate highways and airways. After Congress created Amtrak to perpetuate the existing passenger-train concept, the public agency shortly dropped over one hundred trains from its schedules. Such a quantum leap backwards for the

common carrier triggered an entrepreneurial response which incorporated major technological innovation, today lavishes unheard-of service on its patrons, and, for the first time in memory, runs full, *happy* trains. "Auto-Train" could never have been born had Amtrak or the railroads lived up to their common carrier obligation.

Prohibitions against railroad branchline abandonments have forestalled another better idea: the independent feeder "shortline" railroad which, without union rules and with personal attention to rural shippers, can make money out of many previously uneconomic branches. Similarly, it is evident that deregulation of trucking would encourage widespread entry of low-capital entrepreneurs into service-oriented pickup and delivery. Lastly, the experience with CAB-unregulated intrastate air carriers in the Southwest gives reason to expect that deregulation would not only increase the profitability of national airlines concentrating on dense routes, but also increase travel between lightly-populated points served by efficient small air carriers.

All of this is the other side of the coin: "common carriage" actually circumscribes the different means by which people may avail themselves of transportation. It does so by spreading the errone-

¹ Clarence B. Carson, *Throttling the Railroads* (Irvington, New York: Foundation for Economic Education, Inc., 1971), p. 44.

ous notion that most shippers will find it more advantageous to force their desires upon a common carrier — despite low probability of success — than to pay their own way on the free market. Politically, this formula is dynamite, emphasizing emotional appeal and obscuring complex truths.

The Incentive to Protect

To this point we have analyzed dogmas retained under “reformed” regulation which are, however, not essential to regulation *per se*. Even more pernicious are the institutional dynamics of regulation.

One of these is the ICC’s historic (though hotly denied) policy of holding one carrier’s rates up to protect the traffic of another — known as “umbrella ratemaking.” Another means to the same end is the Commission’s effort to sustain weak carriers at the expense of stronger competitors, as when the Milwaukee Road was given trackage rights into Portland, Oregon and Louisville, Kentucky as conditions for ICC approval of the Burlington Northern and Louisville & Nashville/Monon Railroad mergers.

Such practices are rationalized in part by Congress’ mandate in 1940 to “promote sound and economic conditions” among regulated carriers. Despite a simultaneous directive (and another in

1958) to refrain from disturbing the “inherent advantages” of its subjects, the Commission has repeatedly seized upon the 1940 language to excuse its sustaining weaker carriers by robbing stronger ones.

With good reason! All of the ICC’s political incentives place a premium upon increasing the number of its constituents — at least as long as it can do so at the expense of strong carriers’ finances or inelastic consumer demand. The excess capacity, lingering financial anemia, and periodic bankruptcies can all be blamed on “capitalism” or “mismanagement,” and charged to the taxpayers eventually.

Congress, too, would apparently prefer to “fly now and (let the other guy) pay later”; witness the current imbroglio over allowing the Lehigh Valley or Rock Island railroads to be abandoned. Umbrella policy, then, is also consonant with political shortsightedness, and is therefore a permanent feature of economic regulation.

The Threat of Intervention and Its Uses

Recently, the ICC has stressed that only a small percentage of rates are suspended, and fewer still refused, because they are too low. Nonetheless, the cartel is alive and well. Inflation means that rate decreases take the form of rela-

tively smaller rate *increases*. Moreover, most of the Commission's work has already been done, for rates of various kinds do not go into effect until they have been approved by organizations of carriers known as "rate bureaus."

If confined to the innocuous data-gathering services they tout, rate bureaus' expenses would be minor. Instead, the approximately ninety rail, truck, and water traffic associations each collect millions of dollars every year from member carriers, most of which is spent to maintain forces of potent legal and lobbyist talent used on behalf of cartel interests. Protests by well-funded and sophisticated rate bureaus routinely bring on ICC suspension of independent rate filings — what few there are — and thus raise the probable costs of filing "cut rates." Combined with the ICC's casting railroads in the dual roles of competitors/co-operators, the deterrent is usually sufficient to obviate any need for open Commission enforcement of cartel pricing. Indeed, rate bureaus themselves seldom overtly request "minimum rate orders," so deep-rooted is their pervasive influence.

As long as the power of suspension and refusal over management decisions exists, there will be people to exploit it and magnify its superficially minor impact. Amend-

ments to the Interstate Commerce Act in 1948 assured "the free and unrestrained right to take independent action" in filing rates. Regulatory reform legislation would do no more than reaffirm this principle with similarly hollow words.

The Destruction of Regulated Transport

The recent remarkable upsurge in unregulated owner-serving "private" trucking, "contract carriers" (trucking firms devoted to single customers), and illegal gypsy haulers reminds us that the market is ever at work devising paths around government obstacles.

Characteristically, regulation generates artificial monopoly gains in some economic sectors to dissipate them elsewhere. Briefly, consumers of the first product are trapped, enabling the regulators to reap loot sufficient to support their beneficiaries. But the consumer victims rather quickly discover "next-best" substitutes for the regulated item. Though in transportation the substitution process is made more difficult by immense capital costs, even these will be overcome given enough incentive by cartel pricing.

Once this occurs, three choices unfold to public policymakers: (1) extend regulation to the substitutes, (2) initiate direct tax sub-

sidy of intended beneficiaries, or (3) give up the whole unsavory game. Again and again, Congress has chosen to extend regulation — most notably in 1935 when truck competition was beginning to dislodge both the rail cartel and its rationale. Now, regulatory reform proposes permanent direct subsidy to railroads in the form of a “trust fund” financed by a tax on *all* (including *unregulated*) carriers. Continuing diversion of business to unregulated carriers would likely lead Congress to extend regulation to them, also.

One must question how long this can go on before the public recognizes the dangers underlying continued regulation. Surely, many consumers will always find ways to avoid the regulatory cartel. Already we are seeing plant and in-

ventory duplication to avoid transport altogether — better known as economic Balkanization. As the gap keeps widening between original free-market possibilities and remaining substitutes, however, we all become poorer. The only way the cartel can be made to work *for its beneficiaries* is by complete government control of the economy, at which point it should be evident just how much we have been impoverished.

But it will be too late then.

Regulation's defenders claim that viable free-market transportation alternatives were never possible. But the truth is that government intervention put us on the path to where we are today. If justice and necessity are to prevail, transportation will be deregulated. Regulatory reform is not enough.



“Horse and Buggy” Principles

THE IDEAS of our forefathers are now often called “horse and buggy” principles that might work in a frontier community but not in an industrial age of rapid transportation and communication. The fact remains, however, that it was those “horse and buggy” principles themselves that caused the development of the automobile and the countless other products and services that have made this earth a more pleasant place to live. Conversely, the world-wide situation that has been threatening for so many years to plunge us back into the barbarism of complete governmental controls is due almost exclusively to a rejection of those principles and concepts — in *all* nations, including our own.

IDEAS ON



LIBERTY

BERNARD H. SIEGAN

A Free Society

VOTERS in Jefferson County, Missouri (pop. 110,000) have twice rejected zoning. In 1970, 56% voted to terminate it and 58% voted in 1974 against establishing county zoning. I met some of these anti-zoners recently.

One man told me he began his campaign shortly after discharge from the army. He purchased about an acre of land in a rural area to build a home, but was denied a building permit because the parcel was too small to qualify under the zoning ordinance. He was outraged since it was inconceivable to him

that anyone could possibly have been harmed by his proposed structure.

When my learned friends hear this story, they generally react with a polite tolerance, a kind of inward yawn: so what else is new? This attitude, regrettably, forecloses discussion and feeds on itself. We seem to have forgotten that basic liberties are at stake.

Most people I meet appear to take it for granted that persons who own land have no inherent rights to do anything with it except what government will allow. That notion, however, is totally inconsistent with the ideals of a free society in which people should be able to do as they please unless their acts clearly harm or interfere with the liberties of others.

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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 Distinguished Professor of Law at the University of San Diego Law School.

That is the nature of freedom. The exercise of freedom is meaningful only when it involves unpopular actions or expressions. Obviously there is never a problem in engaging in conduct everyone approves. But this infrequently occurs inasmuch as people differ greatly in interests and desires. In a free society, consequently, freedom should only be limited when its exercise actually diminishes someone else's freedom; surely not when it is merely contrary to the will of a majority.

By that standard, freedom in the use of property has vanished in most of this country since those who control zoning do not have to justify it on any such grounds. In fact, there is little restraint on the zoners; often they can do as they please.

Contrast this with treatment of the press. Unless they libel someone, that is, inflict serious and measurable damages, publishers are largely free of controls. Had the same individuals chosen a business involving use and development of property, their freedom would have been severely curtailed. There is plainly a different standard operative in the distribution of freedoms. Yet liberty, we are told, is not supposed to be divisible.

Our social order has been in flux in recent years as more people who claim they have been denied them,

obtain "equal" rights. Personal freedom has been a critical issue of our times. Nevertheless, a reverse course has been followed on the ownership of property. Rights of property owners have been steadily eroding due to greatly escalating zoning restrictions.

Probably the strongest support for property rights comes from the grass-roots. One can predict that in referendums affecting property interests such as those on zoning, urban renewal or environmental restrictions, a majority of average and moderate income people are likely to vote against the position that restricts private property. While much of this can be explained on the basis of the harm such laws cause poorer people, these actions also stem from a belief in the right of the individual to own and use property.

This feeling differs substantially from that held by some large developers who tend to view zoning as a game of politics and expediency. Their attitude reflects the pragmatic wisdom of our times that puts property rights on the block. Many small property owners live in a less sophisticated world, and for them zoning is anything but a game; it is more a tyranny of government.

A definition of tyranny found in the dictionary is "arbitrary or unrestrained exercise of power."

There is no more apt description of what occurs under zoning, where the rules are set and reset at the will or whim of the local council. When the zoners remove hundreds or thousands of dollars of value from property, the effect is comparable to a fine imposed against the owners in that amount — except the latter have committed absolutely no offense.

However you refer to it, there is something terribly wrong when persons have to appear before local officials and plead for the oppor-

tunity to use their property as they deem best. It is a demeaning procedure. The owner must carefully consider how to speak, act, look, dress and whom to hire. Perhaps it doesn't matter, but there is too much at stake for most to risk it.

These officials are intended to be servants, not masters of people. Election or appointment to an office having zoning authority carries with it awesome power over other human beings. It has no place in a free society. 

Lincoln on Power

TOWERING GENIUS disdains a beaten path. It seeks regions hitherto unexplored . . . It thirsts and burns for distinction; and if possible, it will have it, whether at the expense of emancipating slaves or enslaving free men. Is it unreasonable, then, to expect that some man possessed of the loftiest genius, coupled with ambition sufficient to push it to its utmost stretch, will at some time spring up among us? . . .

Distinction will be his paramount object, and although he would as willingly, perhaps more so, acquire it by doing good as harm; yet, that opportunity being past, and nothing left to be done in the way of building up, he would set boldly to the task of pulling down.

When such an one does (spring up among us), it will require the people to be united with each other, attached to the government and laws, and generally intelligent, to successfully frustrate his designs.

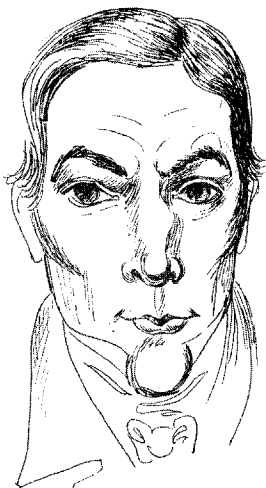
From an address before the Young Men's Lyceum, Springfield, Illinois, January 27, 1837.

IDEAS ON



LIBERTY

Robert Owen:



The Woolly-Minded Cotton Spinner

MELVIN D. BARGER

THE NEARBY WABASH RIVER must have seemed symbolically reassuring to Robert Owen on the day he arrived in Harmony, Indiana in late 1824 to launch the millennium.

It had been on another river, the Clyde in Scotland, that Owen became rich and famous as the director of the New Lanark cotton spinning mills. Here at Harmony, on the Wabash, he was about to establish a community that would become a beacon for all mankind. For too long, in Owen's view, the world had been in bondage to the sins of individualism and self-interest. He had a better way, a way of cooperation and sharing. New

Harmony, the name he gave the village after purchasing it early in 1825, would direct the world to this new way by its successful example.

But as students of American history know, Owen's millennium never came. New Harmony was a colossal failure that consumed at least four-fifths of his fortune and destroyed his reputation as an astute businessman. Far from proving that individualism and self-interest could be eradicated, New Harmony revealed perverse and virulent forms of both traits. Hailed as a new beginning in co-operation, the community of 900 persons on the Wabash was characterized by bickering and dissen-

Mr. Barger is a corporate public relations executive and writer in Toledo, Ohio.

sion almost from the start. Established as a new social order that would bring economic security, the village quickly fell behind in crop production and ordinary maintenance tasks were neglected. Proclaimed as the model for a system that would usher in a new era, Owen's village was copied only briefly by other communistic societies in America and was then abandoned. As a venture that was supposed to spark the millennium, New Harmony was a total failure.

Oddly enough, however, the New Harmony debacle may have been the high point of Robert Owen's life, because it won him a place in American history and created a heightened interest in "Owenism," the brand of socialism he espoused. Unfortunately, neither Robert Owen nor his followers learned the lessons that New Harmony could have taught them, and much of the "democratic socialism" that is now practiced in the Western world reflects the same fuzzy thinking that destroyed Owen's model community. We are still paying for Owen's folly and for the failure to understand the contradictions of Owenism.

Why did the New Harmony venture fail? It certainly had everything going for it. The community was actually a going concern with good buildings, cultivated lands and orchards, and a

fair amount of livestock when Owen purchased it from a German religious sect called the Rappites. It could have had good leadership, because Owen was wealthy and had proved himself a capable manager. The New Harmony movement also had wide support in the new American nation, and Owen had even been given an audience with President-elect John Quincy Adams and the Secretary of the Treasury when he arrived in Washington. There was a kindly tolerance of new ideas, and if New Harmony had been a sound and workable system, the United States had both the political freedom and the available land for thousands of such communal enterprises. Then or now, nothing in the fundamental American idea was opposed to the socialistic communities of the early 19th century, since they were voluntary arrangements and used peaceful means. So why didn't New Harmony become — as Owen hoped it would — the seed colony of a new social order for the country and the world?

How Allocate Resources?

The seed colony didn't reproduce because the problems that undermined New Harmony are essentially the same problems that bedevil every social democratic country in the world, including the present-day United States. Using

strictly voluntary, peaceful means, how do you obtain human cooperation and allocate resources in a socialistic society? How do you convince the most productive workers that they should keep on producing when everybody, including the idler and the incompetent, is rewarded equally? How do you decide what is to be produced? Or who is to have what job? Who should do the saving to provide investment funds? How can you exchange goods and services in a fair and equitable manner? These are tough, common-sense questions, and they weren't answered satisfactorily at New Harmony. So far, the democratic socialists haven't really answered them either. Socialists are either forced to yield to the requirements of the marketplace, because of their love of freedom, or to move towards the totalitarianism of the Marxist-Leninist camp, because of their blind love of socialism. Both actions are a tacit admission that democratic socialism doesn't work.

In Owen's case, he made no compromises with reality, since he was basically rigid in his outlook and was not capable of altering most of his views. Early in his adult life, he had developed a distaste for individualism and competition, although he was in many ways a gifted individual who could easily compete with others. He was

also a man of deep humanitarian instincts, and he would have abhorred the brutal socialism of modern Russia and China. Beyond that, however, he was dogmatic and single-minded. Macaulay regarded him as a "gentle bore" and he was said not to have thought differently of a book for having read it. In other words, Owen was in some ways insensitive to the realities of human nature and did not learn a great deal either from study or from experience. Yet he was an outstanding person of great ability, a high achiever in what would later be the Horatio Alger, Jr. tradition.

A Successful Businessman

Owen was born in Newton, Wales on May 14, 1771, and grew up under circumstances that seem severe by modern standards but were important in shaping his philosophy and life's goals. Unlike some advocates of social change — Karl Marx, for example — Owen was a happy and successful man who had no personal reasons to resent the economic system of his day. Although he began his working career as an apprentice at age 10 without pay for the first year, his abilities were such that he had become a manager of a cotton mill at age 18 and within two years was able to demand and obtain a responsible position at the then

handsome salary of 300 pounds yearly. He soon became well known in the British cotton spinning industry, and in 1799 he purchased an interest in a group of mills at New Lanark, Scotland. He became world famous as a result of the success of his enlightened policies in running the New Lanark mills.

Owen was born at the right time and landed in the right place for the kind of business success he was to enjoy. The mechanization of the cotton spinning arts was in full swing in the late 18th century, and was presenting excellent commercial opportunities for large profits and rapid growth. It was also an ideal opportunity for a person such as Owen who had considerable management skills but, at the outset, little capital.

Owen's adult life can be divided into several periods of interest and activity. During his first 13 years at New Lanark, he was occupied with the problems of running the mills and bringing about improvements in the educational system and working conditions for the people employed in the mill. As he became wealthier and acquired national prominence, he began to speak out on social conditions and was soon producing the first of many essays outlining the program that eventually became known as Owenism. He was asso-

ciated with the New Lanark mills until 1828, but long before that the promulgation of his social program had become his chief interest.

With the closing of the long Napoleonic wars in 1815 and a sudden dropoff in demand, England went through a depression. Alarmed because of widespread unemployment, a committee of nobles and other leaders sought advice from manufacturers on ways of dealing with the problem. Owen proposed the development of Villages of Cooperation – the self-sustaining community idea that became the blueprint for New Harmony.

New Harmony

Owen thought that an ideal community such as a Village of Cooperation would bring out the best in people and put an end to competitiveness and other traits which he saw as social evils. He decided to prove this when he purchased the Harmonie (Harmony) settlement in 1825 from the Rappites. He renamed the community *New Harmony* and issued an open invitation to persons who might choose to affiliate with the settlement. But the venture was characterized by friction and indecision from the start, and by 1828 Owen withdrew most of his support, though retaining title to the prop-

erty. His financial losses were so great that Mrs. Owen, who had not accompanied her husband to America, was forced to move out of their large mansion into smaller quarters.

Owen unsuccessfully attempted to persuade the Mexican government to sponsor a community similar to New Harmony. He then returned to England and spent the rest of his life advocating social reforms. He was associated with another community venture in England, but like New Harmony, it was also shortlived. He experimented with a Labour Exchange, a sort of tradesmen's cooperative to which individuals would bring articles in exchange for notes in lieu of currency. The exchange soon failed. Owen also led a massive union movement in England in the 1830s, but this collapsed within a few months. For the remainder of his life, Owen continued to publicize his social theories. But he had lost most of his influence by 1834. He spent his last five remaining years as a devotee of spiritualism, and believed himself to be in contact with famous persons who had passed on. At age 86, he wrote his autobiography, a book that is surprisingly lucid and carries important sections outlining the basic tenets of Owenism. He died at 87.

Robert Heilbroner described

Owen as "a strange mixture of practicality and naiveté, achievement and fiasco, common sense and madness." We are not accustomed to such "strange mixtures" most of the time. Actually, however, Owen's behavior was contradictory only to those who lacked his view of matters, which he was to call "a new view of society." He always knew what he was doing and had supreme confidence in himself. He perceived a certain kind of role for himself and lived up to it.

Guiding Principles

Throughout his adult life, Owen was guided by three obsessive beliefs about himself and mankind which were to influence almost everything he did. Many of Owen's actions will appear stupid and contradictory to the person who does not understand Owen's motivations and attitudes. In fact, however, Owen was an unusually consistent person. He almost always behaved in accordance with his fundamental beliefs. It was his consistency, in fact, that may have led to his downfall on some occasions.

What were the three guiding elements in Owen's life? First of all, he was committed to a form of *humanitarianism*, and was certainly *humane* in his desire to seek a better life for all and to put an

end to wretched social conditions and human suffering. He loved people, although in a way that some persons may have felt demeaning and patronizing. He was kindly and gentle, and it is virtually impossible to find an instance in which Owen exhibited spite, vindictiveness, jealousy, or greed. He had a friendly manner that others found attractive. His writing also had a warm, friendly tone, and his criticisms were usually carefully phrased when they involved specific persons.

The second guiding force in Owen's life was *messianism* and a belief in the eventuality of an earthly millennium. Yet he was openly anti-religious. He saw himself in a messianic role with a personal responsibility for causing the millennium (i.e., a New Moral Order) to come to pass. Had Owen been merely a humanitarian without a messianic mission, he probably would have ended his days as the genial director of the New Lanark mills. But he was not content with *relative* progress. He was able to prove at New Lanark that considerate treatment of employees and a general interest in improving employees' well-being is also compatible with good business. But such improvements were too slow for the transformation that he believed was needed. He wanted to take dramatic and ef-

fective action that would quickly transform the world and bring about the glorious millennium. It was this messianic mission — and belief in millennialism — that took him from New Lanark to New Harmony.¹

Determined by Environment

The third guiding belief in Owen's life was *determinism*. He was unqualifiedly deterministic, and seems to have been almost completely committed to the belief that individuals are shaped by their conditions and their environment. He gave some weight to heredity, but devoted most of his attention to conditions. He was openly critical of individualism and seemed to be unwilling to admit that certain persons were capable of rising above the conditions imposed on them by society (even though he had!). Owen was dogmatic in stating his belief in the proposition that individuals are shaped by their environment.

In the first essay in *A New*

¹ Frank Podmore, an Owen biographer, wrote, "When (Owen) published his *New View of Society*, he looked for the regeneration of the world to begin on the morrow: throughout his long life that high vision, ever receding as he advanced, was still before his eyes; and he died at the age of eighty-seven happy in the belief that the millennium was even then knocking at the door." Podmore, Frank, *Robert Owen*, Augustus M. Kelley, Publishers, New York, 1968 (a reprint of the 1906 book), page 124.

View of Society, Owen stated a fundamental principle which expressed his determinism and also became the rationale for many of his plans. This principle was restated frequently in Owen's writings and has been considered typically Owen by his biographers. The principle is:

Any general character, from the best to the worst, from the most ignorant to the most enlightened, may be given to any community, even to the world at large, by the application of proper means; which means are to a great extent at the command and under the control of those who have influence in the affairs of men.²

Owen's determinism, like his messianism, also helped take him out of New Lanark and into a wider world of social action. Had he not been basically determinist in his outlook, he might have been able to see some of the pitfalls in his plans for Villages of Cooperation. As a practical businessman, Owen knew that successful ventures require certain character traits and skills in management personnel and workers. If he had applied this same understanding to his proposals for ideal communities, he would have admitted more freely that the communal

ventures would require similar individual traits in order to succeed.

Although Owen steadily lost power and influence in the socialist movement after 1834, he continued to travel and to lecture whenever he could find an audience. New stars were appearing in the socialist constellation, among them Karl Marx and Friedrich Engels. Both paid homage to Owen as a man and a pioneer socialist, but neither thought much of his utopian socialism and they thoroughly refuted his major tenets. The struggling labor movement also honored Owen in the breach. Owen approved of general strikes, but wanted them carried out in a spirit of universal charity and philanthropy — an idea that never has caught on with any major labor union.

Religion Rejected

Owen also made a colossal mistake when he turned his back on organized religion and even attacked the church in an 1817 speech. This position cost him valuable allies, of course, but it also blinded him to the important role of religion in shaping society. It was indeed ironic that a religious sect, the Rappites, had established Harmony and operated it as a successful and prosperous community; but things quickly fell apart under Owen. Owen wanted the kind of

² Robert Owen, *A New View of Society*, first published 1813/14, Penguin Books, Baltimore, 1969, page 101.

sharing and serving that groups such as the Rappites practiced, but he rejected the religious beliefs that held them together. As C. A. Burt, a resident of the famous Oneida Community, said with reference to New Harmony's failure: "There are only two ways of governing such an institution as a Community; it must be done either by law or by grace. Owen got a company together and abolished law, but did not establish grace; and so, necessarily, failed." To this day, socialistic communities survive only when they are held together by religious or nationalistic feelings or are ruthlessly totalitarian.

Misreading the Market

Perhaps Owen's greatest blunder, however, was in failing to understand the marketplace in which he had first accumulated his wealth and acquired prestige. Despite his success as a businessman, there is no evidence that Owen ever attributed his good fortune to the relative freedom of the marketplace in Britain or saw much social good in the mechanization of the cotton spinning industry. He did not seem to be interested in the kind of progress that occurs by increasing the productivity of the individual worker through the use of labor-saving machines. During Owen's lifetime, for example,

his own cotton spinning industry had made low-priced clothing and fabrics available to the masses. The impact of the cotton-spinning industry was so extensive that J. A. Schumpeter asserted that English industrial history can (1787-1842) "be almost resolved into the history of a single industry."³ The rapidly improving productivity of the cotton spinning industry exemplified Adam Smith's argument that "the great multiplication of the productions of all the different arts, in consequence of the division of labour, . . . occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people."⁴ It did not seem to occur to Owen that he and his fellow manufacturers, albeit for profit-seeking purposes, had performed a great social service in building an industry that gave the majority of the people access to better clothing at lower prices. To Owen, cotton spinning machines had enslaved the worker and left him poorer than before. Adam Smith, studying the same industry, would have concluded that the steady improve-

³ J. A. Schumpeter, *Business Cycles*, vol. 1 (1939), page 271 (referred to in Phyllis Deane's *The First Industrial Revolution*, Cambridge University Press, England, 1965, page 84.)

⁴ Adam Smith, *The Wealth of Nations*, Gateway Edition, Henry Regnery Company, Chicago, printed in 1953, page 19.

ments in machinery would tend to benefit almost everybody and that the British standard of living could be expected to rise with every increase in industrialization. Owen was unduly pessimistic about the future of mechanized industry, despite the fact that he had a major role in early stages of the industrial revolution.

Utopian Socialism

Replaced by Bolshevism

By the time Owen died in 1858, his utopian socialism had been largely displaced by the fiery doctrines that eventually became modern Bolshevism. But democratic socialists still claim him as their true ancestor. Clement Atlee, the British Labour Party leader who engineered a great upset victory at the polls in 1945, was quick to point out that "socialist theory was developed by Robert Owen in Britain long before Karl Marx." Perhaps this comment reflects the hope that Owen's humanitarianism will triumph over the harshness of Marx and the totalitarianism of Lenin and Stalin.

The unfortunate verdict of unfolding events does not sustain this hope. The Owenism that failed

at New Harmony did not die there; it has become the underlying philosophy of today's British and American governments. If there are redeeming qualities in all this, it's that many democratic socialists share Owen's decency and humanitarianism. But they also share the woolly-mindedness and impracticality that sank his New Harmony enterprise and led to weakness and failure in Owen's other ventures. If it's the spirit of Robert Owen that pervades modern society, some of us might want to echo the words of an editorialist of Owen's time:

Robert Owen, a benevolent cotton-spinner . . . conceives that all human beings are so many plants which have been out of the earth for a few thousand years, and require to be reset. He accordingly determines to dibble them in squares after a new fashion . . . Everybody, I believe, is convinced of Mr. Owen's benevolence and that he proposes to do us much good. I ask him to *let us alone*, lest he do us much mischief.

Robert Owen — humanitarian, messiah, and determinist — didn't want to let anybody alone. Today, we live with the mischief of his faulty philosophy. 

ACADEMIC FREEDOM



JOAN WILKE

JUST WHAT does "academic freedom" mean? Judging from the events of recent years, it means:

- (a) the students' rights to decide what they will learn
- (b) the faculty's rights to decide what they will teach and under what conditions
- (c) the institution's obligation to present all points of view
- (d) everyone's right to an education, through college
- (e) the right to the same education as someone else, regardless of aptitudes or economic means
- (f) the lowering or abandonment of standards of learning and accomplishment to make universal education possible and uniformly equal
- (g) anyone's right to disrupt the learning of others
- (h) everyone's right to learn on the other side of town
- (i) the right to appear at school in straggly hairstyles and sloppy dress
- (j) the right of boys and girls to share the same athletics and locker rooms
- (k) government subsidies of education based on race, sex and economic status
- (l) all of the above

Of course, the only reasonable answer can be: "None of the above." These are just some of the preposterous claims masquerading today as academic freedom.

The only meaningful academic freedom is the basic right of an institution's board to determine all conditions of education in the school under its management. That's why real academic freedom

Miss Wilke is an advertising writer.

will be unrealized until educational institutions are free of government financing and control.

If a board is supposed to represent the interests of all the taxpayers, the result *must* be chaos. How could it be otherwise? The public body is a hodgepodge of interests, ideas and beliefs, all with a legitimate claim on a public system.

It is the tax base of education that gave one taxpayer the power to remove prayer from the schools. It was the tax base that justified bringing prayer into the schools in the first place. It is the tax base that justifies busing — and also anti-busing activities. And inviting Communist speakers to campuses. And protesting against Communist lecturers. And teaching sex in the primary grades. And removing sex from primary classes. And fighting over textbooks. And all the rest.

This pushing and pulling at the school system frustrates everyone and accomplishes nothing but disruption.

All education requires a point of view as to content, methods, directions, and the like. No point of view can be taken without offending someone. The nothingness that results from trying to accommodate all points of view could be called non-education. It's the es-

sence of socialized education. It is the government control and enforcement of "equal opportunity" that has inevitably driven education to its lowest, most ineffective level.

That's education under the public imperative. And what is the alternative? What is the private imperative?

With private funding, schools *must* deliver the kind of education parents want for their children. How could schools avoid it? They would be individually selected on the basis of their performance. If they didn't offer what enough parents wanted, they would go out of business.

If schools were free to determine their own programs with an eye toward the market, everyone's freedom would be broadened by virtue of the choices that would become available.

The academic freedom of the institution to chart its own course would establish the only possible realistic basis for the academic freedom of students: a variety of offerings to choose from.

There would be schools with prayer and schools without. Some with athletic programs and some without. Some with coed athletics. Some allowing freaky dress. Others not. Some highly specialized. Some general. Some low cost. Some expensive.

All would prosper or fail on the basis of how they met the desires of the public.

Some things would be missing—the fighting, rioting, shouting, arguing and disruption that takes place when one system is supposed to be all things to all people.

This same academic freedom, the institution's right to provide the program it chooses, would also provide real academic freedom for teachers. There would be a real market for different points of view and new methods. The teachers' creativity would be stimulated by the variety of approaches and educational programs available as well as the drive toward improvement supplied by competition. There would be no lifelong lock-in to a stale job—no stagnation or inertia rewarded with raises acquired by carrying a sign.

No one can say what forms true academic freedom would take and how it would develop and all that it would produce. But some things are certain. Unlike our present static system, improved forms of education would not only be possible, they would be assured. And correspondingly, the archaic and ineffective would disappear.

Does anyone remember why we have those summerlong vacations?

There was a time when heat in the summer was a problem. And in

some places, maybe the youngsters were needed to help in the fields.

Now we have air conditioning. And most families don't raise their own produce. But we still have those long summer vacations—often a problem for teenagers, a bore for youngsters, a trial for moms.

Under a system of private education, it is reasonable to assume that school facilities wouldn't remain unprofitably idle for months at a time.

In some instances there might be a choice of terms—on a rotation basis. Or continuous terms with several shorter vacation periods during the year. Or the choice of going to school year round. Or the alternative of going to school part time or in adjustable periods to accommodate employment in the case of high school and college students who want to work.

And the “free lunch” would be free at last. Instead of being paid for by the taxpayers, free lunches offered by a private school would be a competitive inducement to gain enrollment. It would only have promotional effect if the school's fees were competitive with those in comparable schools; so “free” in this case would take on some meaning.

Total educational programs

might be offered in this same free and easy competitive way. For example, builders and developers in increasing numbers would likely include schooling in their master plans, in the same way that they now include recreational facilities in the price of the home itself while keeping prices competitive.

There was a time when a development attracted buyers with just a swimming pool. Competitive pressures have led more and more builders to include recreation and in expanding ways. It is becoming more and more common to find included such features as tennis courts, putting greens, barbecues, clubhouses, game rooms — even golf courses and lakes.

In appealing to families, proximity to schools has always been a prime consideration for builders. Can anyone possibly believe such facilities wouldn't be provided if there were no public monopoly of education?

Whenever competition comes in to play, extra services automatically result.

There would likely be programs to accommodate working mothers troubled by mid-afternoon dismissals. There might be pre-school programs tied in with elementary school enrollments.

Educational franchises could pop up faster than Jack-in-the-Boxes or

McDonaldses — based on formulas that would make education more palatable, more fun, and more effective.

It is likely that companies in established educational fields would offer systems using their materials. An encyclopedia company or publisher would be in a good competitive position for introducing educational programs.

In spite of the fact that the government is currently hostile to companies providing related services within an industry, calling it monopoly, great efficiencies can be offered by companies already in a field, economies that are passed along to the consumer quite naturally under competitive pressures.

The only real and deleterious monopolies are those that are forced upon us by government sponsorship and protection — the monopoly of education being a prime example.

A private system would offer schools appealing to different learning capacities as well as different economic levels. There would be good schools and programs for the handicapped and those needing special attention. There would undoubtedly be schools for advanced students that would avoid the difficulties posed by "skipping" youngsters into ad-

vanced age groups. We wouldn't be stifling the genius in our young Edisons as the uniformity of public education has done in the past.

Standards of accomplishment would be vitally significant because schools would have to depend on their reputations and performance for continued existence.

We could expect to see more schools in connection with churches — schools that are not economically feasible in competition with forcibly financed public schools. Academic freedom would then become a reality for certain religious sects that have been harassed for years by public educators in spite of the controversy over the separation of church and state and the Constitutional guarantees of religious freedom.

Those who see only illiteracy as the alternative to socialized (public) education should remember that our early colleges, such as Princeton, Harvard and Yale, were all founded and funded by church initiative, not the government.

It is also interesting to note recent research by the University of Texas indicating some of the failures of our public efforts to educate everybody. Of the 10,000 adults tested, 20 per cent cannot read newspaper help wanted ads, 13 per cent can't address an envelope properly, 58 per cent can't extract the meaning from a simple

paragraph, 30 per cent can't figure out airline schedules. One out of five were found to be functionally illiterate.

Socialized education, like all aspects of socialism, is not anything so much as it is an emptiness, a void, an absence of expression and ideas.

It is accepted because somewhere along the line we have made the mistake of defining free and responsible institutions as those which present all points of view. There never has been and never could be such a thing.

"Equal Time" on T.V. and unbiased reporting in the press are utopian concepts and noticeably non-existent. Freedom of the press is the right of anyone to take a point of view in his newspaper and bear the responsibility for factual accuracy. It is the resulting existence of many newspapers that gives us the choice that makes freedom a reality.

And academic freedom — what is it?

- (a) It is the right of people to get the kind of education they want from the choices available on the market. As it is, there is no market at all.
- (b) It is the right of teachers to teach what they choose, any way they like, as long as there is a market

for their services. It is not a license for quackery and demagoguery at other people's expense.

- (c) It is the whole body of freedoms that depend on an institution's right to offer what it will, as long as it can survive in the market place.
- (d) It is the freedom of choice only possible through privately funded institutions.
- (e) It is the variety of offerings that encourages differences, and the appreciation for individual differences, on which the progress of civilization depends.
- (f) It is the only system that can make learning as much fun as it should be, because it is the only system that can meet individual needs.
- (g) It is the system that places educational responsibilities where they belong — with parents and students.
- (h) It is the system that produces people with direction and goals. Not the kind of education that

turns out people who think the absence of goals is a goal in itself.

- (i) It is the only system that can challenge young people of all capabilities and give them confidence in accomplishment.
- (j) It is a system of proliferating choices . . . a system that can change and grow.
- (k) All of the above.
- (l) And more. Much, much more.

An act of Congress can't provide academic freedom. Only private competition can, with the inexorable pressures of competitive alternatives pushing toward improvement and perpetuating progress.

Just two things keep the public system going. Financing by force, through taxation. And the willingness of people to accept the socialist notion that there is no alternative.

There is, of course. The alternative to nothing is *everything*. ☸

The Both-Sides Idea

WHEN A PERSON voluntarily arranges for the presentation of socialistic ideas along with free market ideas, you may be sure of this: He hasn't completely repudiated socialism; he hasn't completely accepted the ideas of the free market and of government restricted to the equal protection of the life, liberty, and honestly acquired property of everyone.

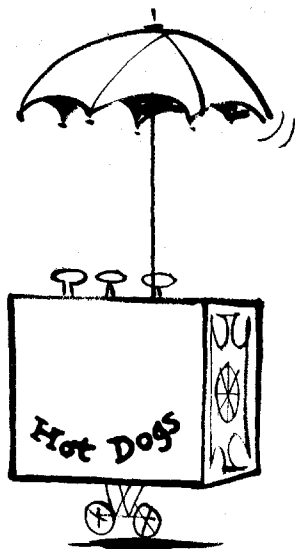
IDEAS ON



LIBERTY

Socialized Hot Dogs

?



DAVID J. SCHOLL

COMPLEX ISSUES sometimes are clarified by simple experiences. An example occurred a few years back at a small, isolated California college.

For servicing their odd-hour appetites, the students long had depended on a vending machine firm holding an exclusive franchise. And for years the students complained that the products were stale and the machines "ate" their money, returning neither food nor coin. The vending machine company complained that the students repeatedly damaged their machines, causing exorbitant maintenance costs.

The issue came to a head when the student government demanded that "something be done." The college administration and the vendors mutually agreed to cancel their contract. The machines were removed, leaving the students with no on-campus source for snack items, just three weeks before finals. The nearest supply after 8:00 p.m. was fifteen miles away by winding road, far from convenient to scholars spending late hours at their desks.

The student government began to discuss elaborate plans for a quick-food-service in a proposed student union building, but the immediate need was not being met.

Mr. Scholl is a businessman from Buffalo, Wyoming.

Meanwhile, one of the students faced dropping out of school for lack of funds; and once again Mother Necessity bore the fruit of invention. Drawing on his experience behind snack bars during summer vacations and football games, the young entrepreneur set up a makeshift stand near the existing student lounge. He served quality hot dogs, soft drinks, candies, and other goodies — all at prices comparing favorably with those of the distant short-order houses. The students had their snacks, at savings to them of time and money; and the young businessman was able to finish his education.

But the outcome might have been different. Officers of the student government, seeing the small private business succeed, quietly met with a Dean of the college, demanding that the hot dog stand be turned over to them on behalf of "the students." They proclaimed it "immoral" for one student to profit from the needs of his fellows; the profits should be used "for the good of all."

The same leaders had offered no practical solution to the snack problem. They lacked experience in operating such a complex enterprise, lacked knowledge of sources of supplies and equipment, lacked the time and desire to operate the hot dog stand themselves, and

were unlikely to find a manager and staff motivated to do a proper job.

Fortunately, the Dean was both observant and practical. Declaring the hot dog stand one of the best things to happen to the college within his recollection, he refused the demands of the student government officers, allowing the small business to succeed.

Several Lessons Taught

The hot dog stand and the proposal to "socialize" it teach many lessons of broad applicability:

1. *Through franchises, regulations, and special privileges, government creates monopolies, thereby reducing both service and product quality while preventing price competition.* In our case the "government" was the college administration which had allowed only the one vending firm to sell on campus, thus precluding a more satisfactory means of supplying the students' needs.

2. *When free to operate, individual initiative will analyze consumer needs and provide for them with the most efficient use of resources.* The student, seeking to fill his own desire for an education, recognized the opportunity to profitably serve others and did so with an initial investment of less than \$50.

The capital available to private businessmen is extremely limited. While a government enterprise can use its police power to coerce taxpayers to finance it, private enterprise must convince potential investors that the expected return on their investment is satisfactory. The private firms, therefore, must allocate their limited resources in the most efficient and productive manner.

3. *An exchange has indirect objectives, the obtaining of values not obviously involved and seldom recognized by socialist planners.* In the exchanges at the hot dog stand, the seller's immediate need was for money, which he accepted in trade for food which served the immediate need of the buyer. But the ultimate objective of each was his own education. Thus, "led by an invisible hand," each indirectly advanced his own and the educational wealth of the nation through specialization and trade. In a socialist plan, as envisioned by the student officers, the hidden objectives would have been overlooked. Deprived of the opportunity to serve others' needs, the young businessman would have had to forgo his education, reducing not only his personal wealth but also that of the community for years to come.

4. *Socialism means waste.* Blind to the hidden objectives, socialists see only the direct exchange itself. This results in grandiose schemes requiring excessive resources for the "seen" need. In our situation, a minimal investment was required by the enterprising student, while the socialists proposed an elaborate facility which would require high investment and a long time for completion.

This is why socialist nations suffer such tremendous wastes and shortages. The well-known case of nail production in the USSR is a prime example. The planners called for so many tons of nails. The result—a small number of large, heavy nails, excellent for railroad spikes, but useless for building homes and furniture. The planners then called for a specified number of nails. That resulted in an immense supply of small nails, which would have made good tie tacks with some modification.

The planners were too anxious about political prestige to see that nails are produced to enable millions of people to satisfy their individual desires. The nails themselves were so far removed from the true goals, and the goals were so personal and subjective, that it was impossible for a handful of isolated bureaucrats to properly determine their production.

The free market acts to filter and

accumulate the billions of bits and pieces of demand required in fulfilling millions of personal plans. Each individual seeks various resources to serve his plans, but each requires a different combination of resources. The businessman does not need to know what the plans are, or even what combination of resources is needed for any one project. He only needs to ascertain and provide for the cumulative demand for the items in which he specializes. In this way, the free market makes it possible to cooperate while each of us seeks only to fulfill his own needs.

5. *Each individual in a free exchange receives a profit; the businessman's profit is made by reducing the consumer's cost.* While the entrepreneur earned the money to finance his education, the other students also profited in the form of snacks to maintain their stamina during long hours of study, and a saving of time which might have been spent traveling to the nearest short-order house. Thus the businessman made his profit by *reducing* the costs in time, money, and discomfort to his customers.

Profit is not just the difference between price and costs in monetary terms. It also means the alleviation of physical and psychological uneasiness, the fulfilling of desires by effort which is less un-

pleasant than the consequences of not making the exertion.

The businessman earns his profit by cooperating with his customers in relieving their discomforts. Each individual could strive to satisfy all his own needs directly and without cooperation with others; but he is unlikely in that way to fill any but his simplest needs, perhaps not even those. The specialization which develops from the free exchange economy enables each person to maximize his profits—in every sense—while aiding others to do likewise.

Neither party to a free exchange would bother to make the trade unless he believed he benefited in some manner. If he can elsewhere obtain a greater value—convenience, lower price, higher quality, more pleasant atmosphere, greater psychological pleasure—he will do business there. Only under compulsion, such as theft or socialism, will an exchange *normally* result in a net loss in satisfaction to either of the participants.

6. *Socialism encourages current consumption rather than investment and production.* While the student businessman would have been prevented from completing college, the student government would likely have used the profits (if any) for short-term projects or

consumption — a party, dance, athletic uniforms, and the like.

Such a result is almost inevitable. Political office holders know their time in power is limited, so they naturally tend to seek immediate and visible results, both to lengthen their stay in office and to show they have “accomplished something.” The result of this pressure is to increase consumption and expenditures and to overlook the “unseen” potential value of saving and investment. People are made to feel prosperous while consuming their capital. Socialism has no means to determine the proper balance between consumption and investment.

A distinction should be made between investment in a free market and the quasi-investments in totalitarian societies. An investment, as we use the term, is the voluntary allocation of scarce resources to the process of production, based on an economic calculation of current costs and expected future returns. In Socialist societies, the allocation is compulsory and political, rather than voluntary and economic. The greater the degree of socialization, the more difficult the calculation of costs and returns. In the case of totalitarian socialism, the costs are ignored altogether, even in terms of human suffering and life, in order to attain an ideological goal and to fur-

ther the political careers of the planners. Such socialist “investments” consume capital. Only in a free economy is there maximum incentive to create and invest capital to better serve consumers.

7. *Socialism harms rather than helps the poor.* The student officers were not pressed financially. Most of them were from prosperous families or had ample scholarships or loans. They had sufficient free time to be involved in student activities. The entrepreneur lacked those advantages. In order to obtain the education which hopefully would allow him to advance from a lower economic level, he sought funds through his own productive efforts.

When a socialist, fascist, communist, or any totalitarian system is imposed, it freezes economic status. Social advancement comes by way of political influence rather than personal merit and effort. This is a major reason why many wealthy businessmen, especially those who inherited their wealth, oppose free enterprise and press for government intervention. In a free economy they constantly face a challenge from less wealthy individuals and groups who are more highly motivated, skilled, or intelligent. Political intervention allows those on top to nip any such challenge in the bud, regulating it out

of existence while retaining their own positions.

Freedom encourages self-improvement and advancement and thus benefits the poor. Socialism relegates the poor to a form of serfdom.

8. *Socialism encourages base motives.* While the reasons why the student officers sought to socialize the hot dog stand were never mentioned publicly, and may not have been mentioned privately, two unpleasant possibilities existed.

The student businessman had opposed the election of those officers, and continued to oppose many of their policies in office. As a further "insult," he offered an immediate and successful solution to the snack problem, which they had been unable to do.

Political revenge, envy, frustration, and face-saving are characteristic of socialized economies. The purges in communist nations are simply an extreme example, and logical result, of these motives. While claiming to protect the people from "saboteurs, profiteers, and greedy speculators," communists eliminate political rivals and establish scapegoats for their own failures. The intelligent and productive are physically destroyed, or prevented by fear from taking the risks necessary for productive

effort and economic advancement. The talented hide their abilities, so as not to be caught in the purges. The result is stagnation and decline to bare subsistence—or even lower.

9. *Socialism "produces" only when it expropriates the results of individual creativity. Freedom creates, socialism expropriates.* The student government sought the use of other people's capital, time, talent, and effort to implement its proposal of a quick-food-service in a new student union. When a more practical solution was found independently, they sought to confiscate the plan and its income.

Russian officials recently admitted that while they have large petroleum reserves they lack the technology to extract oil efficiently from either the undeveloped areas or the currently producing wells. Their solution is to import the technology, materials, and supplies from economies more free than their own—their usual solution since seizing power over fifty years ago.

There are recent proposals to establish a government-run oil company in the United States to act as a guideline for private firms. But few of those who make the proposal could distinguish a cracking tower from a storage

tank, let alone explain an octane rating and how it is produced. The socialist scheme would have to rely on the technology developed by "greedy" capitalists during the past century and extort from taxpayers the funds to finance construction and operation.

No one can be compelled to think, create, and invent. Thought is not communal, but personal and individualistic. Compulsion is counter-productive in intellectual matters. With no hope of reward, but sure punishment for failure, an individual will not attempt to create. As a rule he seeks to maximize pleasure and minimize pain.

Improvement has occurred in socialist societies when, contrary to their theories, rewards have been granted for individual merit and achievements. In free socie-

ties, those firms are most successful which offer employees wide latitude in achieving corporate goals, and which reward achievement most directly.

Socialism contains the seeds of its own destruction. To the extent that it follows its theories, it causes a decline in thought — man's most basic tool of survival — and with it knowledge and production. A totally socialist world would be of short duration, collapsing into anarchy and feudalism. But it would inflict unimaginable suffering.

So, let us learn the amazing economic lesson of the hot dog stand. Neither a student government nor a cumbersome bureaucracy in Washington is a reasonable alternative to competitive private enterprise.



Economic Ends and Means

THE PROPER AIM of economic life is an over-all aim; the use of limited human and material resources in such a way as to serve most effectively the needs and desires of all the people. This aim tends to be achieved automatically in a regime of free markets where the people's needs and desires can express themselves in price offers to which producers are forced by economic necessity to conform.

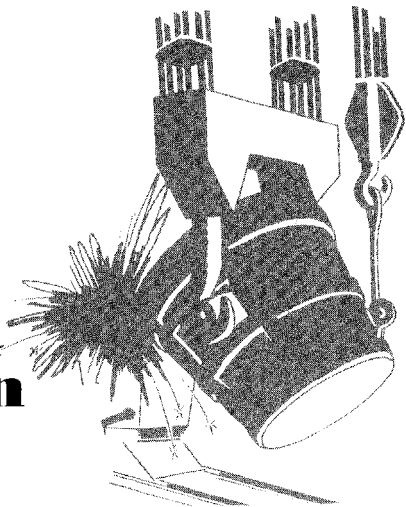
When political authority, even with the best of intentions, interferes with this self-regulating flow of goods and services, it sets up chains of cause and effect which it can neither foresee nor control except by constantly widening its authority. The final outcome is a regimented society from which all objective and valid guides to human effort have vanished, along with human freedom.

IDEAS ON



LIBERTY

Steel Titan



FOR BETTER OR WORSE, the American system is built on adversary relationships. There is the well-known antipathy between the press and government. There is also the adversary relationship between business and government. Curiously, the press, which is libertarian when it comes to defending its rights under the First Amendment, crosses the line to side with government whenever there is a wave of skirmishes between Washington, D.C., and the productive forces of the country. You would think the libertarians of the media and the laissez faire partisans of business would sometimes combine in a common understanding, but they seldom do.

Every generation or so the libertarian press guardians of the First Amendment choose to cooperate with the politicians in mounting an antibusiness crusade. They did so in the pre-World War I muck-rake era. They did so again in the New Deal period, when FDR lashed at the "money-changers in the temple." Now they are enlisted under the banner of Ralph Nader in the third anticapitalist jihad of the century.

Each time the furore swells, the Marxians among us argue for government industrial take-overs, the so-called Progressives call for more regulation, and businessmen cower in their cellars. Then, for one reason or another (maybe it's

a war and industrialists are suddenly needed), the fever passes.

It's enough to make one believe in Eternal Recurrence. It is the ebb and flow of adversary currents that provide the main story line for Robert Hessen's fascinating *Steel Titan: the Life of Charles M. Schwab* (Oxford, \$14.95). Schwab, who was Andy Carnegie's fair-haired boy during the years of the spectacular development of the Carnegie Steel Company, was alternately a hero and a villain, depending on the public's perception of the need for steel in the ever-shifting life of an often-beleaguered republic.

A Team Man

Schwab was not an originator, he was a builder of integrated teams. His particular genius was in handling people and in doing all the trouble-shooting jobs that were made necessary by the intransigent stands of more rigid men. He "supervised the superintendents" for Carnegie. He loved music, and played the organ for himself, and his natural ebullience recommended him to Carnegie for frequent promotions.

At the age of thirty-five he became President of the Carnegie Company. He didn't believe in unions, but he was a favorite of the men in the mills. After the big Homestead Strike of 1892, which

had been mishandled by Henry Clay Frick and Carnegie himself, Schwab lived inside the mill for four months to get things going again. He was a hero to Carnegie for "settling Homestead," and he was a great man to the workers for saving their jobs despite the enmity of Frick for any man who had listened to the siren call of the union organizer.

The ability to conciliate did not save Charlie Schwab from the witchhunters who, in depression-ridden years, sought their villains among the industrialists who were transforming America. Schwab, along with Carnegie, was a great competitor in a period when less gifted business organizers put their trust in pools, market-sharing agreements, and price-fixing. The Carnegie formula was to cut prices and expand productive capacity out of retained earnings whenever there was a period of business recession. Believing that profit is something that comes from cutting costs, Carnegie and Schwab kept the Carnegie Company lean and alive where other steel men were losing efficiency by trying to protect themselves by "gentlemen's agreements."

Political Harassment

In the Nineties Schwab was Carnegie's armor salesman. The government needed heavy plates

for its new navy. There was no scandal at the time, and nobody could charge Andy Carnegie with promoting "imperialism" to sell his armor plate. In fact, Carnegie was so vociferous in his denunciation of President McKinley's decision to annex the Philippines that Schwab had to be sent to Washington to pacify President-maker Mark Hanna and the other prominent McKinley Republicans.

More than a decade later, when it appeared that the U.S. might be embroiled in the struggle that eventuated in World War I, Senators Robert LaFollette and Ben Tillman started up the cry of "militarism" and proceeded to attack Schwab for his armor sales of supposedly defective steel in the Nineties. It was an uncalled for piece of demagoguery, particularly as it related to "inferior" armor; as Schwab said of Carnegie, the pacifistic Andy was in the business of selling steel, not his principles, and the steel was the best that could be had. Naturally, Carnegie wanted to make as much money out of his plate mill as the traffic with government would bear. The mill wasn't good for anything else.

Throughout his later life, with U.S. Steel and with Bethlehem, Schwab was continually in hot water with the crusaders. He was accused, unjustly as it turned out,

of engineering a shady ship-building combination. During World War I he ran the Emergency Fleet Corporation for Woodrow Wilson, performing prodigies that were unmatched until Bethlehem Steel turned out 1,100 ships in World War II. To forestall any possibility of charges of conflict of interest, Schwab took no part in contracting for the government with Bethlehem in 1917 and 1918. This did not save him from being pilloried at a later date. And it was long after Bethlehem had ceased to be a "Krupp," dependent of government military orders, that Schwab had to endure the "merchants of death" agitation of the Nineteen Thirties.

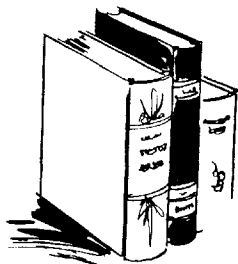
Bethlehem Steel

Bethlehem Steel was Schwab's own personal monument. He had bought control of the company when it was nothing very much as a sort of personal sideline while he headed the larger enterprise of the newly-formed U.S. Steel Corporation. His rather flamboyant life-style got him into hot water in the strait-laced society of the early Nineteen Hundreds. Carnegie himself turned on Schwab when stories of his gambling at Monte Carlo hit the headlines in America.

Eventually Schwab was forced out of U.S. Steel. He at once threw

all his energies into building Bethlehem — up to second position among the steel enterprises of a rapidly expanding country. Putting his faith in the so-called "Bethlehem beam," a structural piece that could be produced as a unit where other skyscraper beams depended on costly riveting, Schwab was responsible for transforming the skylines of New York City, Chicago and all the other metropolitan "downtowns" of America.

His life in the semi-retirement of the Nineteen Thirties was sad. He had outlived his friends, his family, and his early associates. He had been a soft touch with his money when it came to backing a score of small business enterprises for various friends and relatives, and Bethlehem Steel stock had such a fall-off in the depression that, when the Schwab will was up for probate, it turned out that he had died a debtor. If he had lived to greet the war orders of 1940 and 1941, he would have died a millionaire.



► THE HIGHEST VIRTUE, by Alan Stang (Western Islands, Belmont, Mass. 02178, 1974) 497 pp., \$10.95.

Reviewed by Bettina Bien Greaves

RUSSIAN NOVELS often have many characters, complex plots and several interlocking sub-plots. At times it may be difficult to recognize the characters by their many different Russian names. But the effort may well be worthwhile, for a good Russian novel offers considerable food for thought. Tolstoy's *War and Peace*, Dostoyevsky's *The Brothers Karamazov*, Pasternak's *Dr. Zhivago*, Ayn Rand's *We, the Living* — to name a few — all ask profound questions or offer some philosophical or psychological insight. And so it is with Alan Stang's "Russian novel," *The Highest Virtue*.

The story is laid in Russia from 1914 to 1920. The characters in the book develop as they cope with the problems of surviving during extremely turbulent times. They encounter a government that was becoming "more and more oppressive, bigger, more and more total. Bureaucrats had multiplied like germs in a wound. And the infection had touched everything private, seizing, regulating, complicating, prying" (p. 138). Food and shelter were scarce. Inflation was rampant — 50,000 paper rubles for a newspaper. Tempers grew short.

Thievery emerged as a way of life. Almost everyone was fearful of expressing a personal view lest he step on the toes of some powerful official or someone who might later become a powerful official and bear a grudge. The system destroyed everyone it touched — even the idealistic Peter Orloff, who had sought to overthrow the Tsar and who had robbed banks and thrown bombs for the Communists. Although he maintained his idealism through many years of imprisonment, confident that the Revolution would solve all problems, he realized in time that “the so-called Revolution was beginning to ‘devour its own!’”

The book illustrates how Communism destroys all who endorse or acquiesce in its authority — everyone from the idealistic Peter Orloff, the shifty opportunist and ne’er-do-well Fyodor Voronov, the factory owning Ivan Danilov who compromised his capitalist principles by helping to finance early Communist ventures, to Ivan Danilov’s son Stepan who concealed his capitalist origin and resurfaced as a prominent and powerful Communist official. Only the star-crossed lovers, Maria Danilova and Michael Voronov, who refused to submit to the Communists, retained their independent spirits and succeeded in overcoming seemingly insurmountable

obstacles to escape the system’s destructive influence.

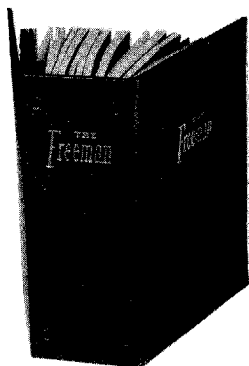
Author Stang is a citizen of this country but he understands the Communist system. He shows how it deceives those who support it for idealistic reasons. He points out how wrong Communist theoreticians are in holding that individuals are simply products of their environment with no free will to make choices or to think for themselves. He shows why there will be no hope for anyone if the whole world goes Communist — there will then be no lands outside the Communist orbit to which the Marias and the Michaels may escape. He also describes how the worst always get to the top in a totalitarian regime — as economist F. A. Hayek pointed out in his famous *Road to Serfdom*. By the end of the book, the weak characters have been broken, the ambitious ones destroyed, the compromisers eliminated and the idealistic ones disillusioned, leaving only the most despicable characters in control.

What is “the highest virtue,” from which the book takes its name? On page 259, the author writes that after the Revolution, “cooperation” [submission or docile acceptance of the regime] will become “the highest virtue.” However, that must have been written tongue in cheek. Judging from the

tone of the book, "the highest virtue" *must* be offering resistance to the Communists and refusing to "cooperate," to buckle under or to compromise one iota with their regime.

The Highest Virtue offers something for many readers. For those who like novels, there is plot, tragedy and excitement. For persons interested in the Russian Revolution, there are descriptions

of life during that harrowing period when the economy was deteriorating. There are also graphic descriptions of the Russian labor camps. Judging from other books on the Revolution, the author has accurately described that period. He has caught the flavor of the classical Russian novel and offers the reader ample food for thought. His book serves as a vivid reminder of what to expect if the capitalistic system goes under. ☉



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LEONARD E. READ

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INSTEAD OF WHAT?

HENRY HAZLITT

**Government can't give us anything
without depriving us of something else.**

Take a recent news item almost at random:

WASHINGTON — The Department of Housing and Urban Development . . . said today it would release \$264 million over the next two years to help moderate-income families buy housing. The program is designed to provide 250,000 new and rehabilitated dwellings for families that earn \$9,000 to \$11,000 a year.

Never mind the details. In our era such projects have become a routine activity of federal, state, and city governments. Politicians

promise these and a hundred other kinds of "benefits" to the voters. The Congressmen who voted the appropriations for this housing, when they come to run for reelection, will remind their constituents who occupy the new housing:

I got you this. I not only provided you with these dwellings at a rental or buying cost far below what you would have had to pay in the market, but in addition my vote gave employment to thousands of construction workers. The funds appropriated gave \$264 million in increased purchasing power to so-and-so many people.

And so on. In fact, the politicians' claims probably will be even more sweeping than this. The Secretary of HUD who announced the foregoing project said her economists predicted it would stimu-

Henry Hazlitt, noted economist, author, editor, reviewer and columnist, is well known to readers of the *New York Times*, *Wall Street Journal*, *The Freeman*, *National Review*, *Human Events* and many others. Best known of his books are — *The Conquest of Poverty*, *Economics in One Lesson*, *The Failure of the "New Economics,"* *Man vs. the Welfare State*, and *What You Should Know About Inflation*.

late about \$6.5 billion in construction activity and create 500,000 new jobs.

Too many voters have come to accept such claims. Yet they could deflate them all if they asked their supposed political benefactors a single question: *Instead of what?*

You say you got us such-and-such benefits. Maybe. But instead of what? What was the cost? What did we have to give up for these benefits? In order to give Paul's family \$1,000 worth of "free" housing, you must have taken \$1,000 more away from Peter's family in taxes. In fact, you must have taxed the Peters a good deal more than you turned over to the Pauls, because a lot of the money never got into construction. It went (even disregarding possible graft) into salaries for extra bureaucrats to administer the program.

We may add the probability that a good deal of the money was taken from the Pauls themselves, and that they indirectly paid for at least part of their new housing.

So, we have to ask, what would have happened if this \$264 million had not been taxed away to pay for this government program? The original earners would have kept it. They would have had it to spend on something they themselves wanted, instead of having the politicians force this expenditure on them.

Let us say (assuming the average division reported by govern-

ment figures) that the taxpayers would have spent 92 per cent of this taxed-away income, and saved 8 per cent of it. This "saved" money would, of course, also have been spent, but on different things. It would have gone, for example, into savings banks, which in turn would have lent it as mortgages to help build private housing, or invested it in bonds of industrial companies. The money would have been spent, in other words, to increase the machinery and plant that would have further reduced costs and increased the nation's productive capacity.

And the 92 per cent of the retained personal income that was spent directly on consumption goods and services would have bought more . . . What? Food? Overcoats? Refrigerators? Stereo sets? Housing? And in what proportions?

We just don't know. And we will never know. Because these things were not allowed to come into existence.

This is the tremendous advantage that politicians and their spending schemes — their housing programs, for example — enjoy in the minds of so many voters. The houses exist. They can be seen, they can be admired, they can be lived in. But the goods and services (which would have included housing) that the taxpayers had

to give up, so that this government housing could be brought into existence, cannot be seen or felt because they have not come into existence. They have become merely hypothetical, merely so many might-have-beens, and therefore forgotten.

If something like this is pointed out to the spending politicians, the more sophisticated among them (or their professional advisers) may come up with one or more answers.

They may say, for example, that the housing did not cost the taxpayers anything because the money for it was not raised by taxes but borrowed in the market by selling bonds. This answer overlooks that the supply of real capital available for investment is strictly limited, and that the money borrowed for the government housing project absorbed funds that might otherwise have gone, say, into a new private oil refinery or chemical plant.

Again, they may argue, the money for the public housing project came neither from taxation nor from borrowing, but was simply printed by the government. Of course, this argument is almost never made openly in such plain blunt terms; but it is an assumption in the back of the spenders' minds. What is bought by inflation, it is thought, costs nobody any-

thing. But when more money is printed, creating new demand, it lowers the value and purchasing power of every dollar already in existence, by raising prices.

Inflation, A Vicious Tax

Inflation is, in fact, a form of taxation. It is a vicious form, because it does not fall on people in proportion to their income or wealth or in any other way that any reasonable person would consider equitable. Its incidence depends on the particular line in which each person happens to earn his living and on the particular form in which he happens to hold his assets. The inflation tax falls with particular weight on the non-unionized (i.e., most of us) and on the aged.

But in recent years the spenders have come forward with a new answer, supplied to them by Lord Keynes, the late British economist, and his disciples. This is that new housing or any other government spending project really causes nobody to have to give up anything, because it produces a net increase of goods and services that otherwise would not have been produced at all. If the additional spending comes when there is heavy unemployment, they say, this means that there are unused resources of men, machines, and materials. The additional public spending puts

them all to work, and is justified and necessary until it has brought "full employment."

It is true that it is possible to imagine circumstances under which this "Keynesian remedy" could temporarily work. If the previous unemployment has been caused by wage-rates or other costs that have been forced too high in relation to market selling prices, so that margins of profit have been wiped out, and if the government spending is financed by inflation — that is, by the government issuing additional quantities of money — then the spending may force up prices to the point where profit margins are restored, and full employment and production can again take place.

But this will prove at best a temporary solution. For the same inflation that raises prices will soon begin to raise wages and other costs just as much or more — especially as long as our laws continue to make unions so powerful that they can force these increased wages on employers. And then there will once more be the same discoördination of wages and prices that caused the original unemployment that the government spending was supposed to cure.

The basic error in the whole Keynesian theory is that it overlooks the unworkable relations between *particular* prices and costs,

between *relative* prices and wages, that have brought on the unemployment that the Keynesians are seeking to cure. The Keynesians persist in the false assumption that the unemployment has been caused by something they call a "lack of effective demand" or a "shortage of purchasing power." And so their cure is always more government spending, bigger deficits, more paper money — in brief, still more inflation.

What Causes Unemployment?

What the Keynesians have never done is to tackle or even notice the real cause of the unemployment they affect to deplore. This cause is practically always unworkable relations, maladjustment, and discoördination in the wage-price system. This discoördination is brought about by the very government interventions in the market that most of the Keynesians are chronically recommending. Not a higher price "level," but only the free market, only the daily and delicate market adjustment of relative prices and wages, only prices and costs in workable equilibrium, can bring full employment. And it is precisely this equilibrium that government intervention persistently prevents.

Our attention has up to now been focused on government construction of or subsidies to hous-

ing. But our basic question — *Instead of what?* — applies to government subsidies and handouts of every kind. These have become — not only in this but in other countries much further along the road to socialism than ourselves — too numerous even to list. They include food stamps, school lunches, job training, rent supplements, “model cities,” community action projects, legal services for the poor, and hundreds of other programs variously classified under such heads as social insurance, public aid, health and medical programs, veterans’ programs, education, and so on.

Recently, Senator Edmund Muskie of Maine, a long time “liberal,” began to express his doubts: “We have a system of grants-in-aid,” he said, “that has over 1,000 different programs, each with its own requirements, approach and money. In the health field alone, there are 228 different federal programs. There are 1,240 federal advisory boards, committees, commissions and councils.” “Do we really expect a majority of Americans,” he went on to ask, “to support national health insurance when estimated costs range up to \$100 billion a year?”

Of each of these thousand programs we have to ask ourselves our basic question: *Instead of what?* For the money that is ex-

acted from the taxpayers for each of these high-sounding programs means that each individual taxpayer has that much less of his own earnings to spend on the particular goods or services that he himself would have chosen.

No Net Gain

Nothing is added by any of these government programs to the total of goods or employment. At best what happens is that the community gets employment or production in one direction *instead of* in another. In a free market people tend to get the particular mix of goods and services that each individually prefers. In a welfare state they get the mix that the politicians and bureaucrats decide is good for them.

Why are these political spending programs so popular? Partly because real costs are seldom considered. The assumption is almost invariably made by the spending politicians that the taxpayers do not really need the money that is taxed away from them to pay for some grandiose public project. If the taxpayers were allowed to keep this money to spend on the things they themselves preferred, it seems to be assumed, they would merely spend it on luxuries or trivialities.

But even if the political spenders do not make such an uncon-

scious assumption, their imagination simply cannot encompass these costs. If they have spent the money for a great new housing project, the project when finished is big, visible, solid, perhaps imposing. But not only are the things that had to be given up by each family to pay for this public project not there for anyone to see; by comparison they are individually so small that they hardly seem to weigh in the scale. The political imagination simply cannot add up to any perceivable total the millions of big and little sacrifices that millions of taxpaying families have had to make. When the kings of Egypt commanded the pyramids to be built to the greater glory of themselves or their fathers, the toil, sweat and exhaustion of the slaves or other subjects who built them must have seemed utterly negligible in comparison with the spectacular result.

All this is not to deny that there are some public works — such as streets and sidewalks and sewers — that can be justified by their necessity. But the total of such projects can very easily be overdone. The excuse that they are needed to provide “full employment” is never valid. Too many public projects today are social luxuries, if not sheer social waste. We must try to make sure in every case that

the gain of producing them exceeds their real cost. We must always ask, in other words: *Instead of what?*

In pointing out earlier that nothing is added by most of these public projects and social programs to the total of goods, service, or employment in the community, we have in fact understated the case. These programs clearly reduce total production.

Wasteful Use of Resources and Lost Opportunities

First, they lead to overproduction and wasteful consumption of the commodity or service that is either given away or sold below its actual cost. When people have Medicare, for example, and are offered hospitalization, doctors' services or medicines for a trivial cost or for nothing, they demand them far more often and for far longer periods than if they had had to pay the full market rate. This increased demand drives up the market price of such medical services far beyond what it would otherwise reach for all those who do not get part of this price paid for them by the medical subsidy. The end result is greatly to overproduce the subsidized commodity or service — housing, medical care, or whatever — at the cost of underproducing something else. Such programs, in other words, lead

both to wasteful consumption and to lopsided production.

In addition, these programs must lead in the long run to a substantial cut in overall production. By taxing the productive to support the unproductive they diminish incentives at both ends of the economic scale. They lead people to become less efficient or to put forth less effort or to work fewer hours — either because they do not need to do more or because it no longer seems worth the trouble.

The heavier taxes on corporations, especially, reduce new investment in plant and equipment and new employment below what they would otherwise have been.

In sum, practically all these subsidy measures, all these schemes to redistribute income or to force Peter to support Paul, are one-eyed as well as shortsighted. They get their immediate appeal by focusing attention on the alleged needs of some particular group of intended beneficiaries. But the inevitable victims — those who are going to be asked to pay for the new handout in increased taxes (which directly or indirectly means almost everybody else) — are left out of account.

Only one-half of the problem has

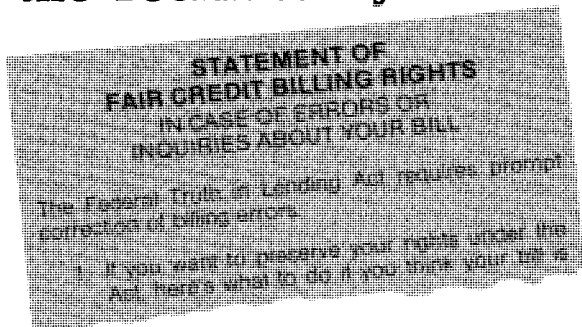
been seen. The cost of the proposed solution has been overlooked.

The vast majority of would-be social reformers think of the “cost” of something as simply its money cost; and they persistently under-rate or dismiss even this because they think of money as something that can be turned out at will by a government printing press. But when economists talk of cost in the broader sense they mean whatever alternate opportunity must be forgone in order to produce the thing that is made. Everything we make, and everything we do, must be at such a cost. For every alleged benefit that the politicians confer upon us, they must necessarily deprive us of something else.

I have not raised here the political and moral issue involved when governments extend and pervert their powers to expropriate part of the earnings of Peter to turn them over as a handout to Paul, or force both to “buy” something with their earnings quite different from what either would have bought of his own free will. But even if we put aside this basic issue, the next time the politicians offer us some alleged economic gift, let us at least ask them the question: *Instead of what?* ☸

The Age of the Technicality

CLARENCE B. CARSON



T. S. ELIOT said on one occasion that our civilization would end not with a bang but with a whimper. This was not so much a prediction or prophecy as it was a pithy commentary on a prominent characteristic of our era. But if it be taken as prediction, there is something lacking in it. It does not tell us how the end is likely to come, does not fill in any of the details of the coming anemic apocalypse. There is now mounting evidence, however, of how at least American civilization may end. It may come about in some such fashion as this.

At some time in the not too distant future the American productive machinery could grind to a creaking halt, be still and remain

silent. There would be no farmers in the field, planting, tilling, or harvesting, no workers in the mills, mines, or factories, no clerks in the stores, service stations, or banks, no policemen on the beat, no ball players in the arenas, no soldiers at drill, nor anyone anywhere doing anything that could be described as productive. Where would they be? What would be occupying their time? How could this have happened?

Let the answers to these questions wait a bit, and let us examine some clues as to what could bring about such a state of affairs. The following are excerpts from items which appeared on the pages of a single edition of a morning newspaper, the *Atlanta Constitution*, November 25, 1975.

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty* (1973), covers the founding of the American Republic from 1760 to 1800.

Item One: A former secretary to Fulton County Commission Vice

Chairman . . . testified during a hearing on the appeal of her firing Monday that she had "intimate relations" with the commissioner.

The three-member Fulton County personnel board is expected to decide Tuesday whether the secretary . . . will be reinstated.

Item Two: The DeKalb County school system has come into compliance with federal law by no longer forcing married or pregnant students to participate in a special educational program, a school administrator announced Monday. . . .

That law, Title IX of the Educational Amendments of 1972, states that female students cannot be discriminated against for any reason. . . .

He also denied that a recent complaint from the husband of a former Towers High School student caused the school system to hurry the policy change.

"We had almost come to a conclusion," he said, when a man identified by school officials as Bill MacArthur received some publicity and threatened to file suit. MacArthur alleged his wife was being discriminated against when she was forced to leave Towers and attend open campus.

Item Three: A group of determined Washington Redskins fans who are also lawyers filed a suit Monday against the National Football League stemming from the controversial Mel Gray touchdown reception.

The group is asking U. S. District Court Judge George L. Hart to issue a temporary restraining order preventing any scheduling of play-off games until the court makes a ruling on a controversial call that went against the Redskins in Washington's overtime loss to St. Louis two Sundays ago.

According to one of the complainants, George Morse, the suit asks Hart to either have the teams finish the game from the point just prior to the controversial St. Louis touchdown pass, or to call the game "no contest" and figure percentage points in the standings as if it were a tie.

Item Four (a quotation from a prison warden): "It seems like we never get a final conviction on anything any more. After all appeals are exhausted arising out of the original trial, we go into the habeas corpus process all over again. I have an administrative assistant who is in court today. His job was set up to assist me, but he spends 95 per cent of his time in court on habeas corpus hearings. . . ."

Item Five: The Atlanta chapter of the American Institute of Architects (AIA) is peeved that Mayor Maynard Jackson has not replied in two weeks to its recommendations on minority participation in city architectural projects.

In October Jackson requested formation of an AIA liaison committee to make such recommendations,

chapter President M. Garland Reynolds said Monday. . . .

The AIA spent several weeks meeting with other groups in coming up with its recommendations, Reynolds said.

Reynolds' Nov. 10 letter to the mayor was prompted by Jackson's insistence earlier this year that minorities be given a part of the contract for architectural and engineering work for the planned expansion of Hartsfield International Airport.

Item Six (involves promotions of police officers in the City of Atlanta, the oral examination used, the Fraternal Order of Police (FOP), and the Afro-American Patrolman's League.): Complaints against the new exam centered on the nebulous nature of the orals, which included 10 questions based on hypothetical situations. The judgment of good and bad answers was left to the interview boards. Both for sergeant and captain the boards were made up of two white and two black superior officers, plus an attorney. . . . A variety of attorneys was used, and most of them were black.

The issue of using more than one attorney on each board is part of the basis for a legal challenge of the new exam as that challenge is being prepared for court filing by attorneys for the FOP. The lawyers contend the city ordinance authorizing promotional testing specifies that one lawyer be used, rather than a succession of lawyers, so that each candidate is interviewed by the same board.

Item Seven: MARTA [Metropolitan Atlanta Rapid Transit Authority] is opposing an application before the Georgia Public Service Commission (PSC) to establish a van service in the metropolitan Atlanta area.

The rapid transit authority opposes such service because it could increase competition in the lucrative charter bus market. . . .

MARTA also objects to the application . . . because under federal rapid transit funding laws, MARTA could be required to purchase the private company if the company could prove that MARTA's tax-supported transit operation competed unfairly.

Item Eight: Inmates who seized five guards as hostages and holed up in five cell blocks at a city prison on an island in the East River released the three remaining hostages Monday on the promise they would not be prosecuted.

The promise of amnesty so angered the guards at the Rikers Island jail that about 300 of them immediately stormed off the job. . . .

Finally, a spokesman for mayor Abraham Beame said the guards agreed to go back to work when Beame promised to meet Tuesday afternoon with Harold Taylor, president of the guards' Benevolent Association, on the matter.

There were other items in the same paper that might have been quoted. One described a malpractice suit in Augusta, Georgia

which had been one of the longest in Georgia history. Another told how a local government budget was discarded because the responsibility for preparing the budget had been shifted to another official. But enough examples have been given to show a general trend, of sorts.

Common Characteristics

There are some common threads running through all these incidents. One is that they all involve government at one level or another and in one way or another. A second is that all of them involve some sort of proceeding: a report of a liaison committee, a lawsuit, a habeas corpus hearing, a school board ruling, a Personnel Board investigation, an application before the Public Service Commission, and a conference between a mayor and a representative of prison guards.

Above all, however, they all involve one or more technicalities: whether a football player held a pass long enough for it to be a completion, the claim of a secretary that she had "intimate relations" with a commissioner which led to her firing, opposition to a local van service because of the intricacies of a Federal rule, whether there should have been only one attorney sitting in on all the tests or several, the endless

appeals made by those who have been convicted and sent to prison, whether married students should be sent to a special campus, and so on.

According to many who make such characterizations, we live in an age of technology. There is no gainsaying that this view has much to support it. If technology be understood to include the mechanical and electronic devices by which we sort, sift, stuff, open, move, inspect, light, heat, cool, start, stop, weigh, measure, pour, record, and perform the myriad acts which can be done in this fashion then our age is certainly in some respects a technological one. Such characterizations, of course, always vie with others which may be equally apt, such as, the age of steel, the age of electricity, the age of antibiotics, and so on.

However appropriate any or all of these may be, we have moved unwittingly into a new age, the Age of the Technicality. The signs abound that more and more ruling bodies are spending more and more of their time and that of the citizenry in applying these technicalities to the warp and woof of our lives. It may not happen that way, but it looks as if it could. At some time in the future the whole adult population of the country and most of the children could be tied

up in hearings, consultations, conferences, lawsuits, proceedings, and what not before courts, commissions, boards, bureaus, agencies, and the like, brought by ten million whimperers based upon technicalities.

What is more likely, if the trend continues, is that more and more of the population will have more and more of their energies dissipated in these undertakings to the point that the necessary useful work is no longer performed. The whimper with which American civilization may end will be that of the one-too-many complainants, the straw that breaks the camel's back.

At any rate, we are certainly in the midst of an age of technicalities. Anyone who doubts this should examine the evidence around him with more care. As this piece was being written, the mail brought an excellent example of such technicalities, a "Statement of Fair Credit Billing Rights," as presented by Sears, Roebuck and Company. Since anyone who has a credit card probably received one of these, it may be useful only to present excerpts and highlights from this wondrous set of instructions:

The Federal Truth in Lending Act requires prompt correction of billing mistakes.

1. If you want to preserve your rights under the Act, here's what to do if you think your bill is wrong or if you need more information about an item on your bill:

a. Do not write on the bill. On a separate sheet of paper write (you may telephone your inquiry but *doing so will not preserve your rights under this law*) the following:

i. Your name and account number.

ii. A description of the error and an explanation (to the extent you can explain) why you believe it is an error. . . .

iii. The dollar amount of the suspected error. . . .

b. Send your billing error notice to the address on your bill. . . .

Mail it as soon as you can, but in any case, early enough to reach Sears within 60 days after the bill was mailed to you.

2. Sears must acknowledge all letters pointing out possible errors within 30 days of receipt, unless we are able to correct your bill during that 30 days. Within 90 days after receiving your letter, we must either correct the error or explain why we believe the bill was correct. . . .

3. After we have been notified, neither Sears nor an attorney nor a collection agency may send you collection letters or take other collection action with respect to the amount in dispute. . . .

4. If it is determined that Sears had made a mistake on your bill, you will not have to pay any FINANCE

CHARGES on any disputed amount. If it turns out that we did not make an error, you may have to pay FINANCE CHARGES on the amount in dispute. . . .

5. If our explanation does not satisfy you and you notify us *in writing* within 10 days that you still refuse to pay the disputed amount, we may report you to credit bureaus. . . . But Sears must also report that you think you do not owe the money, and we must let you know to whom such reports were made. . . .

6. If Sears does not follow these rules, we are not allowed to collect the first \$50 of the disputed amount and FINANCE CHARGES, even if the bill turns out to be correct. . . .

This monstrosity is a technicalitarian's (if I may coin a word) dream. It requires little imagination to guess the disputes that could arise over technicalities involved in these rules. For example, which period would be running at any given time: the 10 days, 30 days, 60 days, or 90 days? Who decides whether an explanation is adequate, or whether the customer or the creditor has complied with all the rules? Do Sundays and holidays count? Suppose the customer only owes \$10 when the dispute arises but that he subsequently charges \$40 more. Suppose the creditor has made a mistake, or has not followed the rules. What is the total amount to be allowed the customer under the

\$50 rule? The possibilities for contentions are almost unlimited. Even a Philadelphia lawyer would be able to work his way through such a maze only with the greatest difficulty.

The above is not an isolated instance of government intrusion into our lives with intricate technicalities. Nor does it contain the most obtuse examples of detailed rules which have to be followed. In fact, these rules are fairly simple compared with some that have been promulgated. In the last several years the federal government has initiated technicalities with more comprehensive application than ever before. Several new agencies have been set up, each of which promulgates rules for virtually every private undertaking in the country.

The OSHA

One of these is the Occupational Safety and Health Administration, authorized by act of Congress in late 1970. Its rules apply to virtually all businesses "affecting" interstate commerce, which nowadays means nearly all of them. By June 17, 1974, its "Safety and Health Standards" ran to 326 triple-columned 8½x11 pages in a tiny print that will assure eyestrain to readers. A little examination of some of these "standards" will illustrate the lengths to

which they have gone in establishing technicalities.

Here are the rules for "Ladders, Fixed" as they appear in a handbook which abridges them for general industry:

a. All fixed ladders shall be designed for a minimum concentrated live load of 200 pounds.

b. All rungs shall have a minimum diameter of $\frac{3}{4}$ inch, if metal, or $1\frac{1}{8}$ inches, if wood. They shall be a minimum of 16 inches in clear length and be spaced uniformly no more than 12 inches apart.

c. Metal ladders shall be painted or treated to resist corrosion or rusting when the location demands.

d. Cages, wells, or ladder safety devices for ladders affixed to towers, watertanks, or chimneys shall be provided on all ladders more than 20 feet long. Landing platforms shall be provided each 30 feet of length, except where no cage is provided, landing platforms shall be provided for every 20 feet of length.

e. Tops of cages on fixed ladders shall extend 42 inches above top of landing, unless other acceptable protection is provided, and the bottom of the cage shall be not less than 7 feet nor more than 8 feet above the base of the ladder.

f. Side rails shall extend $3\frac{1}{2}$ feet above the landing.

The following are some rules for trenching:

(a) Banks more than 5 feet high shall be shored, laid back to a stable

slope, or some other equivalent means of protection shall be provided where employees may be exposed to moving ground or cave-ins. . . .

(b) Sides of trenches in unstable or soft material, 5 feet or more in depth, shall be shored, sheeted, braced, sloped, or otherwise supported by means of sufficient strength to protect the employees working with them. . . .

(c) Sides of trenches in hard or compact soil, including embankments, shall be shored or otherwise supported when the trench is more than 5 feet in depth and 8 feet or more in length. In lieu of shoring, the sides of the trench above the 5-foot level may be sloped to preclude collapse, but shall not be steeper than a 1-foot rise to each $\frac{1}{2}$ -foot horizontal. When the outside diameter of a pipe is greater than 6 feet, a bench of 4-foot minimum shall be provided at the toe of the sloped portion.

Civil penalties for the violation of these and other such rules can run to as much as \$1,000 per day for failure to comply after a citation has been issued. Criminal penalties can go as high as \$20,000 fine and one year in prison.

An Equal Employment Opportunity Act was passed in 1972. It authorized an Equal Employment Opportunity Commission (EEOC) and prohibited discrimination on the basis of sex, color, religion, or national origin in their hiring practices by most employers of 15

or more persons. The Commission focused upon promoting "affirmative action," i.e., discrimination in favor of minorities and the "gentler" sex, and such things as advertising and testing. Their regulations on sex include some of their more tortured reasoning. For example:

(a) The Commission has determined that an employer's rule which forbids or restricts the employment of married women and which is not applicable to married men is a discrimination based on sex prohibited by Title VII of the Civil Rights Act. It does not seem to us relevant that the rule is not directed against all females, but only against married females, for so long as sex is a factor in the application of the rule, such application involves a discrimination based on sex.

(b) It may be that under certain circumstances, such a rule could be justified within the meaning of Section 703 (e) (1) of Title VII. We express no opinion on this question at this time except to point out that sex as a bona fide occupational qualification must be justified in terms of the peculiar requirements of the particular job and not on the basis of a general principle such as the desirability of spreading work.

What follows is the Commission's view of what can appear on a job application form as it may refer to sex:

A pre-employment inquiry may ask "Male....., Female....."; or "Mr., Mrs., Miss," provided that the inquiry is made in good faith for a non-discriminatory purpose. Any pre-employment inquiry in connection with prospective employment which expresses directly or indirectly any limitation, specification or discrimination as to sex shall be unlawful unless based upon a bona fide occupational qualification.

About the only "bona fide occupational qualification" based on sex which the Commission has recognized is in acting, where a male or female is being portrayed.

Environmental Protection

The Environmental Protection Agency (EPA) was set up in 1970 following a great hullabaloo about the environment. Its goal is to establish and maintain harmony between man and his environment, a rather tall order even for a government agency. To this end, according to an information sheet issued by it, "The Agency sets and maintains air and water pollution standards, regulates the sale and use of pesticides, sets standards for noise and ambient radiation, develops techniques and procedures for solid waste management, studies toxic substances, conducts research, and demonstrates new pollution control methods and technology." Since every

act of man does, in some way, affect the environment, it is fairly safe to say that so long as it has the momentum behind it, this agency will spread its umbrella to cover more and more activities.

The Age of the Technicality, then, is upon us. Moderns have sometimes been amused by the tales of the intricate debates of scholars in the Late Middle Ages under the sway of scholasticism. But one wonders what a Duns Scotus (a medieval scholar whose name gave rise to the term "dunce" because of the meticulousness of his analyses) would think of our efforts to determine whether or not the reference to sex in an application form was made in good faith or not, at what point the decibel emission from some machine contributed significantly to noise pollution, what amount a bank over five feet should slope every $\frac{1}{2}$ -foot, and so on. Whether 10,000 angels could dance on the head of a pin might not have been a very good question but whether 200,000,000 Americans can survive 10,000,000 regulations is.

The Age of the Technicality has been fostered, no doubt, by a number of trends and developments. We have been bent during the Modern Era toward precise quantification and the development of tools and instruments for doing it. Tech-

nology has spawned techniques for turning problems into technicalities. The courts have welcomed an ever larger number of cases which hinge on technicalities. There are many interested parties — such as technicians, scientists, lawyers, and bureaucrats — who benefit from the focus on technicalities. Above all, however, we have been thrust into the Age of the Technicality by the determination to use government to force us to do what some believe to be good and right. The result is the politicalization of life, and drastic decline in choice and freedom for the individual.

Forced to be Good?

It is no part of the purpose of this article to enter into the question of whether any of the objects sought by the myriad rules and regulations are good and desirable. There are many things it might be good for us to do. It might be good if each of us attended church every Sunday. It might be good if we all had the same basic beliefs. It might be good if each of us had a balanced diet, exercised at regular intervals, and consumed only the blandest of food and drink.

It does not follow, of course, that if or because it would be good we should then turn to government to force everyone to do

any or all of these things. It does follow, however, that if we turn to government to make us do what is good and right we shall have complex laws, intricate rules and regulations, bounteous litigation, numerous hearings, expanding bureaus, and lives entangled in more and more technicalities. It follows that more and more of our time and energy will be devoted to enforcing and complying with and contesting these technicalities. There are deeper dimensions, as already implied, to these efforts to make people do good by law.

When we are compelled to do good by government, no virtue attaches to our doing it; it is only expedient for us to comply with the law. Not only does this reduce the moral dimensions of our lives but also compulsion breeds resentment and resistance which produces a perverse pleasure in evasion and in sabotaging the effort. A breach occurs between the governors and the governed, a breach which can widen into a gulf. A finicky government invites the contempt of the citizenry. A populace whimpering over violations of technicalities invites the contempt of each for all. The minute intrusions upon liberty tend to foster a contempt for life itself.

Can one, after all, imagine George Washington and his men suffering at Valley Forge in de-

fense of our "Fair Credit Billing Rights"? If such had been their object, they might better have surrendered, retained the connection with England, and got the legislation a little sooner under the Labour government. The tyranny of technicalities is tyranny, but it is oh such petty tyranny that a man must grasp its whole impact before he sees it as worthy of his opposition.

Step by Step

We have fallen under this tyranny of technicalities bit by bit and step by step, though in recent years the pace of their imposition has increased rather rapidly. The method of those who have sought their imposition has been to focus upon some real or imagined problem, to propose its solution by way of some Federal program, to enact a law, and to set up some regulatory agency.

At first, such agencies usually dealt with some particular business: railroads, banks (the kind in which money is deposited), labor unions, and trusts. Over the years, more and more institutions and activities have come under such regulation, and now omnibus agencies — such as, EPA, OSHA, and EEOC — are being created.

Opposition to individual impositions has often been difficult to mount; the stated object often had

broad appeal, and it is often precarious to oppose what is perceived to be good. The result has been that we have come into the Age of the Technicality so gradually that it would be difficult to determine when we arrived.

It is fairly clear, however, that the Age of the Technicality cannot be brought to an end either by opposing the creation of any more such agencies or by eliminating the abuses in the existing ones. There are already enough agencies with sufficient impetus to entangle us interminably in technicalities. It is not the abuses which pose the greatest threat but the resolute carrying out of what has been authorized. The effective level of opposition finally is at the level of principle.

Is Government the Right Tool?

The development needs to be grasped whole, its impact on the economy and on our lives seen for what it is, and opposition made to the attempt to force us to be good by law. Any other approach falls into debates over such things as whether or not women should have equal pay for the same work as men. That must not be the issue. The issue — regardless of rate of pay — is whether government is the proper instrument to impose it.

The issue may be brought into focus for us better if we imagine

that the men who predominate in the legislature should decide that women should be paid, say, ten per cent less than men for the same work. But, it may be objected, that would be unjust. So it would, and so is a government decree that women should be paid the same. Government is in no position to determine the value of an employee; only an employer can do that, and justice requires that he pay an employee what he is worth to him. Those who are concerned about government preventing pollution need to understand that they are also talking about government authorizing some level of pollution. Virtually all the technicalities with which we are embroiled have to do with the conditions under which that which is prohibited is allowed, or that which is allowed is prohibited.

Protect the Individual to Do the Best He Can

The Age of the Technicality is not, itself, the age of safety and health. It is the age of the endless hearings, debate, and litigation over the degree of safety, health, and whatever. The principle on which it can be foreclosed is that government should attend to its tasks of protecting us from wrong and leave to us the business of doing good. When it does so, it will not need commissions, boards,

agencies, and bureaus to interpret and impose myriad rules and regulations. These exist to permit what the legislature knows it should not prohibit but can discover no principle by which it can be allowed within the framework of law. That is reason enough for government not to be involved. The tyranny of the technicality will end when enough people real-

ize that the legislation which has authorized it should be revoked.

Until that happens, however, we should all hope that to some degree we live in an age of technology, for in the Age of the Technicality men will be increasingly too entangled in technicalities to do anything else much. Machines will have to do most of the work, if it is to be done. 

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AN ANCIENT FABLE RETOLD

W. A. PATON



REFERENCES to the proverb associated with the fable I propose to relate are not especially rare, but I have been unable to find the old tale itself in print, anywhere. The story was told to me back in 1913, either by Professor Fred M. Taylor, my revered mentor in economics, or Walton H. Hamilton, one of his corps of assistants in the basic course in principles. Since I'm reasonably sure that few — if any — of the present-day teachers of economics are familiar with the

version of the fable as I heard it, sixty-odd years ago, it may be permissible to retell it, particularly for the purpose of expressing the moral to be drawn and applying it to current conditions in our college and university classrooms.

The Fable

Way back in the heyday of the Persian Empire one of the ancient rulers developed a keen desire to learn more about economic activity in his far-flung realm. He knew that many kinds of farm products and other goods were transported for long distances to the capital and other central markets, but he realized that in his palace isolation, surrounded and waited upon

W. A. Paton is Professor Emeritus of Accounting and Economics, University of Michigan. He is author (or co-author) of a score of books and many articles, largely in the field of accounting. Since his retirement at Michigan, he has continued his writing and lecturing activities and has done part-time teaching at a dozen colleges and universities, in ten states.

by a host of servants and retainers, he was cut off from the processes of production and exchange and knew nothing about the underlying factors that stimulated and guided those engaged in these basic activities. He made inquiries among his generals and other officials with whom he had contacts, and even consulted leading astrologers and soothsayers, but found no one in these groups who could enlighten him. Carefully disguised, he attended some classes taught by professors of philosophy and related subjects, but to him their lectures were boring and confusing. What he wanted was a down-to-earth, common-sense outline of fundamentals, not a lot of mystic jargon.

Finally, discouraged and irritated, he drafted a proclamation, and had it distributed in printed form throughout the empire, in which he promised a royal office, and one of his beautiful daughters in marriage, to the man who would provide him with a simple, understandable statement, in writing. (In those days it was unthinkable that any female would undertake such an assignment.) But the proclamation also specified that anyone making the attempt, and failing, in the emperor's judgment, would be promptly executed by beheading.

Nine months passed, and then a

teacher from the top school at the capital showed up with a two-volume study which he had prepared with great care, after much pondering and stargazing. The emperor scanned a page or two and then — in a fury — threw the books at the author and ordered him to the block forthwith. Perhaps the fact that he had listened, in disguise, to two of this man's lectures, had a bearing on his very speedy and unfavorable decision.

The summary execution of a leading scholar and teacher was not announced by the palace, but the news leaked out and naturally cast a chill over possible candidates for royal honor and a princess to boot. Several years went by and the proclamation had been generally forgotten, and was no longer a matter of special concern to the ruler himself — although he may have been a bit disappointed that only one of the empire's professors had lost his head. Then a wandering magician and juggler, from a far country, ran across a copy of the old proclamation in one of the provinces and some weeks later showed up at the palace, asking for an audience with the emperor. He said he had come to try his skill at providing the essence of economics in a brief and plain statement. He also admitted that he was well aware of the risk he was running. The audience was shortly

granted, and after making a very graceful obeisance before the throne the mountebank handed the emperor a slip of paper on which he had written — translated into modern English — “There is no such thing as a free lunch”. The ruler happened to be in a good mood. He read the statement a couple of times, started chuckling, and finally laughed heartily. He jumped down from his dais, lifted the kneeling visitor to his feet, ordered a purple robe for him, and in due course, and with appropriate ceremony, made him governor of a province and saw to it that he was married to his youngest daughter.

The Moral

More than nine words are needed to lay even a preliminary foundation for the serious study of modern economic activity, but still the adage provided by the old fable points the way. In launching the introductory course in economics we should get down to earth, stress the underlying problems and difficulties encountered by human beings, at any stage of development, and regardless of social arrangements and organization, in their efforts to “make a living” on this rugged planet. For this purpose there is merit in giving some attention — at the onset — to the primitive situation, where the con-

sumer is largely his own producer, and is brought face to face with requirements and limitations. And there are still groups in this world eking out an existence under very primitive conditions. Even the old Robinson Crusoe approach need not be disdained.

What is needed is a primer of fifteen or twenty pages to supplement the main textbook which starts out with the fundamental truism of economics: *We can not consume what we do not produce*, an adaptation of the message the mountebank brought to the emperor long ago, according to the fable — also nine words. This undeniable fact of economic life is particularly appropriate for American students, as it's quite obvious that no foreign nation is going to play Santa Claus to the United States. Overall, we must look after ourselves. The teacher at this stage might also mention the old saying among our farmers: *The horse can't drink without water in the trough*. The family-size farm is no longer a major economic institution, and the tractor has largely replaced the horse, but even the city boys and girls of these days will get the point, and have their interest aroused.

Of course this is only a bare start — the lesson for the first class session. But it pushes the door of understanding ajar. It

brings to light the fact that *production is the primary economic process*, on which consuming is totally dependent, and thus stresses the need for efficiency in productive methods and utilizations of available resources. It also raises a warning hand with respect to the danger of becoming unduly preoccupied with the forcible redistribution of output, without regard to the possible unfavorable impact on the volume of output, and resulting per-capita standard of living.

Then the more difficult questions can be tackled. How do we define production and "economic" goods, in the light of the varying attitudes and desires of consumers? Sooner or later the question of non-productive activity must be faced up to. At an early stage attention must be given to the problem of identifying the basic factors of production, including the role of the saver, the fund provider. Resort to the primitive situation may be helpful here, with a return to this subject later in the course. With a foundation laid the examination of the modern industrial economy can begin, with its advanced technology, high degree of specialization, network of markets, complex of monetary and financial facilities, corporate and other institutional arrangements, with an end result in the form of

an astonishing array of consumer commodities and services (including durables).

Stifled by Socialism

In trying to characterize the present system briefly, above, I didn't mention government. But in the serious study of the system I see no point in giving lip service to the idea that we still have a "free enterprise", "free-market" system, although this posture is popular in some circles. The plain fact is that we are living in a quasisocialistic economy. The processes of production and exchange are being carried on under the weight of a bewildering, overlapping array of bureaucratic interferences and controls. I'm among those who firmly believe that both historical and current experience demonstrates that the competitive free market is the most effective and equitable instrument that mankind has discovered as a means of allocating productive resources and awarding shares in output. Assuming this position to be sound it still doesn't follow that today's teacher should close his eyes and those of his students to the conditions actually prevailing. Quite the contrary. A clear understanding of the current situation, built on a background of recognition of fundamentals (as I'm recommending), is necessary to form-

ing an intelligent judgment on the crucial question: Where should we go from here?

My observation is limited but I believe I am justified in suggesting that the approach in teaching the introductory course in economics often fails to include adequate emphasis on elementary, fundamental considerations. As I see the situation today's teachers often plunge too quickly into the complexities of the present system. They are often unduly enamored with statistics of "gross national product" and other aggregates, and rely heavily on mathematical models. Many instructors are socialistically inclined these days, to

begin with, and their methods of teaching tend to reinforce this inclination.

I'm not personally optimistic that there will be an early abatement of the tide of sheer economic nonsense from which we are suffering, or that our advance toward complete collectivism will soon be checked. But I would see a ray of hope if there were some modification of the teaching of elementary economics, especially in the colleges and universities, in the direction I have tried to indicate. Our educators have a great impact on the minds of their students, and these young people will soon be running the show. 

Reprints of this article available, 5 cents each.

Robbed for Their Own Benefit

IDEAS ON



LIBERTY

EVER SINCE THE ADVENT of representative government placed the ultimate power to direct the administration of public affairs in the hands of the people, the primary instrument by which the few have managed to plunder the many has been the sophistry that persuades the victims that they are being robbed for their own benefit. The public has been despoiled of a great part of its wealth and has been induced to give up more and more of its freedom of choice because it is unable to detect the error in the delusive sophisms by which protectionist demagogues, national socialists, and proponents of government planning exploit its gullibility and its ignorance of economics.

ARTHUR GODDARD, from the preface to
Economic Sophisms by Bastiat.



Threats to Freedom in Higher Education

CHARLES M. HEPBURN

THE DECLINE OF FREEDOM is the critical issue in higher education in America. This alarming trend has resulted from developments within colleges and universities as well as from failures in the pre-college education of entering freshmen.

The future state of the college teacher as an independent professional dedicated to free inquiry and free expression of ideas within his competence has been brought into question more than ever during the past decade as a result of pressure from three important developments. The first of these is a drastic increase in direct inter-

ference by the federal government in both public and private higher education; the second is the increasing willingness of faculty members themselves to give up their freedom in order to organize to lobby and strike; and the third is the lack of responsibility of faculty and administrators in defending freedom on the campus against threats of force.

As a result of government intervention, many institutions either because they have chosen to be a part of a federal program, or because they must comply with a federal regulation, or both, have found their free choice limited. They have been forced to offer particular courses in order to receive proffered funds, have had to

Dr. Hepburn is Professor of History and Chairman, Division of Social Sciences at Wayne State College in Nebraska.

engage in special research projects encouraged by Washington, or have had to hire, on occasion, those whom they felt to be less qualified so that a federal agency would be satisfied. All this has been expensive; but, worse, it has hampered free choice in an area where freedom of choice is vital.

In Defense of Liberty

We who share in a college community must begin to turn away from such controls by being as completely fair as is humanly possible in all dealings with each other, while at the same time we must not allow government agencies to use threats of force against us unjustly. We must, whenever possible, avoid federal funding which restricts our free choice in academic decisions. We all possess separate and unique viewpoints, desires, and backgrounds, but one thing that all faculty members should have in common is a love of liberty, and this most precious commodity is worth defending at all costs.

Next, a growing militancy of professors at many institutions is noticeable in their encouragement and expansion of the assumed separation of interest between members of the faculty and administration, a separation which is thought by many to be inherent in the nature of educational institu-

tions. This militancy has now gone to the point where faculty members in some colleges have formed labor organizations modeled on those of industry. Many of these militant instructors declare that they will now use the same methods of organized force, which have done so much to bring havoc and disruption to our economy, to deal with boards of trustees. If this movement succeeds, faculties will be regimented as never before. They will be told finally how many students they can teach, when they can teach, what duties are those of faculty, and which those of "management" and so on. Let us heed the restrictions placed upon union workers, not by their managers, but by their unions. Few of us could live up to our personal professional standards under such conditions, and most of us never had such things in mind when we entered the profession. A bricklayer lays to the specifications of an architect. He may want to lay more bricks per day than the union allows, but he can practice his skill to a reasonable degree within union requirements. A teacher, like the artist, the poet or the sculptor, is a creator and innovator; he cannot bind himself to group controls.

Current faculty interest in collective bargaining and unionization may be blamed in part on the

lack of support for salaries in higher education in both public and private institutions when the economy showed a healthy expansion during the fifties and sixties. Teachers in particular did not benefit in relation to their peers in other professions. Everyone was for better education but no one wanted to pay faculty. Yet resentment over low salaries and meager fringe benefits cannot be the central cause of the new militancy. That higher education is an attractive career, particularly in academic areas, can be shown by the numbers of people wanting to enter college teaching in spite of the lack of jobs. Salaries, though low by comparison with other professions, are acceptable to many. A better answer may be found in a new attitude toward teaching among younger members of the profession who sometimes seem less interested in service than in what they can obtain from it. They show little patience with the notion that some years of active college teaching ought to precede senior status with its rank and privileges. This observation applies only to a minority of younger faculty, but their voices are often heard advocating labor-style organization.

The third development in higher education which encroaches on free academic inquiry is the misin-

terpretation, by mistake or design, of the concept of academic freedom. We have been told recently by some of our colleagues that "academic freedom" covers such acts as being absent from class to lead demonstrations against the Viet Nam war, against the institution's administration, or in protest of another faculty member's dismissal. The protection of academic freedom became a rationale at one major university to justify, in a course on major American writers of the twentieth century, the sole study of Marx, Engels, and Mao Tse-tung; and it has been used to justify the acts of faculty members in organizing students and sympathetic colleagues to disrupt the classes of teachers who disagreed with the minority on an issue and even to justify the use of force against those who opposed such action. In the face of claims like these, academic freedom, a worthy ideal whose achievement should be the goal of everyone involved in higher education, has been condemned by the layman. If the ideal is to survive at all, those of us who believe in it must come to its support; we must identify what we mean by it and denounce attempts by a few among us to hide behind its protections while destroying all it stands for by their behavior. If we lose freedom of thought and expression in our

educational institutions, freedom in our society will wither and die.

Our failure in the past has been a failure of moral perception followed by a failure of nerve. As faculty members we have refused to condemn attacks on freedom by our colleagues but rather have been content to ignore them, hoping the administration would do the condemning so that we would not need to take a stand on an issue that might prove controversial. Administrators, faced with situations demanding quick and decisive action, instead of meeting their obligations, have held committee meetings, formed study groups, or left for Washington on business.

Loss of Public Confidence

The result has been an immeasurable loss of confidence on the part of the public for the institutions which should be providing intellectual and moral leadership at a critical time in history. Universities must be places where freedom is supreme and this can only exist, as is true everywhere when each member of the community, whether he be student or president, respects the dignity and rights of every other member. It is imperative that those who have committed themselves to an institution through the acceptance of salary also commit themselves to

the maintenance of order under which freedom, not license, can reign. There can be no freedom where there is no security against coercion and intimidation.

Freedom is further threatened by the decline in the level of competence of students entering college. This year's College Board and Scholastic Aptitude scores show significant drops in both verbal and quantitative abilities. These new scores are the latest records in a general decline in such scores over the past several years. No one seems to know whom to blame, and perhaps correctly so, because the fault belongs to all of us in some degree. Yet, anyone reading a set of freshman essays must realize that Americans can do better than they have been doing in teaching fundamentals. When students enter college after twelve years of school and still write "sentences" without verbs and are unable to turn fractions into decimals or to understand basic vocabulary, then their time has been poorly used. Worse than that, they are handicapped by being unprepared for life. The student who is terribly worried about the plight of Portugal cannot write three coherent paragraphs to explain why.

It is true that the growing number of open admissions policies — a healthy development that will un-

doubtedly rescue some potential talent otherwise overlooked — has encouraged many students to enter college today who might not have done so a generation ago. With open admissions we can expect many more poorly prepared students to come to college. Yet it also seems apparent that the phenomenon we are dealing with at the college level is only a symptom of a much larger and far more pressing issue in society at large: that is, the changing values of Americans. Among other things, this has meant that with the lure of more activities that distract, study time has lost the high priority it once had. Parents frequently condemn public school teachers who ask for quality classroom performance at the expense of student participation in some other function.

Emphasis on Ethics

Many of us have come back to the idea that we need to emphasize ethics in education and that learning and ethical purpose go together. Values not only need thoughtful consideration in the classroom, but we can do much toward developing an awareness of values by the way we approach learning. We can demonstrate that when study is correctly pursued so that the student makes a subject his own, the result is satisfaction of the soul and

increased creativity; that a job done well is worth a great deal no matter what the job is; that a mathematical principle mastered can be more satisfying than an evening at the movies; that a thought put to prose so that it radiates the mind of the writer has its own special reward which makes the effort worthwhile; that a new word learned expands one's ideas countless times; that certain literary masterpieces last through the ages because they deal with eternal truths; and that any advance toward satisfactory answers to the essential question, "Who am I?" is what education is all about. In short, I believe that the correct teaching of fundamentals presumes the ethics of free inquiry and mental discipline. By not insisting from the beginning that students do the best that they can do, we have failed not only to help them master needed foundation skills, but we have encouraged them in the belief that any performance is acceptable, and that so long as one's peers accept him, ethical considerations are of secondary importance. The thrill of learning in most cases has never been a part of their lives. We have encouraged the belief that continuing efforts to understand are not important, that machines can work out problems, that telephones can substitute for writing letters, and

that the experts can explain anything beyond the rudimentary so that critical thinking is not necessary for most people.

It Finally Comes Down to Parental Responsibility

Those of us in higher education must accept a degree of responsibility for all this, although, of course, the final blame must lie with the majority of American parents who do not want their children to be required to meet reasonable standards of scholarship in grade and high schools, and who are willing to see the teachers of their children turned into tax-supported baby sitters instead of highly prepared professionals. For our part we have too often dismissed the inadequacies of our college students by arguing that they should have learned fundamentals in high school and that there are other things to be done now. Our students are allowed to go through college without learning to write or read well or to do simple mathematics. They receive diplomas but gain no real sense of accomplishment; and, since they have not mastered the tools for acquiring knowledge and for thinking and self-expression, their college years have been of minimal value. Many of these same students become teachers themselves and perpetuate the process.

The cycle can be reversed by an insistence upon mastery of the essentials as a part of higher education. We should turn away no inquiring mind; but we should develop in that mind the skills of organized thought. This will mean a great deal of work for all of us. It will mean long hours of grading exams, but this is the only way it can be done; and we can do it only when boards and legislatures understand the need to fund adequate staffs for the job. Teaching is basically a person-to-person activity depending for success upon the willingness of one caring person to encourage another who wishes to learn, and this is true whether a class is large or small. No matter what the odds for success, we must stop catering to the inadequacies of our students by shaping our readings, lectures, and discussions for ninth-grade abilities. We must expect them to read and write well; and if not, we must help them to learn to do so with the normal assignments. One suggestion might be to assign less reading with the expectation that it be thoroughly absorbed. Careful selection can provide sufficient thought-provoking material for advanced students while not overwhelming those less capable. When we expect mastery of fundamentals in our colleges, we will be in a position to lead the grade

schools and high schools and to show the public what is to be gained in terms of human values. Then we may expect changes in the first twelve grade levels; and by then, hopefully, teachers from our colleges will be aware themselves of the loss in human creativity and personal liberty which accrues when millions of young men and women have not adequately developed mental discipline.

Ignorance of the rudiments on the part of many college students

may be classified as a loss of individual liberty on two counts: first, such students are dependent upon others and second, they may be easily led because they cannot acquire and assimilate knowledge. Today, more than ever before, free men must be able not only to identify the elements of freedom, they must be able to express them in terms of every aspect of daily life. Colleges should provide the greatest opportunity for this activity on all levels. 

The Frontier is Freedom

CERTAINLY, the backwardness of many an underdeveloped nation today is related to the fact that the enterprising individual is stigmatized and ruined by his neighbors and the local officials. To have lived in some remote "native" village long enough to know how their social curbs on progress operate is to understand why the best laid plans of economic development schemes have a way of failing utterly. Without freedom to achieve and without a measure of security for life and property, aid is useless; and with freedom, it is unnecessary. Any enterprising investor is happy to put his money into a going concern and nothing succeeds like success. But the rigidities of a managed economy stifle initiative and scare off venture capital, keeping the depressed area stagnant and backward. Only a rich country can afford the economic interventions of socialism — and they can't afford it for long.

Freedom is not a luxury for a few wealthy nations, as many of our liberal pundits try to tell us, but a necessity for the poor and hungry as Erhard's Germany so eloquently demonstrated after her crushing defeat in World War II.

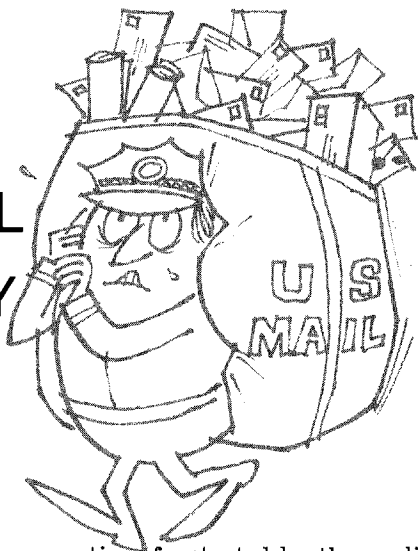
EDWARD P. COLESON

IDEAS ON



LIBERTY

THE POSTAL MONOPOLY



BRIAN SUMMERS

IN 1974 six children in New Jersey earned a few dollars by delivering Christmas cards for five cents each—half the United States Postal Service rate. They were breaking the law.¹

In 1971 a private corporation, the Independent Postal System of America, offered to deliver Christmas cards for five cents each—three cents less than the U.S.P.S. rate. They were stopped by a court injunction.²

In 1966 the CF&I Steel Corpor-

ation, frustrated by the quality of postal service between their Denver headquarters and their plant in Pueblo, hired an armored-car service to deliver the mail. After five months of operation the service was halted by the Denver Post Office, and “at the Post Office’s suggestion” CF&I paid two thousand dollars toward back postage.³

These are examples of a monopoly at work. With a few minor exceptions, the United States Postal Service enjoys a *legal* monopoly in the delivery of letters. Under the Private Express Statutes, private letter carriers are subject to fines and/or imprisonment.

Why should the U.S.P.S. hold a

Mr. Summers is a member of the staff of The Foundation for Economic Education.

¹ *New York Times*, December 20, 1974 (New Jersey Edition).

² John Haldi, *Postal Monopoly* (American Enterprise Institute, Washington, D.C., 1974) pp. 16-17.

³ *Wall Street Journal*, June 5, 1967.

legal monopoly? And, more to the point, why should the government be carrying mail at all?

Let us examine some of the arguments put forward by defenders of the monopoly. One argument is that the U.S.P.S. constitutes a "natural" monopoly. That is, it is contended, it would be impossible for competing private firms to provide efficient service. Thus, it is argued, we need a government-run monopoly.

This argument does not stand up in the light of history. In the past three hundred years, thousands of private carriers have provided efficient postal service in England and America.

Three such private carriers stand out in British history: William Dockwra, Charles Povey, and Peter Williamson.⁴ Each of these men was so efficient in providing postal service that the British General Post Office, after closing them down, adopted many of their methods.

William Dockwra established his London Penny Post in April 1680. Within a few months he had four hundred post offices, and was making ten daily deliveries and four to twelve daily collections. Thus, it was possible to send a letter and receive an an-

swer the same day. The 1946 edition of the *Encyclopedia Britannica* reports:

The staff employed in London by Dockwra considerably exceeded that employed by the post office in the whole kingdom. This truly remarkable enterprise gave London a postal service which in some respects has never been equalled before or since.

For some time Dockwra struggled with serious financial difficulties; but no sooner had the penny post begun to show a profit than the duke of York, on whom the post office revenues were settled, asserted his monopoly. Dockwra was condemned to pay damages and his undertaking was incorporated in the General Post Office; but the London penny post long survived its creator and was maintained until 1801.

Charles Povey founded his Half-Penny Carriage in October 1709, serving parts of London, Westminster, and the borough of Southwark. His rates were less than the General Post Office. After seven months of operation he was fined and put out of business.

Peter Williamson established his Edinburgh Penny Post in 1776. He was so successful that his wife and father-in-law soon set up a competing penny post. After seventeen years his business was taken over by the General Post Office.

Following the lead of these three men, private penny posts

⁴ Rockford Fresnel, "Postmen Against the State," *Innovator*, June 1966.

sprung up all over the British Isles. According to one source, by 1800 there were over two thousand.⁵ Today, due to the vigorous enforcement of the British postal monopoly, there are none.

The American story is much the same. In the 19th century hundreds of private carriers successfully competed with the Post Office Department. Due to the enforcement of the Private Express Statutes, none have survived.

One of the earliest of these postal services was begun in 1835 by William F. Harnden of Boston. His success encouraged competition, and by 1843 Boston alone had at least twenty private postal operators, including Alvin Adams, father of the Adams Express Company.

Soon private post offices dotted the land. There were Hussey's Post and Boyd's City Express in New York City; Pomeroy's Letter Express in eastern New York State; the Letter Express Company in western New York State, Chicago, and Detroit; Hale and Company in New York, New England, Philadelphia, and Baltimore; Lysander Spooner's American Letter Mail Company; Blood's New York Express (four deliveries and five collections daily); Wells and

Company (later to become Wells-Fargo); Yankee Jim's Loon Creek Express; Randall and Jones Canyon City Express — one stamp catalogue lists one hundred fifty private carriers. In 1845 private carriers transported an estimated one-third of the nation's letters.⁶

How efficient were the private carriers? *Hunt's Merchant Magazine* reported: "Government enterprise is wholly unable, under its most advantageous promptings, to compare with private enterprise."⁷ Albert D. Richardson wrote that Wells-Fargo Express operations in the West "illustrate the superiority of private enterprise. Whenever the messengers run on the very steamer, or the same railway carriage, with those of the United States mail, three-fourths of the businessmen entrust them with their letters, which are invariably delivered in advance of government consignments. . . ."⁸

Of course, these developments were noted in Washington. In 1844 Senator James F. Simmons of Rhode Island declared: "The fact is notorious that, . . . on the express routes, twenty letters are

⁶ William C. Wooldridge, *Uncle Sam, The Monopoly Man* (Arlington House, New Rochelle, N.Y. 1970) pp. 11-31.

⁷ Frank Chodorov, *The Myth of the Post Office* (Regnery, Hinsdale, Ill., 1948) p. 14.

⁸ Wooldridge, p. 21.

⁵ Fresnel, *Ibid.*

sent outside the mail for the one that is carried by the mail.”⁹ That same year Congressman John P. Hale of New Hampshire warned: “events are in progress of fatal tendency to the Post Office Department; and its decay has commenced.”¹⁰ The Philadelphia postmaster predicted that if the private carriers “be not put down, they will ere long put down the Post Office Department.”¹¹

Unable to match the efficiency of the private carriers, the Post Office resorted to force. The Private Express Statutes were strengthened in 1845. William C. Wooldridge reports:

With a realistic appreciation of the underlying difficulties, the Senate Post Office Committee brought in a bill that would combine a drastic reduction in postage rates with stiffer restraints on private competition. Even then, however, the bill’s sponsor recognized the government’s congenital inability to compete successfully with the private expresses; he begged his colleagues “to keep in mind, what he had so repeatedly urged, that it was not by competition but by penal enactment” the private posts were to be destroyed.¹²

Those private carriers that

weren’t frightened from the market were put out of business by criminal prosecution. The government’s postal monopoly was preserved, not by providing better service than the private carriers, but by threatening them with arrest.

There is nothing “natural” about the postal monopoly. If the monopoly were “natural,” the government wouldn’t have to crush competition with threats and criminal indictments.

A second argument used by the monopolists is that private carriers wouldn’t charge uniform rates. They would charge less for low-cost routes (such as across town) than for high-cost routes (such as across the continent).

That sounds like a pretty fair system. People would pay for what they got. What we have now is across-town mailers being plundered to subsidize across-continent mailers. What is so noble about that?

And we should remember the words of *Hunt’s Merchant Magazine*: “Government enterprise is wholly unable, under its most advantageous promptings, to compare with private enterprise.” Given a few years of free enterprise, all postage rates would probably be lower than they are now, including those now subsidized by

⁹ George L. Priest, “The History of the Postal Monopoly in the United States,” *Journal of Law & Economics*, April 1975, p. 59.

¹⁰ Priest, p. 61.

¹¹ Wooldridge, p. 22.

¹² Wooldridge, p. 23.

the taxpayers. Of course, we will never know as long the U.S.P.S. has a monopoly.

A third argument used by the monopolists is that private letters wouldn't be safe in the hands of private carriers. Private carriers might open the mail and read it.

This is precisely what the postal monopoly has been doing for years:

For 20 years the CIA routinely opened over 13,000 letters a year going to and from the U.S.S.R., and later extended this operation to include mail from North Vietnam, Cuba, and other (noncommunist) Latin American countries. Chief Postal Inspector William Cotter systematically lied about the existence of this operation until just this year.

Military counterintelligence groups routinely opened military mail, both within the U.S. and at overseas bases. The "flap and seal" operation was justified on the grounds of detecting spies, but according to columnist Jack Anderson, was used largely to spy on servicemen who had complained about the Vietnam War.

In just the past two years, Inspector Cotter admits there have been 431 court orders for opening first class mail, and nearly 8600 approved mail covers [the recording of all return addresses on someone's incoming mail]. The latter have been at the behest of 41 Federal agencies, including the IRS, the Drug Enforcement Agency, the Interstate Commerce Commission, and the Departments of Agriculture and Interior, as well as state and local police and prosecutors.¹³

On July 13, 1855 the editor of *Alta California*, enraged by the prosecution of private carriers, declared: "The present Post Office system is the most outrageous tyranny ever imposed on a free people. It forbids us from sending letters by such means of conveyance as we may prefer, without paying an odious and onerous tax to the government. . . ."¹⁴

Strong words. And still true. ☸

¹³ Robert Poole, Jr., "Getting Big Brother Out of the Mailbox," *Reason* November 1975, p. 54.

¹⁴ Wooldridge, p. 31.

The Sources of Invention

IDEAS ON



LIBERTY

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

JOHN JEWKES

A New Look at the Abolitionists

I HAVE LONG BEEN PUZZLED by the way my American History teachers, and the textbooks they used, presented the Abolitionists — the men and women of the American anti-slavery movement — in a very friendly light. Now, most of these teachers were quite openly of the Left. It always struck me a bit odd that they who admired Chairman Mao should sing the praises of such ardent individualists as Thoreau. Their logic seemed to be: (a) the slaves were Negroes, (b) the Abolitionists were helping the slaves, (c) the Left helps Negroes through the "Civil Rights" movement and Welfare-State programs; therefore, (d) the Abolitionists were of the Left.¹ Yet I, as a lib-

ertarian and individualist, found myself closely identifying with the Abolitionists. I couldn't help thinking that their fight is our fight today, in different circumstances and with a new set of oppressors. The more I read their

¹ The left-wing historian Howard Zinn, for example, has written a book about the Student Non-Violent Coordinating Committee called *SNCC: The New Abolitionists* (Boston: Beacon, 1964). See also Zinn's article, "Abolitionists, Freedom-Riders, and the Tactics of Agitation," in Duberman, Martin (ed.), *The Antislavery Vanguard* (Princeton, N.J.: Princeton University Press, 1965), pp. 417-451. Even more objectionable is the title of one collection of Abolitionist writings: *Forerunners of Black Power*. To compare men like Garrison and Wendell Phillips with the likes of Stokely Carmichael and Eldridge Cleaver is a bit ludicrous. Bornmann, Ernest G. (ed.), *Forerunners of Black Power* (Englewood Cliffs, N.J.: Prentice Hall, 1971).

Mr. Chadwick is a free-lance writer living in New York City.

writings and speeches the more I see, in the Abolitionists' rousing call to freedom, ideas that are as relevant in the fight against the tyranny of today's all-powerful State as they were in the struggle against yesterday's slaveholder.

The Abolitionists saw themselves as the philosophical heirs of Jefferson, Franklin, Paine and other intellectual leaders of the War for American Independence. They saw themselves as trying to fulfill the promise of 1776, and the Declaration of Independence's famous defense of the "inalienable rights . . . (of) life, liberty and the pursuit of happiness." The first major public address of William Lloyd Garrison, probably the most prominent of the Abolitionists, was given on the Fourth of July and referred to the discrepancy between the American creed, as contained in the Declaration, and the American practice of slavery.² In the first issue of his famous paper, *The Liberator*, Garrison again invoked the Declaration: "I determined at every hazard, to lift up the standard of emancipation

in the eyes of the nation, *within sight of Bunker Hill and the birth-place of liberty.*"³

Angelina Grimké, the leading woman in the movement, likewise advocated the ideals of 1776, stating that Americans "must return to the good old doctrine of our forefathers" — the doctrine of *every* man's right to his own life, liberty and property.⁴ Similarly, the poet and Abolitionist John Greenleaf Whittier spoke of a time when "the practice of our people shall agree with" the ideals of the Declaration of Independence.⁵

In Opposition to Violence

It is frequently noted that the Abolitionists, by and large, were religious people, who believed slavery a sin; but this, while true, gives the impression that the religious Abolitionists opposed slavery as an act of faith rather than on any clear ethical grounds. Actually, they called slavery sinful because they realized it was maintained by violence. This religious libertarianism can be seen in the writings of Stephen Symonds

² Speech reprinted in Frederickson, George M. (ed.), *William Lloyd Garrison* (Englewood Cliffs, N.J.: Prentice Hall, 1968), p. 15, and in Garrison, Wendell Phillips and Francis Jackson Garrison, *William Lloyd Garrison* (New York: The Century Company, 1889), Vol. I, pp. 127-137.

³ In Frederickson, p. 22.

⁴ Grimké, Angelina E., "Appeal to the Christian Women of the South" (no publisher given, 1837), p. 3.

⁵ In Ruchames, Louis (ed.), *The Abolitionists: A Collection of their Writings* (New York: G. P. Putnam's Sons, 1963), p. 57.

Foster (not the composer), who was, according to one historian, "called by some second in effect only to Garrison in the early years of the agitation for the abolition movement."⁶

Foster catalogued the sins on which slavery was based: *theft* — a man owns his own industry, and slavery steals that industry and puts it to work for another; *adultery* — slave-owners violate the marriage-contract of the slaves; *man-stealing* — "God has given to every man an inalienable right to himself . . . and he who interferes with the free and unrestricted exercise of that right, who, not content with the proprietorship of his own body, claims the body of his neighbor, is a man-stealer;" *piracy* — the slave-trade, piracy legally and morally; and most important, *murder* — because the slave-owner "maintains his ascendancy over his victims . . . only by the threat of extermination."⁷ One wishes that some of the religious socialists of today, using Christian principles as a basis for advocating the legally-sanctioned violence of statism, could be introduced to the religious libertarianism of Foster and his kind, who knew coercion when they saw it.

⁶ Bormann, p. 105.

⁷ Foster, Stephen Symonds, "The Brotherhood of Thieves," in Bormann, pp. 110-112.

Involved in Socialism

John Thomas, in his article, "Antislavery and Utopia," points out that Jefferson Davis saw the abolitionists as socialists who were starting out with an attack on slave holding (which Davis considered a form of private property) but would finish by attacking all forms of private property. Thomas also points out that George Fitzhugh, the leading intellectual apologist for slavery, said that many Abolitionists, because they were socialists, were embracing slavist ideas.⁸

Because the ideas of Davis and Fitzhugh contain a germ of truth — quite a few Abolitionists were involved in socialism — modern students of Abolitionism may be led to believe that the standard view has been correct all along, that the Abolitionists and today's Welfare-Statist are both of the Left. But the chief mistake here is Davis' mistake, to believe that just because the Abolitionists refused to recognize any right of one man to own another as property, they were against all property rights as such. Thus, the Abolitionists become typical liberal humanitarians seeking to put "human rights" above "property rights."

Yet, reading the speeches and

⁸ Thomas, John, "Antislavery and Utopia," in Duberman, pp. 243-244.

writings of the Abolitionist mainstream, one finds no bias against private property; they simply did not believe a human being can rightfully be another's property. It is today's advocate of the Welfare State who treats human beings as property — property of Big Brother, natural resources to be used for whatever purposes the government has in mind, driven by the whip of the government's police power.

While it is true, as stated above, that many Abolitionists were socialists, even the communitarians among them were libertarians, advocating socialism only on a voluntaristic basis. The fascist mentality of the modern statist would have been entirely foreign and abhorrent to them. Consider one of the most prominent among them, Stephen Pearl Andrews. Andrews, a lawyer, was chased out of Houston, Texas, by a pro-slavery mob, and went to England, where he tried — with some support from John Quincy Adams — to convince Lord Palmerston and Lord Aberdeen to lend money for the purchase (with the intent of emancipation) of the slaves in Texas.⁹

Andrews was influenced in becoming an anarchist by the ideas of Josiah Warren, the founder of an anarcho-communist settlement in New Harmony, Indiana; Warrenism was a combination of Robert Owen's Utopian socialism and native American individualism.¹⁰ Men like Andrews steadfastly held to the individual's right to freedom from coercion, and their communitarian experiments were strictly voluntaristic. One might refer to a man like Andrews as a left-wing anarchist but would have to call him a right-wing socialist, using "right-wing" to mean respect for the rights of the individual. Warren had called his philosophy "Individual Sovereignty," and Andrews made this phrase his motto.

In his magnum opus, *The Science of Society* — which is, at least in its first section, "The Sovereignty of the Individual," a classic of libertarian thought — Andrews comes out four-square for *laissez-faire* in economics: "Nothing short of absolute free trade. Democracy says to government, Hands off! Let the Individual determine for himself when and where, and how he will buy and sell."¹¹ Andrews' hope was that

⁹ Martin, James J., *Men Against the State* (Colorado Springs: Ralph Myles Publisher, 1970), p. 153; and Stern, Madeleine B., *The Pantarch* (Austin: University of Texas Press, 1970), pp. 10, 12-13.

¹⁰ Martin, pp. 26-55, *passim*.

¹¹ Andrews, Stephen Pearl, *The Science of Society* (Boston: Sarah E. Holmes, Publisher, 1888), p. 18.

out of the workings of the free market, the kind of individualist-socialism (sounds contradictory, doesn't it?) he wanted would naturally evolve; I do not share in this hope, but I respect Andrews' undiluted libertarianism.

The Abolitionists, generally speaking the same *laissez-faire* language as we modern libertarians, were a far cry from the so-called "New Abolitionists" of today's statist Left. We who recognize that "Massa" has changed his name to "Big Brother" should give them honor. I close with a passage from a letter written to William Lloyd Garrison by Theodore Weld, Garrison's chief rival for leadership of the antislavery movement. In the letter, Weld states that he is unfamiliar with the exact philosophy and aims of the New England Anti-Slavery Society (Garrison's organization), but that:

its expressive name is dear to my soul. From that I infer that the Society is based on that great bottom law of human right, that *nothing but crime can forfeit liberty.* That no condition of birth, no shade of color, no mere misfortune of circumstances, can annul that birthright charter, which God has bequeathed to every being upon whom he has stamped his own image, by making him a *free moral agent*, and that he who robs his fellow man of this tramples upon right, subverts justice, outrages humanity, unsettles the foundation of human safety, and sacrilegiously assumes the prerogative of God.¹²

To these words, we modern "Abolitionists" — the *real* "New Abolitionists" — can add a resounding, "Amen!"



¹² Weld to Garrison, January 2, 1833, in Barnes, Gilbert H., and Dwight L. Dumonds (eds.), *Letters of Theodore Weld, Angelina Grimké Weld, and Sarah Grimké Weld, 1822-1844* (New York: D. Appleton Century Company, 1934), Vol. I, p. 98.

How Inflation Enslaves Us

IDEAS ON



LIBERTY

WHEN A GREAT BODY of men are preaching the righteousness of the confiscation of property, the stability of the society is threatened, even though the method of confiscation be simply the depreciation of the currency for the benefit of the discontented poor.

ANDREW C. MCLAUGHLIN,
The Confederation & the Constitution, 1905



What the Bible Says About Big Government

JAMES C. PATRICK

EVIDENCE IS MOUNTING that many government programs fail to accomplish all that their advocates had promised. After dipping for a while crime statistics are climbing again. Confidence in the institution of government has sagged. Some people wonder whether government has bitten off more than it can chew. They suspect that Henry Hazlitt came close to the mark when he wrote, "The more things a government undertakes to do, the fewer things it can do competently."¹

Mr. Patrick holds a Master of Divinity degree from Yale and has filled many lay offices as a churchman. Recently retired from chamber of commerce work, he now is an officer in a group of small-town banks in Illinois.

¹ LIFE AND DEATH OF THE WELFARE STATE; La Jolla, California: La Jolla Rancho Press, 1968; p. 52.

What do the Hebrew and Christian scriptures have to say on the subject of government power and functions? News reports about clergymen's public statements and actions often reveal the men of the cloth on the side of big government—favoring more handouts, more intervention, more regulation. Does the Bible support that position? Or should the clergy take a closer look at what the scriptures disclose? Answers to these questions could be illuminating.

First, however, just what is government? Some of the thinkers who helped lift western civilization into the modern era had pondered the question deeply but it is doubtful that most people ever gave it a thought, either then or

now. A look at what students of the subject have written should provide an answer.

The Essence of Big Government

In a stark cemetery at Mansfield, Missouri, stand two identical gravestones side by side, separated by about six feet of sod. Carved in large letters in the brown granite of one is the name Wilder, of the other, Lane. One marks the graves of Almanzo James and Laura Ingalls Wilder, the second the grave of their daughter, Rose Wilder Lane. Almanzo Wilder died in 1949 at the age of ninety-two. His wife lived till 1957 when she was ninety. Rose was almost eighty-two when she died in 1968.

A mile east of Mansfield on a pleasant hillside rests the modest white frame house that Almanzo Wilder built for Laura at the turn of the century, using building materials produced on the farm. Here Rose grew to womanhood and here in 1932 her mother began to write the "Little House" books that have charmed a generation of Americans with their picture of pioneer life in the second half of the nineteenth century and have now been adapted for television. Drawing on a descriptive talent developed as a girl when she served as the eyes for her scarlet fever-blinded sister, Laura wrote the series of books in longhand on tablet paper, using

both sides of the sheet to avoid waste and writing with a pencil.

Rose, too, became a writer and her best-known book, *Let the Hurricane Roar*, is in part a re-telling in fiction of the pioneer experiences of her mother's family. But her most influential book is *The Discovery of Freedom*, published in 1943. It takes nothing from Rose Wilder Lane to point out that the book reflects viewpoints and attitudes that are evident in her mother's writing.

The Discovery of Freedom was the inspiration for Henry Grady Weaver's *The Mainspring of Human Progress*, described by Leonard Read, President of the Foundation for Economic Education, as probably the best introduction to freedom ideas available in a single volume. *Mainspring* has multiplied the outreach and the influence of Rose Wilder Lane's thought.

Today and for two generations there has been abroad in the land a naive faith in government as the solution to all problems — a belief in the ability of legislation to satisfy any need. Events in the last decade, when that trust reached its zenith in the Great Society programs, have dealt several stinging blows to the faith but it had become so deeply ingrained that it yields slowly to opposing evidence.

Weaver and Mrs. Lane did not share the popular belief. Instead

they took a very different view which Rose Wilder Lane expressed in these words: "What they (men in government) have is the use of force — command of the police and the army. Government, The State, is always a use of force . . ." ² And "Buck" Weaver wrote, "In the last analysis, and stripped of all the furbelows, government is nothing more than a legal monopoly of the use of physical force — by persons upon persons."³

What Authorities Say

Although most Americans today seem never to have thought of it, this idea was not new. Numerous other writers, representing differing shades in the political spectrum, have expressed a similar view, both before and since Mrs. Lane and "Buck" Weaver wrote.

"The civil law . . . is the force of the commonwealth, engaged to protect the lives, liberties, and possessions of those who live according to its laws, and has power to take away life, liberty, or goods from him who disobeys." (John Locke)

"Government is not reason, it is not eloquence — it is force. Like fire it is a dangerous servant and

a fearful master . . ." (George Washington)

"Law is the common force organized to act as an obstacle to injustice." (Frederic Bastiat)

". . . penal sanction . . . is the essence of law . . ." (John Stuart Mill)

"The essential characteristic of all government, whatever its form, is authority. . . . Government, in its last analysis, is organized force." (Woodrow Wilson)

"The state belongs to the sphere of coercion. It would be madness to renounce coercion, particularly in the epoch of the dictatorship of the proletariat." (Nikolai Lenin)

"A government may be freely chosen, but it is still not all of us. It is some men vested with authority over other men." And democracy ". . . is a name for a particular set of conditions under which the right to coerce others is acquired and held."⁴ (Charles Frankel)

"The State is the party that always accompanies its proposals by coercion, and backs them by force."⁵ (Charles A. Reich)

It should come as no surprise to students of the Bible that the scrip-

² THE DISCOVERY OF FREEDOM; New York, N.Y.: Arno Press, 1972; p. 27.

³ THE MAINSPRING OF HUMAN PROGRESS; Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1953, p. 71.

⁴ Charles Frankel, THE DEMOCRATIC PROSPECT; New York, N.Y.: Harper & Row, 1964; p. 136 and p. 30.

⁵ Charles A. Reich, THE GREENING OF AMERICA; New York, N.Y.: Bantam Books, 1971; p. 350.

tures analyzed the ultimate nature of government much earlier than any of the writers cited. Christians sometimes wonder what Jesus had to say about the role of government and theologians normally reply that he said very little on the subject. The principal relevant statement recorded in the gospels is his response to a question as to whether it was proper to pay the head tax imposed by Rome. The tax amounted to about twenty-five cents a person and was regarded as a mark of servitude to Rome.

In ancient times the authority of a ruler was symbolized by the circulation of his coinage and coins bearing the ruler's image were considered his property, in the final analysis.⁶ When Jesus requested that his questioners show him one of the coins used to pay the tax, a coin was brought and he asked, "Whose likeness and inscription is this?" They replied that it was Caesar's. Jesus then said, "Render therefore to Caesar the things that are Caesar's, and to God the things that are God's." The account is told in Matthew 22 and in parallels in the gospel according to Mark and according to Luke.

While Jesus said little about the

power of government and what government should or should not do, two other New Testament writers came down solidly on the side of respect for the civil authorities and obedience to law. One of these was the Apostle Paul. Of Paul a respected New Testament scholar wrote a few years ago, "It is evident from many allusions in his writings, that the thought of Rome had strongly affected his imagination. He associated the great city with all that was most august in earthly power. He believed that it had been divinely appointed to maintain order and peace among the contending races."⁷

In his letter to the Romans, St. Paul offered the following admonition: "Let every person be subject to the governing authorities. For there is no authority except from God, and those that exist have been instituted by God."

Pay your taxes and give respect and honor to whom they are due, said Paul. Conduct yourself properly and you will have no reason to fear an official. "But if you do wrong, be afraid, for he does not bear the sword in vain."⁸

⁶ E. F. Scott, *THE LITERATURE OF THE NEW TESTAMENT*; New York, N. Y.: Columbia University Press, 1936; p. 156.

⁸ Romans 13:1-7. All scriptural quotations are from the Revised Standard Version of the Bible; New York, N. Y.: Thomas Nelson & Sons, 1952.

⁶ THE ABINGDON BIBLE COMMENTARY; New York, N. Y., and Nashville, Tenn.: Abingdon-Cokesbury Press, 1929; p. 988.

And St. Peter wrote:

Be subject for the Lord's sake to every human institution, whether it be to the emperor as supreme, or to governors as sent by him to punish those who do wrong and to praise those who do right. For it is God's will that by doing right you should put to silence the ignorance of foolish men. Live as free men, yet without using your freedom as a pretext for evil; but live as servants of God. Honor all men. Love the brotherhood. Fear God. Honor the emperor.⁹

The statements are brief because the writers were not primarily concerned for man's relation with the authorities but for his relation with God and his fellow man. But the statements are definite. And they provided the scriptural foundation for what some students have considered Martin Luther's exaggerated reverence for the State. Luther's attitude supplied the philosophical substructure for the authoritarian character German governments have displayed more than once.

"When studied with any degree of thoroughness, the economic problem will be found to run into the political problem," wrote Irving Babbitt, "the political problem into the philosophical problem, and the philosophical problem itself to be almost indissolubly bound up at

last with the religious problem."¹⁰ In short, what we believe or do not believe about man and about God determines what kind of society we will have and how our society will govern itself.

While there is support for paying taxes, obedience to law, and respect for civil authority in the New Testament, no detailed analysis of the nature of government or the proper functions of government is to be found there. There is, however, ample guidance for the individual conduct of government officials. They are human beings, so they will be fair, as all humans should be. They will deal justly with the people. Tax collectors will not steal because nobody should steal.

Another Biblical View

In the Old Testament, the writer of the books of I Samuel and II Samuel draws a definite contrast between limited government and the all-powerful State. The writer of the two books drew on earlier sources, some of which probably went back as far as 1000 B.C. or earlier and all of which had been completed by about 600 B.C.¹¹ For

¹⁰ Quoted by Russell Kirk, *THE CONSERVATIVE MIND*; Chicago, Ill.: Henry Regnery Company, 1960; p. 482.

¹¹ Robert H. Pfeiffer, *INTRODUCTION TO THE OLD TESTAMENT*; New York, N.Y.: Harper & Brothers, 1941; pp. 20-22.

⁹ I Peter 2:13-17.

generations the Jewish people had been led by officials called Judges, of whom at least one, Deborah, was a woman. Best known of the judges to modern readers is Gideon, because his name is carried by the organization recognized for its practice of distributing Bibles in hotels and motels. The judges combined civil, military, and religious functions in their office. They led the Jewish people in battle against their enemies, settled questions of law, administered justice in disputes between individuals, and functioned as priests and prophets. To the enemies of Israel they often showed no quarter and in some of their judicial decisions they may have been arbitrary but their leadership of their own people was apparently rather mild. The writer of the book of Judges reports, in chapter 17 and again in his concluding verse, Judges 21:25, "In those days there was no king in Israel; every man did what was right in his own eyes."

Gideon did not even want to be king. After he had led the men of Israel successfully against their enemies, they asked him to rule over them but he replied, "I will not rule over you, and my son will not rule over you; the Lord will rule over you."¹²

After the death of Gideon one of

his sons, Abimelech, seized power briefly and killed all of his brothers except one, the youngest, Jotham, who hid himself and escaped. When Jotham was told what his brother had done, he related a parable, recorded in Judges 9, about the trees going forth to anoint a king over themselves. The olive tree, the fig tree, and the vine all declined to abandon their productive pursuits to become king, so the trees then turned to the bramble and the bramble accepted.

The Worst on Top

In *The Road to Serfdom*, Prof. Friedrich A. Hayek, for somewhat different reasons from those cited in Jotham's parable, reached a conclusion that resembles the parable of the trees and the bramble. Prof. Hayek describes how kakistocracy arises in a chapter entitled, "Why the Worst Get on Top."¹³

Samuel was the last of the series of prophet-judges. He administered justice in his own city of Ramah, a few miles north of Jerusalem, and traveled a judicial circuit that took him annually to Bethel, Gilgal, and Mizpah. When senility approached, Samuel made his two sons judges but the scrip-

¹³ Friedrich A. Hayek, *THE ROAD TO SERFDOM*; Chicago, Ill.: The University of Chicago Press, 1944; Chapter X.

¹² Judges 8:23.

ture records that they lacked their father's honorable character and "turned aside after gain . . . took bribes and perverted justice."¹⁴

The Jewish people were still engaged in the prolonged effort to conquer the land they had occupied. Recurring wars threatened their security. Such enemies as the Philistines were better organized and better equipped than the people of Israel who retained their loose tribal structure and had not yet fully abandoned the nomadic life. So the elders of Israel came to Samuel with a request: "Behold, you are old and your sons do not walk in your ways; now appoint for us a king to govern us like all the nations."

The request displeased Samuel and he prayed to the Lord who admonished Samuel to heed their request, "for they have not rejected you, but they have rejected me. . . ." But Samuel was directed to tell them what it would be like to have a king. He did so in words recorded in I Samuel 8:

These will be the ways of the king who will reign over you: He will take your sons and appoint them to his chariots and to be his horsemen, and to run before his chariots; and he will appoint for himself commanders of thousands and commanders of fifties, and some to plow his ground and to reap his harvest, and to make

his implements of war and the equipment of his chariots. He will take your daughters to be perfumers and cooks and bakers. He will take the best of your fields and vineyards and olive orchards and give them to his servants. He will take the tenth of your grain and of your vineyards and give it to his officers and to his servants. He will take your menservants and maidservants, and the best of your cattle and your asses, and put them to his work. He will take the tenth of your flocks, and you shall be his slaves. And in that day you will cry out because of your king, whom you have chosen for yourselves. . . .

The people refused to listen to Samuel, however, and insisted that they wanted a king to govern them and fight their battles. Their wishes prevailed. They got big government.

The king who was selected was Saul, of the tribe of Benjamin. Many years before, when Moses explained to the people of Israel the law that he had delivered to them, he told them what kind of person to choose as king when the time came. His counsel is recorded in Deuteronomy 17:

When you come to the land which the Lord your God gives you, and you possess it and dwell in it, and then say, "I will set a king over me, like all the nations that are round about me"; you may indeed set as king over you him whom the Lord your God will choose. One from among your breth-

¹⁴ I Samuel 7:15-8:5.

ren you shall set as king over you; you may not put a foreigner over you, who is not your brother. Only he must not multiply horses for himself, or cause the people to return to Egypt in order to multiply horses, since the Lord has said to you, "You shall never return that way again." And he shall not multiply wives for himself, lest his heart turn away; nor shall he greatly multiply for himself silver and gold.

In a book based on his research at the Hoover Institution on War, Revolution and Peace of Stanford University, Alvin Rabushka wrote, "Governments take resources from the public but use them to maximize their own welfare."¹⁵ Both Moses and Samuel recognized this propensity and warned about it. To modern taxpayers the tenth part of their grain and vineyards and flocks, that Samuel said the king would require, must appear mild indeed but in time the burden became onerous to the people. Samuel's prophecy that one day they would cry out because of their king was not realized immediately. Then, as now, persons with the vision to foretell the consequences of certain popular choices and actions could only tell *what* would occur as a result, not *when* it would occur.

David and Solomon

David succeeded Saul as king, united the people of Israel under his rule, defeated their enemies, pushed the borders of his domain south to the Gulf of Aqaba, an arm of the Red Sea, and by treaty with vassals extended his control north and eastward to the Euphrates River.¹⁶

Thrusting aside an attempt of an older brother to become king, Solomon followed David, his father, on the throne. His reign was marked by lavish construction programs and public works projects. An extensive bureaucracy was established to man the elaborate governmental structure Solomon created. Twelve administrative regions were defined and each was to provide the taxes and other resources to support the king and his government for one month of each year. Solomon took as one of his wives a daughter of the Egyptian Pharaoh and built her a luxurious residence. He also built a temple at Jerusalem to be the center of worship for the entire nation. He was described as having "wisdom and understanding beyond measure, and largeness of mind like the sand on the seashore. . . ."¹⁷ At the same time, however, the scrip-

¹⁵ Alvin Rabushka, *A THEORY OF RACIAL HARMONY*; Columbia, S. C.: University of South Carolina Press, 1974; p. 93.

¹⁶ E. W. Heaton, *SOLOMON'S NEW MEN*; New York, N.Y.: Pica Press, 1974; Chapter 2.

¹⁷ I Kings 4:29.

ture speaks repeatedly of Solomon's use of forced labor and it tells of the hundreds of wives and concubines that he took. History casts doubt on the wisdom of a ruler who burdens his people with oppressive taxation and encumbers them with the upkeep of a sprawling bureaucracy and a parasitic court.

Like the Roman Catholic popes of the fifteenth and sixteenth centuries, Solomon mulcted the people of the resources to build imposing structures and create works of art.¹⁸ The popes left great paintings and sculpture, as Solomon left a temple that stood for four centuries, but the exactions of the popes brought schism to the Church and those of Solomon brought rebellion in the kingdom when his son, Rehoboam, succeeded him.

After the death of Solomon the people who assembled for the coronation of Rehoboam came to the new king with a plea: "Your father made our yoke heavy. Now therefore lighten the hard service of your father and his heavy yoke upon us, and we will serve you." Rehoboam sent them away for three days while he consulted first with the elders who had advised

his father and then with his youthful associates. In the end he rejected the counsel of the elders that he accede to the people's wishes. Instead he took the advice of his contemporaries and when the people returned for his answer, he told them, "My father made your yoke heavy, but I will add to your yoke; my father chastised you with whips, but I will chastise you with scorpions." Their appeal rejected, the people cried out, "To your tents, O Israel!" And the historian records in I Kings 12, "So Israel has been in rebellion against the house of David to this day."

The scriptures say that Saul and David and Solomon each reigned for forty years. So one hundred twenty years passed, or approximately four generations, from the time when the people abandoned limited government until the time when their descendents did "cry out" because of the king they had chosen. By 600 B.C. or earlier the people of Israel had learned, however, that government is indeed force — a dangerous servant and a fearful master.

The Role for Government

If government is force, as the serious students of the subject have agreed, what kinds of things should government do? The answer is obvious. Government should do those things that can be prop-

¹⁸ Irving Stone, *THE AGONY AND THE ECSTASY*; New York, N.Y.: Doubleday & Company, 1961 (Signet edition).

erly done by the use of force. The question follows: What are the proper uses of force among responsible adults?

Nobody has answered that question more clearly than the nineteenth century French statesman, Frederic Bastiat: "Every individual has the right to use force for lawful self-defense. It is for this reason that the collective force—which is only the organized combination of the individual forces—may lawfully be used for the same purpose; and it cannot be used legitimately for any other purpose."¹⁹

Government, therefore, is to be used to defend, to protect, to prevent violence, fraud, and other predatory acts. Other endeavors are to be left to the initiative and the choices of people acting voluntarily, either jointly or as individuals. In short, government should do what the judges of Israel did. Beyond that every man should do what is "right in his own eyes."

Obviously that is not the direction Americans have been moving for the past two generations. Instead, as noted earlier, a naive faith that government can solve all problems has taken root and persists in spite of the repeated failures of government social pro-

grams. But it makes no difference that large numbers hold a wrong view. Right is not determined by majority vote. As Anatole France stated, "If fifty million people say a foolish thing, it is still a foolish thing." And Supreme Court Justice George Sutherland said, "A foolish law does not become a wise law because it is approved by a great many people."²⁰ Right, like truth, is usually discerned first by a minority, often in the beginning a minority of one.

Everybody Is Responsible

Everybody has a stake in preventing the unprincipled members of society from committing acts of violence or fraud upon peaceful persons, and should help pay a part of the cost of the police and defense mechanism necessary to protect people in their peaceful pursuits. Government is society's mechanism for protecting and defending; it properly collects taxes to pay for these services. But when it takes from some persons what belongs to them and gives it to other persons to whom it does not belong, government commits an act of plunder. One person who uses force or the threat of force to take from another what has been

¹⁹ Frederic Bastiat, *THE LAW*; Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1956; p. 68.

²⁰ Address as President of the American Bar Association, at the ABA annual meeting, Saratoga Springs, N.Y., Sept. 4, 1917.

honestly earned or built or created, commits an immoral act and a crime. Two or more persons banding together do not acquire any moral rights that they did not have as individuals. When government provides benefits for one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime, it performs an act of plunder.²¹

Not only is governmental plunder immoral, it reduces the general well-being of the people. It does so by taking away from some people what they have produced but are not permitted to use. It reduces well-being by distributing to other people what they have not been required to produce. Both the producers and the receivers are thus deprived of incentive. And government reduces the general well-being by creating an unproductive administrative bureaucracy to do the taking away and the distributing. Society needs the productivity of all its able mem-

bers. Shifted to producing goods and services that can be exchanged in the marketplace, the legions of bureaucrats could add materially to human well-being.

How is the situation to be corrected that has been allowed to develop? Rose Wilder Lane points the way: "The great English reform movement of the 19th century consisted wholly in repealing laws."²² What is needed in the United States is to repeal laws, not to pass new ones. Repeal laws that vest some men with authority over other men. This is not to set the clock back, it is to set it right.²³

As Samuel warned the people of Israel when they chose big government, various prophets have warned the people of America. Prophets can only tell *what* to expect, however, not *when* to expect it. More than a century of suffering passed before the people of Israel rose to throw off the yoke from their necks. ☉

²² *Loc cit.* p. 239.

²³ Wilhelm Roepke, *A HUMANE ECONOMY*; Chicago, Ill.: Henry Regnery Company, 1960; p. 88.

²¹ Bastiat, *Op. cit.* p. 21.

The Lesson

IDEAS ON



LIBERTY

IN DECIDING whether or not to give power over you to your most trusted friend, imagine that his authority might eventually be held by your worst enemy. Then act accordingly; for although the friend may never misuse it, there's no way of telling who might inherit it from him.

The Existential Pleasures Of Engineering



SAMUEL C. FLORMAN, author of the enigmatically titled *The Existential Pleasures of Engineering* (St. Martin's Press, \$7.95), is a construction engineer who happens to hold an M.A. in English literature from Columbia University. The possessor of a most pleasing style, he moves comfortably in two worlds of the imagination — or in the “two cultures,” as the British novelist C. P. Snow would put it.

Like any person of common sense he knows that the creative

personality is the same whatever the means of expression the creator may use. As critic Lewis Mumford once noted (before he went off on his anti-technological rampage), the esthetic impulse in our so-called Gilded Age flowered just as importantly and effectively in the great suspension bridges designed and built by Roebling as it did in the poems of Walt Whitman or the paintings of Whistler. The good engineer works in a human dimension, to make life more civilized, more bearable, more

pleasurable and, incidentally, better able to yield the leisure for literature, sculpture or just plain fun and games. The engineer, in short, is just another artist.

The trouble with the artist-engineer, however, is that he has never bothered to explain himself. During the Golden Age of Engineering, which lasted a full century from 1850 to 1950, he didn't have to justify his existence. People took it for granted that it was good to rid the world of household drudgery by engineering everything from washing machines to air conditioning. There was no question about the value of such things as the automobile, the airplane and the Panama Canal — they speeded life and, simultaneously, left more time for living. The builders of the St. Gotthard Tunnel were eulogized in fiction by no less a person than the tortured dramatist August Strindberg. In Kipling's verse "romance brought in the 5:15," and Carl Sandburg lamented the loss of a discarded steel rail as "straight strength pitched into the slime of the ditch."

But even as engineers were placing men on the moon and unlocking the secret of the atom, the tide turned against the engineer. A whole group of sociologists — Jacques Ellul, Lewis Mumford, Charles Reich, Theodore Roszak —

began to think of technology as a Frankenstein monster that had, somehow, taken over and was ruining the show by itself. The means had become an end. The environmentalists and the ecologists, seeing only that cars have exhausts and that atomic fuel leaves a poisonous waste, headed for the exits. There was nothing left to do, they said, but return to a pre-technological Nature. America must be "greened again."

Our Debt to Technology

With his knowledge of the past, Mr. Florman takes extensive issue with Ellul, Mumford, Reich and the rest of the anti-technologists. Mumford salutes the Middle Ages, when men presumably had common aims and built to the glory of God. But if the Middle Ages had anything over the Dark Ages, it was because technology had turned up such prosaic wonders as the horse collar, which enabled people to move goods from place to place over the rough roads between seas and rivers. Diets were sparse until technology, in the form of the compass, enabled mariners to bring New World vegetables to Europe along with Aztec gold. There should be no need to belabor the point: modern populations, brought into existence by the very fecundity of science and engineering, could not live with-

out fertilizers, new energy sources, and great ships to carry raw materials to points where they can be transformed into the means of sustenance for the millions.

It is obvious that man sets his own ends, and uses technology to get where he wants to go. It is not the fault of the engineer when men move perversely to hurt each other, or to pursue power for the sake of domination. World War I came before the invention of the tank; World War II preceded the harnessing of the atom to destructive ends. It is the politician and the warrior who make wars that require the jet engine and jungle defoliants, not the engineer, whose discoveries can be switched from use to use, depending on the motives and purposes of non-technical men who often do not know the existential pleasures of building for the sake of enjoyment and peaceful trade.

Gloomy Forecasts

So mixed up have we become that a Stanford University seminar for freshmen in California can feature a speaker, anthropologist George Collier, who expatiates for the students on the losses attendant upon modern technology, including the loss of many tools and skills and "even the loss of hundreds of species of cultivated plants." This remark about plant

loss was apparently made with a perfectly straight face not far from the town of Santa Rosa, where Luther Burbank created new plant hybrids by the dozen, and in the very state that had turned a single navel orange branch, a mutation, into a great industry within the lifetime of the navel's discoverer.

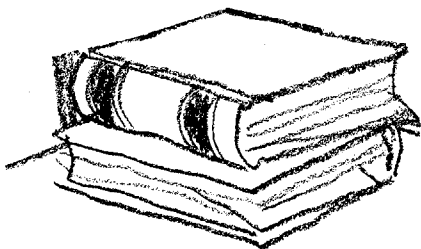
At the same seminar a Professor James Gibbons of the Stanford Department of Electrical Engineering downgrades technology by saying that the most it can do for "us in solving the imminent catastrophe of world overpopulation and insufficient resources is to delay that catastrophe by a few years." Professor Gibbons thinks we must all accept a reduction in the standard of living if we are to have any hope for the future.

Well, so we must if our anti-technologists, for the fancied sake of a few caribou who couldn't care less about the loss of a sliver of Arctic land, insist on holding up the building of a needed oil pipeline for seven years. So we must if the Sierra Club activists keep virtually uninhabited wastes in the Powder River area of Wyoming and Montana from becoming the center of a coal mining industry capable of giving us power that now comes at great expense from the Middle East.

We fail not because our engi-

neers have lost their skill but because the aims of men have suddenly become much smaller than they were in the Golden Fifties. The engineer is perfectly capable of winning through to new vistas of plenty, and if there is pollution to be fought as a by-product, the engineer can take care of that in his stride once he gets the signal from the people.

Maybe the intellectual climate is about to take a turn for the better. Last year an English economist, Wilfred Beckerman, wrote his witty *Two Cheers for the Affluent Society* in which he proved the "ecosystem" could do little for man and beast unless there was an economic surplus to turn into water purification and so forth. Now we have Mr. Florman's defense of the artist-engineer, a fit companion book to *Two Cheers*. Incidentally, St. Martin's Press has published both books, a sign of true sanity.



► **RACE AND ECONOMICS** by Thomas Sowell (New York: David McKay and Company, 1975) 276 pp., \$9.95.

Reviewed by Allan C. Brownfeld

IF ONE WERE TO SURVEY what has been written in the U.S. about the racial question during the past quarter century, he would be hard pressed to find a more eloquent and honest presentation than this book by professor Thomas Sowell, a black economist now on the faculty of the University of California at Los Angeles. It deserves wide readership — among members of all races.

Dr. Sowell, a firm advocate of the free market, declares that "Race makes a difference in economic transactions as in all other areas of life," but he denies that the black experience in America is radically different from that of other groups.

Although blacks arrived here during the colonial period, groups which came later — such as the Irish and the Italians — have moved ahead faster. Some have identified race as the retarding factor, but this is a mistaken view, Dr. Sowell argues. It "is not the time . . . of arrival in America, but (1) the time of being freed from slavery, and (2) the time of movement from the rural south

into a modern, industrial and commercial economy . . . ”

Blacks “had to undergo two major drastic transformations within two or three generations. They had first to adjust to freedom and individual responsibility for feeding, clothing and housing themselves. This adjustment had to be made in an economy and society devastated by war The second great adjustment was to urban living — an experience which had proved shattering to European immigrants from similar rural backgrounds before them. Most of today’s black urban population has been in the city only two generations, and many of the poorest and most problem-ridden, less than that.”

The experiences of the Irish immigrant in the 19th century and the black urban dweller of the 20th are, argues Dr. Sowell, very similar. In 1888, William Dean Howells noted that “the settlement of an Irish family in one of our suburban neighborhoods” strikes a “mortal pang” in the old residents. Henry George applied the phrase “human garbage” to the immigrants of the 1800’s and H. G. Wells doubted that they could be absorbed into society.

Dr. Sowell writes that, “The Irish were prominent among the immigrant groups exhibiting the usual symptoms of social pathology

among people at the bottom. They had very high rates of death from tuberculosis . . . as well as high rates of insanity, a disproportionate number of widows and orphans and inmates of poor-houses, as well as very large overrepresentation among those arrested and imprisoned.”

Of the several 19th century immigrant groups, the Jews advanced most quickly. The reason dates back to their distant past — as did the corresponding failure of other groups to advance more quickly. He writes that, “In one important respect, medieval Jews were very fortunate in the particular form of occupational discrimination practiced against them. They were forbidden to engage in those occupations which were central to feudalism — those involving the land . . . and were therefore forced into urban, commercial and financial occupations, which would of course later turn out to be central to the modern capitalist economy.”

Thus, argues the author, blacks, Poles, Irish, Italians and other groups came from a rural and illiterate past which had to be overcome. Prejudice and discrimination was not, in reality, blind hatred, but represented an aversion to the vast differences between these groups and the urban American population. As they acclimat-

ed and succeeded, the prejudice largely ended.

The most successful non-white group was the Japanese. They met discrimination, and during World War II were interned by the U.S. Government. Yet, their economic advance continued. Neither they nor the even more successful Jews looked for government aid or assistance. They simply educated themselves, acquired the skills necessary to succeed, and made dramatic economic progress. Contrasting the Japanese approach to that of today's liberal desire for governmental intervention in the economy, Dr. Sowell notes that, "Legally, Japanese-Americans never received full restitution for their wartime losses. . . . The actual settlement payments amounted to no more than ten cents on the dollar. The Japanese-Americans, however, did not put their emphasis on trying to get justice, but rather on trying to get ahead. This they did."

It is Dr. Sowell's conclusion that, "political power is not a necessary condition for economic advance. . . . The Irish were the most politically successful of American minorities. They dominated political life in a number of American cities by the middle of the 19th century. Yet . . . the bulk of Irish-Americans was still predominantly in unskilled and me-

nial occupations in the last decade of the century. . . . Emphasis on promoting economic advancement has produced far more progress than attempts to redress past wrongs."

It is the author's belief that liberal and interventionist programs — minimum wage laws, rent control, school busing — do more harm than good in assisting black Americans to advance economically. Concerning the minimum wage he writes: "minimum wage laws are not passed for the purpose of racial exclusion, but the actual economic effects do not depend upon the intentions of those who establish a . . . situation. The net effect of any . . . arrangement which sets the rate of pay above that required to attract the number of qualified workers needed is to make it cheaper to discriminate in deciding who *not* to hire." Similarly, he writes, "Rent control reduces the cost of discrimination in housing, and enables ethnic boundaries to be maintained longer than otherwise." Welfare, in particular, has made many blacks wards of the state and has deadened the incentive needed to progress.

Of the so-called "experts" who have produced programs such as urban renewal — meant to help the poor, but proving counter-productive—Dr. Sowell asks for a healthy skepticism: "Everyone understands

that when a representative of a soup company tells us that his product makes the best lunch, a healthy skepticism is in order. But when a housing 'expert' unveils the latest plan to 'save the cities' or a member of the education lobby asks for expanded 'opportunities' for youth to consume his product at taxpayer expense, there is a tendency to regard them as wise men promoting the public interest."

Every negative situation faced by blacks today, argues Dr. Sowell, was faced at an earlier time by other immigrant groups. The future success of blacks, he believes, is to look carefully at the qualities which other groups developed to improve their condition: "Among the characteristics associated with success is a future orientation—a belief in a pattern of behavior that sacrifices present comforts and enjoyments while preparing for future success."

Today's minorities, Dr. Sowell believes, are not really far behind the 19th century immigrant groups at similar stages of development. The answer, he believes, lies within the groups themselves—not with the larger society. If government would simply stop meddling in such affairs and throwing up roadblocks—such as union shops which have notoriously kept blacks out of skilled

crafts and license laws which restrict entry into many jobs—progress would be more rapid. Prejudice, the author argues, is not eliminated by carrying placards against it but by removing its causes. The small degree of blind racism which remained would be of little consequence.

This book, hopefully, will become a landmark in the literature of race relations and its relationship to economic success. It is an eloquent plea for freedom and free enterprise from a black intellectual about whom we will be hearing a great deal in the future.

► **FAITH AND FREEDOM: A Biographical Sketch of a Great American**, John Howard Pew compiled by Mary Sennholz. (Grove City, Pa., Grove City College, 1975) 179 pp.

Available at \$6.00 from The Foundation for Economic Education, Irvington-on-Hudson, N. Y. 10533.

Reviewed by Mark B. Spangler

"We never plan anything. I think there's got to be more central planning. . . . People may think badly of the idea simply because anything that smells of government and planning stinks. To me it makes sense."¹ Those are

¹ *Time*, February 10, 1975, pp. 70-71.

the words of Henry Ford II, and they express adequately the most significant change American society has undergone over the course of this century. Government has been sanctioned solver of all problems, particularly in the realm of economics. Today the popular search for economic well-being is by way of special privileges or money transfers from the government.

Instructors and students enjoy the use of federal and state aid at schools. Urban renewal officials use federal grants to reconstruct communities. Failing industries petition for federal subsidies as do bankrupt cities. "Charity" has come to mean distributing food stamps, unemployment relief, old age care, health aid, and so on. If the government is not called upon to subsidize, then it is expected to control certain actions of individuals. The federal government controls prices that are too high or too low; it regulates competition that is too much or too little. By issuing licenses and permits, the state decides who can enter an occupation and who can build what and where. Employers are told whom they can employ and under what conditions; new workers can be told to join a union. And so it goes today — utilizing government for the benefit of one at the expense of another's

liberty or income. Unfortunately, the play does not end happily. History has seen such performances time and again and knows the outcome.

Consider the following, in direct contrast to the present picture:

To J. Howard Pew, every wanton restraint to individual liberty whether practiced by a dictator or a popular government, was a degree of tyranny. He opposed every form of government intervention with the creative activity of man. With heavy heart he watched the growth of government in Washington and saw its bureaucracy encroach upon the traditional freedoms of Americans. To him central planning and control meant denial of individual freedom to plan and control. Therefore in countless speeches, he pleaded the case for individual freedom and the private property order, which to him was "the great American Heritage."

Who was J. Howard Pew? He was an industrialist, researcher, developer, manager, and corporate president; he was an entrepreneur of the oil industry. His career covered nearly three quarters of this century and witnessed the transformation of a free society into a highly controlled society. He saw faith in free men discarded for faith in the state. "A free economy is only possible when all people stand equal before the law. That is the principle laid

down in our constitution. . . . But this principle has been violated time after time. . . ." was one way J. Howard Pew described the present course of America.

His actions and words endorsed freedom and free enterprise; he rejected the free society's only alternative, the centrally commanded society and economy. As an "economist" he saw the efficiency of free markets; as a person he saw the morality of individual freedom. Mrs. Sennholz reports that Howard Pew was defiant and recalcitrant to the authorities of the world, but malleable to eternal principles. *Faith and Freedom* traces the application of Mr. Pew's principles to the domains of education, economics, industry, charity, religion, the importance of America's heritage, and the problems which America faces today.

How did Howard Pew approach the problem of serving consumer demands for higher education? He used the same cost-cutting, managerially-efficient approach that enables enterprises to bring all other goods and services to the masses. Certainly he never looked to government to subsidize his enterprise. Profitable enterprises plow the company's earnings back into the business to expand and to continue to serve consumers. Comprehending the economic impor-

tance of competition, Mr. Pew spoke against business using politics to restrict competitors: "We believe in competition for ourselves. . . . We have never sought . . . a sheltered position. . . . If somebody else can serve the public better in quality or price, he is entitled to the business."

He wisely recognized that in a free market employers must compete for labor's services; hence, he took a personal interest in his employees. Howard Pew initiated a stock purchase plan for his employees; and during the Great Depression he refused to make general layoffs or wage reductions. He understood how free market prices regulate an economy and direct its production; price controls only restrain economic growth. Mrs. Sennholz has included in the book one of his 1934 speeches relating the damaging repercussions that could have been brought upon the oil industry if at that time the government had imposed controls just on transportation. He gives a clear description of the process by which federal controls snowball once initiated.

The major evil of our time is inflation, and Howard Pew knew that inflation is the expansion of the money supply by federal officials. It is such expansion which causes prices to rise in a general

fashion, thus bringing instability to the economy and making calculation almost impossible. "War, pestilences, plagues, and catastrophes rarely bring about the fall of a nation; but inflation has been responsible for the downfall of many great empires of the past," he said.

J. Howard Pew saw that government security is a fraud: "it has nothing excepting only that which it takes from the people. The key to security is production." The greatest economic charity to Mr. Pew was every productive effort that enables other individuals to become independent of alms. He thought the greatest danger to charity was the rise of compulsory benevolence by an omnipotent provider state. Above all, while voluntary activity strengthens social cooperation, the coercive redistribution by the state generates conflict and breeds corruption. Charity is a moral obligation that is comprehended in the realms of religion and education; charity is not forced giving.

America's economy did not become prosperous and strong by

mere accident, nor has it deteriorated to its present state by pure chance. Ideologies shape and govern society. A faith in free men gave America its strength; a faith in the state has been undermining the foundation of America. Howard Pew put it this way:

If you believe in freedom for the individual, you must be opposed to any encroachment of government on the rights of individuals. If you believe that everyone is entitled to the opportunity for an education, you cannot believe in government control of that education. If you believe in a free market you cannot justify government price controls. If these are your principles, they admit no compromise, for you cannot mix right with wrong any more than you can mix contaminated water with pure water without having the whole water contaminated — and it makes no difference how little contaminated water there may be in the mixture.

Faith and Freedom is simple and straightforward; it is a common sense expression of the actions and thoughts of an industrial genius defending freedom and free enterprise. 

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IRVINGTON-ON-HUDSON, N. Y. 10533

TEL: (914) 591-7230

LEONARD E. READ

*President, Foundation for
Economic Education*

PAUL L. POIROT

Managing Editor

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The Losing Struggle to Save Private Enterprise

MELVIN D. BARGER

IN THE PAST FEW YEARS, there have been several rescue efforts by prominent business executives to "save the private enterprise system." It is becoming obvious to many business leaders that complete government control of the business system lies dead ahead unless something is done to change the present trend. Elisha Gray II, the highly respected former chief of Whirlpool Corporation, stated that in his opinion "the American electorate will largely dismantle the free-enterprise system in the next 10 years if we businessmen continue to stand mute." Other prominent executives have voiced similar fears.

But what can be done to save private enterprise? If businessmen decide to speak out and to act,

what should they be saying and doing? Is there any specific program or organizational effort that will stem the tide of government interventionism that now threatens almost every business activity? Is there anywhere a leadership or set of ideas that will do the job that needs to be done? Who has the answer?

So far, nobody has effectively answered these questions. But one thing should be clear to anyone who has studied the growth of interventionism in the past few years. Business leaders are not necessarily effective spokesmen for the private enterprise system. Most of them, not surprisingly, express themselves very well when talking about their own companies, products, and markets. Only a few have the ability to talk about the *general* problem of intervention-

Mr. Barger is a corporate public relations executive and writer in Toledo, Ohio.

ism without sounding naive or self-serving. The several current attempts to rescue private enterprise are well-intentioned, but it will be a major miracle if the rush toward government control is slowed, let alone stopped.

There are a number of reasons why most business leaders tend to lose out when they try to defend private enterprise. Here are some of them:

An Inconsistent Viewpoint – A surprisingly large number of business leaders praise the free enterprise or private enterprise system, but seek out government protections and subsidies for their own businesses and industries. In so doing, they are accepting the principle of interventionism. It is true that they have plausible explanations for seeking and demanding favors from the government, and usually have community or shareholder support in doing so. But it is impossible to be an advocate of subsidies for one's own business without destroying a part of the market system. It is also true that protectionist actions and subsidies breed more of the same. If one business or industry receives government favors, it is a signal for other businesses to seek the same kinds of supposed benefits. Businessmen who are already enjoying government benefits, but deplore

the rush towards statism, are in effect saying that they like the government gravy train but want to exclude others from equal participation with themselves.

There is also another type of inconsistency expressed by the businessman who wants to see industries other than his own placed under strict regimentation. It's not unusual to hear an otherwise knowledgeable business executive inveigh against the alleged greed of oil companies or public utilities and declare, when tighter controls are placed on such organizations, "They brought it on themselves. I'm glad to see them get what's coming to them. I don't like government control, but in this case it was their own fault. I hope they get it in the neck!"

"Do We Deserve Freedom?" – Somewhat like the "they-brought-it-on-themselves" syndrome is the widespread belief among businessmen that they are being regimented only because business has been dishonest or has performed poorly in meeting consumer and public needs. This is widely accepted, and some industries have launched seemingly worthy efforts to "drive the deadbeats and fast operators out of business." There seems to be a hope that if business will only perform "as it should," then the government will end its

interventionisms and turn to other matters.

Without defending bad business practices, one can easily predict that it's going to be almost impossible for American business to perform much above its present levels, or at least so as to satisfy its critics. In every business, there are good reasons why things are done as they are and why certain limitations exist. Usually, most of these problems are associated with cost restrictions.

A number of businesses and industries have attempted to explain their activities in public advertising. In some cases, this has backfired, and businessmen have been accused of trying to "whitewash the same old activities" without showing commendable improvement or change. The critics always seem to be one step ahead of businessmen, and are always sure to have a new argument or criticism when previous criticisms no longer apply or have been outmoded by change.

"Business Leaders Fail in a Political Environment."—Most of the attacks on business are threats only because they eventually end up as legislation and controls. In other words, consumerism and most of the other antibusiness movements feared by businessmen are really political movements. It

is very doubtful, for example, that the writings and pronouncements of consumerists could harm a company's sales without government intervention at some point in the process. (It is true that Mr. Ralph Nader was credited with the demise of the G.M. Corvair; however, this was an exceptional case and there is some belief that ordinary market forces also helped destroy this automobile).

But the game changes radically once the controversy moves to Washington. Here, businessmen are really fish out of water, despite the publicity about lavish pay-outs to political campaigns and other business involvement in politics. The businessman may try to obtain influence in Washington, but he is usually ill-suited to this role. For that matter, businessmen do not really function effectively when they move to Washington to serve as government officials. The business game and the political game are two separate arenas of activity, and often the businessman's drive and need to get things done turn out to be liabilities in his dealings with political representatives.

The businessman is an expert in winning public acceptance of his own products, but he is far less skilled than the professional politician in personally winning the public's approval and support

or in dealing with political people. As an article in the Fall 1972 *Harvard Business Review* put it, "Most corporate executives are accustomed to giving orders and having them carried out without question. The act of influencing politicians is a mystery to them. . . . The unaccustomed necessity of cajoling and persuading a large number of strong-willed and diverse men can prove to be a time-consuming and humbling exercise."

But if the businessman is politically inept, the same cannot be said of his opponents. For the most part, consumerists and other business critics seem to have an almost natural instinct for influencing government. Either they know how to make their presence felt, or they have learned how to intimidate Congressmen and appointed officials. It is a political fact that a few well-organized groups of college students have been able to hitch-hike to Washington with nothing more than their sleeping bags and some petitions, and make more of an impact than some of the nation's top corporations.

"Too Much Reliance on Rational Arguments." — Again and again, businessmen have tried to defend the American business system by demonstrating how well it

has performed when measured against almost any other system in the world. There is still a persistent belief among businessmen that they have failed to tell this story well, and that this failure is the only reason that private enterprise is now under such bitter attacks.

Actually, the accomplishments of American business are well-known to almost everybody. If faith in the effectiveness of private business and industry ever wavered, it was probably during the Fall of 1957 when it appeared that the Soviet Union had surpassed the U.S. technologically by launching Sputnik; and this disenchantment lasted only briefly. If anything, American business has oversold its capability. Businessmen may appear bewildered and angry over the growing list of demands that they solve every human problem, but corporations have long boasted of their achievements. It is not surprising that some misguided people now think that major corporations can do many other jobs just as efficiently as they produced automatic dishwashers and color television sets.

"Businessmen are Trapped in the Profit Argument." — One of the favorite topics for executive speeches is "the importance of profits," although many of these speeches are given before groups

that already agree with the speaker. The business executive is understandably worried about profits, because his own performance is measured by his ability to produce good earnings consistently. He also knows that a business can be undermined and destroyed by two or three years of losses. At the same time, it is only a firm's earnings that generate funds to expand business.

Unfortunately, "importance of profit" speeches apparently do little more than reinforce critics' beliefs that businessmen put profits ahead of everything else. The public continues to hold a number of false views about business problems in spite of the fact that business executives and business organizations have been defending the importance of profits in speeches up and down the land.

Perhaps all this emphasis makes it appear that the businessman invented profits and is the only person who really has an interest in maintaining profits. But this is not really true. The professional manager seeks profits out of necessity, but he would often be just as pleased if his performance could be measured in some way other than by the earnings test. Almost any business manager would often feel relieved if he could prepare the type of annual report used by government agencies — lots of gen-

eralities but no specifics that can show year-by-year gains or setbacks.

Everybody's Struggle

The point of all this is not that business executives are always inept and hypocritical in their struggles to save free enterprise. They are, however, taking on a responsibility that should be shared by others, including the employees and customers of business firms. If the so-called free enterprise system is to be defended only by a few overworked business executives, then it is probably already on the threshold of doom.

How much better it would be if large numbers of people began to understand that private property and the free market system must be defended on moral grounds. Study most interventions, and they soon turn out to be carefully disguised schemes for the forcible transfer of resources from one group to another. This would be denounced as thievery if pressure groups went directly to certain other groups and seized the funds and other property that they are often able to obtain by means of subsidies and laws giving them special privileges. But such actions have become part of the very fabric of our economy, and almost everybody has become dependent on subsidies and similar interven-

tions in his own business. Hence, few people are able or willing to be critics of *all* interventions; most people, it turns out, criticize only the interventions that they consider to be improper or excessive. Such arguments can never be very effective. Interventions of any kind are always shaped by political needs, and it is a useless exercise to criticize certain interventions while upholding certain others.

What about the frequently heard statement that certain business groups "brought control on themselves?" The principle to be defended here is that regulations and controls are actually prior restraints that do violence to personal freedom and to individual rights. It is just as wrong to impose regulation on businesses, because of their alleged shortcomings, as it would be to regulate newspapers because some of them print trash, or to control churches because some cults believe in handling snakes.

At one time, the arrogant and high-handed attempts of government bureaucrats to intervene in ordinary business activities would have been viewed as a threat to everybody's rights and property. Americans, many with bitter memories of oppressions under various European monarchies, were distrustful of government power and seemed to have an intuitive grasp

of the need for limited government.

But this early and beneficial distrust of government apparently gave way to a belief that certain businesses were so dominated by rogues and monopolists that only regulation could "protect" the public. Regulation of the railroads was followed by similar regulations of all types of business, until now many organizations are controlled by several government agencies that are often at odds with one another. In practice, government regulation is turning out to be a costly nightmare, and even the advocates of regulation will admit that it is usually bureaucratic and clumsy. But few people are willing to insist that regulation is morally wrong and ought to be abolished. Instead, more arguments — particularly those by the businessman who must operate under regulation — really turn out to be attempts to force the regulators to be reasonable and efficient.

The Market Allows Free Choice

The most serious error businessmen make in defending private enterprise is in failing to demonstrate that free choice is possible *only* where there is a free market place. Here again, the case for the free market has a good moral foundation. The business-

man, unless he is a monopolist by government edict or is engaging in fraud, can survive only if he can profitably produce the goods and services that the customer *freely chooses* in the market place. The free choice of the customer is all-important. If the customer is not to have free choice in spending his money, then his claim to his own property has been diluted to a certain extent and at least some of his property has been transferred to others without his open consent.

The customer would try to resist attacks on his property by pickpockets and hold-up men; he rightly recognizes such actions as being dishonest and immoral, and he can usually count on others to uphold his right to resist such attacks. But he has not seen that it is also immoral and fraudulent when his *free choice* to spend his money has been taken away by government action. He does not real-

ize that governments are destroying his freedom and committing wrong acts when they silently confiscate much of his income and establish rigid laws to govern how his remaining income shall be spent.

In today's world, it is virtually impossible to find a prominent business executive who is willing to state that private enterprise has a moral foundation that never can be established in a socialist society. We are surrounded by topsy-turvy thinking, and it is often the socialist—the interventionist—who confidently believes that he has morality on *his* side. Sadly, many businessmen often believe that the interventionist is on the right side too, but they still insist that they deserve a place in the sun because they are efficient or supply useful goods and services, and employ people. Small wonder that the interventionist usually wins. 

Let the Market Function

COMPARE the accomplishments of the federal urban renewal program, guided by the visible hand of the urban experts, with the accomplishments of the plans of private individuals, guided by the invisible hand of the free market place. If this is what can be accomplished by a relatively free housing market, the rational course of action is to allow it to function, not to attack and fight it.

IDEAS ON



LIBERTY

MOTHER NATURE:

Friend or Foe?



WHEN, in his theory of natural law, John Locke suggested that a man is entitled to such land as he can "redeem from the state of nature," our forefathers understood what he meant. Each plot which they wished to farm had to be reclaimed from the piney woods, native brush, or bogs, filled with the hazards of wild beasts or hostile Indians. Even today, in tropical climes, the plantation operator recognizes the jungle as an enemy, constantly poised to swallow up his fields, while its animals stand ready to destroy his crops. These people have known, as indeed farmers everywhere still know, that nature is an adversary worthy of con-

stant vigilance. That is reason enough to respect Jefferson's opinion that representative government is only safe when farmers hold a balance of power.

Now that over 70 per cent of our population live and work in cities, we are entertained with a different logic; or should we say propaganda? A TV ad warns us that "It's not nice to fool Mother Nature." Some of the most attractive programing, in that medium, narrated by its more popular and impelling voices, shows us the beauties of the wild while expounding upon the marvelous "balance of nature," into which man intrudes in a manner which we are led to believe is totally inexcusable.

The raw realities of nature are

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.

now so remote to most of us that apparently the credibility of this message is not widely questioned. Having worn out our attention concerning the "War on Poverty," and lost the subject of the Vietnam War, those who presume to tailor public opinion have found a substitute in ecology. Voting records in, and out of, our legislatures indicate that they have had recent success.

DDT, which has saved millions of human lives and helped us to develop an agricultural production unprecedented in history, is banned — largely on circumstantial evidence — in favor of untried substitutes. Construction has been brought to a near standstill by the demands of new committees with "environmental" requirements. Dredging of harbors is endlessly delayed, when not prohibited, due to official concern over the "food chain" of wildlife — a concern so belated, in any case, as to be almost comical, if it were not tragic in its lack of proportion. The oceans still teem with life and most of the world's coastlines are still primitively pristine. Americans simply prefer beef, lamb, and pork and are relatively careless of their own fisheries. Changing tastes by law is a wasteful task.

But the most deadly impact of environmentalism has been upon the automobile industry, which is

the hub of our entire industrial economy. This is not to suggest that nothing should be done about exhaust pollution; but it is to say that the matter has been approached with a celerity and lack of intelligence which boggles the understanding. There has been little recourse to Pericles' principle: "We think before we act."

The Situation Which Prevails

Just what is the "balance of nature," anyway? It is nothing more than the situation which prevails in any given area at any given instant. An earthquake, volcanic eruption, tidal wave, flood, windstorm, rain, disease, or drought can drastically alter, or even eliminate it, at a moment's notice. Nor can we assume that the other animals are more assiduous than we in maintaining a balance in nature. That most of them do not kill for fun is a matter of indolence, or prudence, rather than wisdom or foresight. Killing is work and dangerous too.

Left to themselves wild animals will also overgraze, or overkill, and run themselves out of food when their numbers grow too large. Lemmings are not the only ones to have practiced suicidal imbalance. Man is very likely the only animal with a wild enough imagination to see balance in the total scene. When we look at the fossil record

and see how many species have vanished, what delusions of grandeur can drive us to dream that we can save "endangered species," other than in a zoo?

One would think it unnecessary to point out that this effort is not intended to decry conservation or any efforts, reasonably pursued, to protect or improve the environment. However, the fashionable lunatic fringe of environmentalism has simply become a vehicle for further erosion of the free market, private property, and this best stand of human liberty on earth. There is no effort to deter us from lamentable wastefulness. It is an attempt to dominate our free society — one more wedge of socialism. Not content with punishing our ill-doing, these illiberal extremists would "make us be good." This is not conservation. It is more like revolution — by brain-washing.

The study of nature is, of course, man's most pressing task, upon which our survival depends. Nature includes all things, living, dead, or inanimate, including man himself. There is nothing else then, but nature, to study; so let us not be accused of belittling such study or of being "unscientific." The trouble is that too many scientists are being unscientific, in pretending that things are not as they are, in order to further some

hobby. Aesthetic pleasure is grand and everyone has the right, if not the duty, to luxuriate in his own particular Walden; but let us not institutionalize and politicize it into national madness. The "delicate balance of nature" is as ephemeral as a sunset. Let us leave it at that and clarify our study of nature, as science, as one of a worthy antagonist which we must bend to rational use: a splendid and beautiful servant, but an unrelentingly destructive master.

An Ancient Idea

The elevation of Mother Nature to sainthood, of course, dates to the most ancient times. Nature — male, female, or neuter — in the secular sense stands for all which is beyond our control and which eludes our total understanding. Awareness of this awesome ignorance, and ultimate helplessness, undoubtedly led to the development of the primitive pantheistic religions. The anthropomorphic Greek and Roman religions grew into a secular humanism which was eventually made captive by Christianity in its Roman triumph. Yet anyone who has read Fraser's *Golden Bough* can see how persistent pantheism and magic had been, and it is not at all surprising that it continues to surface in the Christian tradition.

The most noted devotee of nature worship in modern times was, of course, Jean Jacques Rousseau.

In his *Liberty* — Book-of-the-Month Club selection, for June, 1930 — Everett Dean Martin, wrote: "Rousseau made liberalism a gospel of universal emancipation by the simple process of transferring the hope of freedom from culture to nature. Man in the state of nature was not only free, he was wise and good. The laws of nature are rational and benevolent, and from their contemplation arise the loftiest moral sentiments . . . Instinct and emotion, when not perverted by the artificial restraints of civilization, are voices of nature and guides to the good life. Hence in the struggle for liberty the man of nature is set in opposition to the man of culture."

How near does this characterization of Rousseau's attitude coincide with that of our current nature-worshipping liberals? Our "natural instincts," untutored by such propaganda, would undoubtedly bid us to be suspicious, if not afraid, of nature. We very well know that the rattlesnake, water buffalo, tiger, or other beast which we view in safety on the television screen, could kill or rend us to pieces in a moment. The millions of people who have viewed the

movie "Jaws" certainly do not appear to have reacted to the shark as a benign enforcer of the "balance of nature." That so many of us apparently accept the views of ecologists would seem to be an aberration rather than a "natural reaction."

The Concept Abused

Understood in its original intention, the term "Nature, or Nature's God," is a harmless signal of our ignorance and insignificance in the extent of the universe, and the Great Unknown whom we variously recognize as God. It is a guarantee for modesty and against *hubris*. However, it could have been unfortunate that our eighteenth-century mentors fastened upon the term "natural law" to underline their ethics. Had they called it "human law," or "cultural law," it is just possible that they could have avoided its capture by our recent "scientific" pantheists. These late comers seem not only ready to do in our eighteenth-century tradition of "natural law", but also seem willing to destroy our material accomplishments — all in the name of a nature which never has existed as they see it and, at any rate, is irretrievably gone, as Rousseau's "noble savage" saw it. 

The 1975 Nobel Memorial Prize in Economics:

Some Uncomfortable Reflections

ISRAEL M. KIRZNER

ON DECEMBER 10, 1975, at what the *New York Times* described as a glittering Stockholm ceremony, the Nobel Memorial Prize in Economics was awarded jointly to Professor Leonid Vitalyevich Kantorovich, of the Moscow Institute of Economic Management, and to Professor Tjalling Charles Koopmans of Yale University. Their prize was awarded for their contributions to the theory of optimum allocation of resources.

Now concern with the "optimal allocation of resources" has been proclaimed in countless economics classrooms, and in innumerable economics textbooks, to be the

very essence of economics. Ever since Lionel (now Lord) Robbins in 1932 defined economic science in terms revolving around men's allocative decisions, economists have seen efficiency in resource allocation as central to their discipline. It might seem then that Professors Kantorovich and Koopmans have won their Nobel prize for contributions going to the very heart of their science. Nonetheless, it is necessary to point out that, paradoxical though it may seem, in a very important sense the 1975 Nobel Prize in Economics was awarded for work having only peripheral relevance to the central contributions of economic science. What is of even greater concern, the interpretation placed by the Swedish Royal Academy on the contributions of the prize-winning

Dr. Kirzner is professor of economics at New York University. He is the author of numerous articles and books, the latter including *The Economic Point of View*, *Market Theory and the Price System*, and, most recently, *Competition and Entrepreneurship*.

scholars seems to involve implicit *denial* (if not outright ignorance) of these central contributions of economic science. These may seem surprising assertions; the following pages will attempt to provide the necessary elucidation.

It is to be hoped that, in pointing out these puzzling and disturbing circumstances, the writer will not be understood as seeking in any way to detract from the outstanding merit of the eminent men honored in Stockholm. Both of the laureates are brilliant scholars and dedicated scientists; the quality of their work undoubtedly meets the very highest standards of scientific excellence. Nonetheless, recognition of all this cannot absolve us from recognizing, at the same time, that unfortunate misunderstanding of the nature of the central problems of economic science, which appears to surround the 1975 prize.

The matter might be stated briefly, but far too superficially, in terms of a comment on the role of mathematics in economics. What both laureates — each of whom began his academic career strictly as a mathematician¹ — have devoted their lives to, it might be

argued, is not, properly speaking, economics at all, but rather a special *genre* of applied mathematics. And, while questions of nomenclature might seem to be of only secondary importance, it in fact appears that, in the misunderstanding of the character and significance of these mathematical contributions, there lies embedded not merely semantic confusion, but also substantive unconcern with profoundly economic insights which have (at least up to the present) not proven amenable to mathematical formulation. This statement of the matter, however, while correct in itself, touches only on the surface of the issue.

One Technique — Many Uses

A more thorough discussion may begin by noting that in awarding the prize jointly to a Russian and a (Dutch-born) American, the Royal Academy was intent on more than merely recognizing the international character of the scientific contributions they wished to honor. What it was evidently intended to emphasize was that the techniques of optimal resource allocation contained in modern activity analysis are in principle applicable alike to economic systems reflecting sharply divergent institutional patterns. As the *New York Times* (October 15, 1975) expressed it in the words

¹ In fact Koopmans' footnote citation of Kantorovich's work refers to him as "the Russian mathematician", (T. J. Koopmans, *Three Essays on The State of Economic Science*, McGraw-Hill, 1957, p. 68n.)

of a distinguished colleague of Koopmans: "Activity analysis is used by economists and operations researchers to select the optimum production technique when several competing techniques are available, either at the level of the corporation, as in the United States, or at the national level, as in the planned Communist economies of Eastern Europe . . . The indifference of these methods to the institutional arrangements of the economic system have permitted a degree of communication and intellectual exchange that could not otherwise have taken place."

This view sees economists as concerned with seeking techniques to solve resource allocation problems. These problems of securing optimum allocation of resources present themselves at a variety of levels. They present themselves, in capitalist societies, at the level of the firm; they present themselves similarly, in socialist societies, to the central planners. The techniques required to solve these allocation problems are, in principle, common to these problems regardless of institutional context. In principle the mathematical techniques employed by activity analysts to assist corporate decision making in the West, are the very same techniques needed for efficient decision making by cen-

tral planners in the East. Economic science is now visible, then, as consisting of a mathematics of decision making which transcends institutional differences: what is valid for capitalist firms is valid, in principle, for socialist societies.

Missing the Point

Now, we must readily concede several important elements of validity to this view. The abstract character of managerial decision making is, *given the sets of ends and means held respectively to be relevant*, indeed the same for all levels of decision making. Moreover, within a given ends-means framework, the problem facing the decision maker is indeed a mathematical one. In this context the development of activity analysis, or operations research, has been and will continue to be of extraordinary significance and usefulness. But it is a mistake to see this mathematics of optimal allocation and decision making—enormously valuable though it unquestionably is—as making up essentially the intellectual contribution of economic science. And, perhaps even more important, the uncritical assumption that application of the techniques appropriate to securing resource-allocative efficiency at the level of the firm, to the level of planning for a whole society, can achieve corresponding

social "efficiency," — begs entirely those questions which *are* at the heart of economics.

When Lionel Robbins in 1932 defined economic science as concerned with the implications of man's resource-allocative decisions, he did *not* mean that the central task of economics is to provide techniques for efficient allocation. Nor, it should be emphasized, was he referring at all to the concept of the "social" allocation of resources. (In fact the latter concept, while central to so many introductory textbooks and to so much work in theoretical welfare economics, is a highly dubious one.²) Robbins was simply defining economics as concerned with the social consequences of the circumstance that decision makers do in fact seek — each within his own framework — to achieve efficiency. Economics, in this view, is concerned not at all with how to achieve individual or social efficiency; but rather with the social forces generated impersonally by the interaction of numerous decision makers each of whom is seeking to allocate his resources optimally. In assuming that the efficiency which firms can achieve by operations analysis, can be achieved for "society" by the use

of similar techniques on the part of central planners, one is in fact *ignoring* the conclusions of Robbinsian economic science. The matter is of course vitally bound up with Mises' pioneering demonstration in 1920 of the necessary failure of socialist economic calculation. The immediate issue was perhaps most clearly stated by Hayek many years later:

What is the problem we wish to solve when we try to construct a rational economic order? On certain familiar assumptions the answer is simple enough. *If* we possess all the relevant information, *if* we can start out from a given system of preferences, and *if* we command complete knowledge of available means, the problem which remains is purely one of logic. . . .

This, however, is emphatically *not* the economic problem which society faces. . . .

The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate "given" resources — if "given" is taken to mean given to a single mind which deliberately solves the problem set by these "data". It is rather a

² On this see J. M. Buchanan, "What Should Economists Do?", *Southern Economic Journal*, January 1964.

problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or, to put it briefly, it is a problem of the utilization of knowledge which is not given to anyone in its totality.³

Here, in this 1945 statement by one of the 1974 Nobel laureates in economics, we have the definitive critique of the confusion we have seen to surround the award of the 1975 prizes.

The Knowledge Is Lacking

To be able to discuss allocative decision making at all, it is necessary to presume that the decision maker has knowledge of the sets of ends and means with respect to which efficient allocation is sought. But *absence of such knowledge in centralized form* is precisely what in fact constitutes, for Hayek, the economic problem facing society. To assume, therefore, that even the most powerful and sophisticated of mathematical techniques can achieve for society the efficiency they can win for the firm, is to overlook the essence of the economic problem with which society must grapple.

One of the achievements of the

market is that it generates impersonal forces which govern the size of firms. Firms which are "too small" find themselves facing opportunities for profitable expansion or merger. Firms which are "too large" find themselves at a disadvantage when facing the competition of smaller, nimbler competitors. What determines whether a firm is "too large" depends on many considerations.⁴ Certainly one consideration of overriding importance has to do with the difficulty, in large organizations, of funneling the information necessary for efficient central decision making, to those entrusted with the organization's management. The market tends to limit the sizes of its decision-making units to permit optimal deployment of planning techniques *within* these units, while harnessing the "invisible hand" of the market to achieve a tendency towards coordination *between* these units. All this is very much at the center of economic science, — although it shares little indeed of the mathematical character of the theory of resource allocation techniques.

³ F. A. Hayek, "The Use of Knowledge in Society", *American Economic Review*, September, 1945; reprinted in *Individualism and Economic Order*, pp. 77f.

⁴ See the classic paper by R. H. Coase, "The Nature of the Firm", *Economica*, November, 1937; reprinted in G. J. Stigler and K. Boulding, eds., *Readings in Price Theory*, Irwin, 1952. See also A. A. Alchian and H. Demsetz, "Production, Information Costs, and Economic Organization", *American Economic Review*, December, 1972.

An Improper Assumption

Simply to *assume* that society as a whole can be organized as a single firm, run as a centrally planned organization, and thus be able to employ the techniques of activity analysis, is to overlook what Hayek, at least, perceived, in effect, as the core concern of economic science. To be sure, the eminent scholars who pioneered in the development of mathematical allocative techniques are not, other points of possible vulnerability aside, to be criticized for assuming entirely correctly that these techniques can be useful wherever allocative decisions are in a position to be made. But we do have the obligation to point out that the economic problem facing society concerns precisely those circumstances under which, in fact, allocative decisions are *not* in a position to be made.

Economics has, ever since Mises,

had a very great deal to contribute on why such circumstances are inevitable; and ever since Adam Smith economics has had a great deal to say about how, under such circumstances, the economic problem faced by society comes to be solved. Those who understand the enormous social significance of economic science as it has developed over the past two centuries, cannot therefore but be profoundly disturbed by the continued evidence that the core contributions of the discipline have simply not been noticed by those in the best position to do so. The story of the 1975 Nobel Memorial Prize in Economics suggests indeed that the light shed by economic science continues to fall on an as yet altogether incompletely illuminated intellectual landscape. All these are indeed uncomfortable, but nonetheless apparently inescapable, reflections. ☉

Economic Calculation

THE EMPLOYMENT of the means of production can be controlled either by private owners or by the social apparatus of coercion and compulsion. In the first case there is a market, there are market prices for all factors of production, and economic calculation is possible. In the second case all these things are absent. It is vain to comfort oneself with the hope that the organs of the collective economy will be "omnipresent" and "omniscient."

IDEAS ON



LIBERTY



Adam Smith

IT HAD NEVER OCCURRED to me that the key to understanding some of the crucial passages of the Declaration of Independence could be discovered by reading *The Wealth of Nations*. I had long known, of course, that they were both published in 1776: *The Wealth of Nations* in March, the Declaration of Independence in July. The thought was in my mind, too, that there was something symbolic in the fact that these two great landmarks of liberty had come forth in the same year. It is com-

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty* (1973), covers the founding of the American Republic from 1760 to 1800.

Another Bicentennial:

The Publication of THE WEALTH OF NATIONS

CLARENCE B. CARSON

monly understood that the two documents were produced from a similar intellectual outlook, but knowledge of this had but little prepared me for what could be learned about the one by studying the other.

The main difficulty in discerning the meaning of the Declaration of Independence is, for me at least, in the first few lines of the second paragraph. They are also the most quoted lines from the document. To wit: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life,

Liberty, and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed." Though there may be difficulty with some other passages, the most troublesome are these two: "that all men are created equal," and the right to "the pursuit of Happiness."

Differences Abound

In the most obvious senses, men are not created equal. They differ from one another in height, in weight, in strength, in native intelligence, in heredity, in ability, in upbringing, in interests, and in almost every other way that comes to mind. Indeed, these very differences go to make up one of our most prized possessions, our individuality. Not only are we not the same, as some say, but also in our differences we are not equal. Some have talents for doing all sorts of things. Others can learn to do anything only with the greatest difficulty. Some are endowed with all the good graces, or so it seems. Others are very nearly graceless.

There are those who claim that we are all equal in the sight of God. Whether this is so, or in what way it may be so, I do not know. Those who say this usually say it as if it were obvious and offer no proof or evidences in support of it.

Within the context of the Declaration, it is sufficiently clear that what is meant is that men are endowed by their Creator with an equality of rights. It is equally clear, when the matter is pursued logically and historically that for this to be instituted they must be equal before the law.

What are these rights to which men are entitled? According to the Declaration, they are the right to "Life, Liberty, and the pursuit of Happiness." Life and liberty pose no great problem for explanation, but the same does not go for the *pursuit of happiness*. The commonly used phrase at the time was "property," but Jefferson substituted for it "pursuit of Happiness," not because he doubted that property was a natural right but because he wished to say considerably more than this. The meaning of the phrase poses no great difficulty. If other words are needed, it means the right to seek one's own well-being. But what is the ground of such a right? How can seeking one's own well-being be justified? Would this not be contrary to the general welfare? Would it not be that very selfishness which has been so often condemned? On what basis does the equal right to do such a thing rest?

The answers to these questions can be found in *The Wealth of*

Nations. They can be found elsewhere in bits and pieces, but nowhere so comprehensively as in Adam Smith's major work. There is in the following quotations the key to understanding the basic passages of the Declaration:

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society.¹

The following is more famous but not necessarily clearer:

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole

annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.²

The same principle which applies to trade and manufacture within a country applies to that among countries as well:

¹ Adam Smith, *The Wealth of Nations* Edwin Cannan, ed. (New Rochelle: Arlington House, n. d.), II, 27.

² *Ibid.*, pp. 29-30.

... The interest of a nation in its commercial relations to foreign nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to sell as dear as possible. But it will be most likely to buy cheap, when by the most perfect freedom of trade it encourages all nations to bring to it the goods which it has occasion to purchase; and, for the same reason, it will be most likely to sell dear, when its markets are thus filled with the greatest number of buyers.³

There are many economic concepts treated in Smith's *magnum opus*, some of them more or less original with him, but there is one overriding principle which occurs over and over again. It is this: when individuals are free to pursue their own interests they will benefit not only themselves but the general public as well. Adam Smith did not discover, of course, that men are self-interested. That has surely been known as long as there has been a concept by which it could be thought. He may not have been the first to discover that there is a natural harmony wrought by an invisible hand — the natural order? — from the multitudinous acts of unconcerned and self-interested individuals, but he did give the principle the most pointed application and spell out

the extent of its comprehensive-ness. It is the crux of his lengthy and detailed argument for economic liberty and free trade.

There, too, lies the key to understanding some of the most momentous phrases of the Declaration of Independence. In what way are all men created equal? There may be others, but there is certainly this one: Every man is, by nature, self-interested. The Founders of the United States were apt to refer to it as self-love. Jesus made it the foundation point of his second most important commandment: "Do unto others as you would they should do unto you." In short, He said, extend that care and love to others which you have for yourself. The Creator has implanted this self-interestedness, or self-love, in us to insure our survival and that of the race.

Self-Interest Is Normal

Any man lacking the ability to discern his interest and the will to pursue it is unfitted to the office of a man. He would be unable to look after himself and would have to be taken over by others for his own good and the protection of others from him. This is not to say that men may not perform selfless acts — acts of heroism, acts motivated by love untinged by concern for self. It is rather to say

³ *Ibid.*, pp. 38-39.

that self-interest is the rule — the norm — and selflessness the exception. The opposite of self-interest is not, as is sometimes supposed, selflessness; it is self-destructiveness, a condition requiring restraint. All men are equal, then, in that all are self-interested.

Self-interest as the ground, or one of the grounds, of equality, gains plausibility by the fact that one of the unalienable rights asserted is the right to "the pursuit of Happiness." This is the right to fulfill one's self, to seek one's own well-being, or to pursue one's own interest. There is no reasonable way to attach a different meaning to the phrase. The Declaration of Independence makes the right to pursue his self-interest a fundamental right of man. Within the framework of *The Wealth of Nations* such a right is justified, for when men behave economically so as to advance their own interests the result is also to advance the good of people generally.

It is not my position, of course, that Jefferson was influenced by *The Wealth of Nations* when he wrote the Declaration, or that there was some sort of interchange between the two men. There was none to my knowledge. It is rather that a common set of assumptions was leading to similar conclusions, and that the two works illuminate one another.

Old Ideas Challenged

The two works are closer related, however, than even this would suggest. Much of the body of Smith's two-volume work was devoted to a point-by-point refutation of the mercantile system and to the economic arguments for free trade. The American revolt followed changes in British policy, changes in taxation which can be attributed to the infelicities of mercantilism.⁴ Once the thrust of Smith's conclusions about mercantilism were accepted, the American cause would have a virtually complete justification.

The full significance of the views that all men have an equal right to the pursuit of their interests and that when they exercise this right it works to the public benefit can only be appreciated in the context of what has usually been believed and done. To say that the ideas of Jefferson and Smith were radical may not expose their full scope. In fact, they laid under siege some of the most deeply rooted and persistent notions that men have held.

No notion is more deeply rooted and persistent than the one that some class, order, or body of men is chosen, ordained, or especially equipped to decide what is good

⁴ See Clarence B. Carson, *The Rebirth of Liberty* (New Rochelle: Arlington House, 1973), pp. 65-76.

for the rest of us. The generality of men are the sheep and they are the shepherds, as it were. How they have been chosen or selected has varied from time to time and place to place but such an elite has commonly occupied decision-making roles throughout history.

The Puritans of New England considered themselves chosen of God to rule over the people there. They not only excluded others from government but also laid down all sorts of economic restrictions. "Inns, mills, and ferries were subject to control. Charges were limited by law, and the obligations of such institutions were legislatively defined. . . . Efforts were made to determine fair prices, fair wages, and reasonable profits."⁵

The most presumptuous effort to control the lives of people by an elite occurred in colonial Georgia, however, immediately after its founding. Georgia was conceived as a charitable undertaking and was placed under a Board of Trustees who resided in England. "The Board will always do what is right," the Trustees proclaimed in 1735, "and the people should have confidence in us."⁶ They proceeded

to fasten upon the inhabitants regulations both strange and perverse:

Not only did they encourage silk-culture by a guaranteed inflated price and by bounties and prizes for the product delivered in England, but they even wrote into land-grants provisions requiring each grantee, in order to validate his claim, to plant at least 50 white mulberry trees on every 50 acres; every grantee of 500 acres had to plant 2000 trees within twenty years.⁷

In addition, they had many rules governing consumption and other kinds of production than that of silk.

Many Regulators in England

Old England had its own varieties of elites to determine what was good for people in the centuries before Adam Smith. It had an hereditary monarchy and aristocracy, an established church with its hierarchy, and other classes and orders who participated in laying down regulations. These, from time to time, laid down rules governing economic relations: controlling prices, controlling wages, granting monopolies, deciding who could sell what, where, and to whom, restricting the lives and reducing the livelihood of the people.

⁵ E. A. J. Johnson, *American Economic Thought in the Seventeenth Century* (New York: Russell and Russell, 1961), p. 17.

⁶ Daniel J. Boorstin, *The Americans: The Colonial Experience* (New York: Vintage Books, 1958), p. 88.

⁷ *Ibid.*, p. 83.

One of the main difficulties with the notion that some know best what the rest of us should do is that those who govern are self-interested, too. They deny to men the right to decide what is in their own best interest, but what they most frequently do is saddle everyone with what is in the interest of a few. Smith did not neglect to point out that those who fastened the mercantile regulations on England did so to advance their own special interests. He said:

. . . The capricious ambitions of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers. . . . [T]he mean rapacity, the monopolizing spirit of merchants and manufacturers . . . may very easily be prevented from disturbing any body but themselves.

That it was the spirit of monopoly which originally both invented and propagated this doctrine [mercantilism], cannot be doubted; and they who first taught it were by no means such fools as they who believed it. In every country it always is and must be the interest of the great body of people to buy whatever they want of those who sell it cheapest. The proposition is so very manifest, that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question, had not the interested sophistry of merchants and

manufactures confounded the common sense of mankind.⁸

It might be nearer to the whole truth to say that mercantilism resulted from a tacit alliance between monarch and merchants, each pursuing their own ends.

At any rate, Smith gave short shrift to the notion that there existed any person or group competent to decide the economic good for the rest of us. On one facet of the matter, he wrote:

The statesman, who should attempt to direct private people in what manner they ought to employ their capitals [sic], 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.⁹

Of the economy in general, he declared:

It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expence, either by sumptuary laws, or by prohibiting the importation of foreign luxuries.

⁸ Smith, *op. cit.*, II, pp. 71-72.

⁹ *Ibid.*, p. 30.

They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expence, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.¹⁰

What Smith could say of the ways of kings and ministers can be said with equal justice about those who govern in republics.

A Gainer and a Loser in Any Transaction?

Another widely held notion is that in any given transaction there is someone who wins and someone who loses. How such a notion arises again and again is fairly easy to understand. In a transaction a merchant may make a profit, a profit which may be thought of as the difference between what he paid for the item and what he sold it for. The buyer, on the other hand, may be unable to discern any profit which he has gained in the transaction. At least, he is unable to calculate it and enter it in his books. One profited from the transaction; the other did not. There was a gainer and a loser, or so it may appear.

An example may show how some people come to feel this way. A man buys an automobile for \$2000,

say, and drives it for awhile. Being in need of money, he sells it to a used car dealer for \$800. In a few days, he learns that the dealer has sold the car for \$1100. The man may readily conclude from these facts that he paid too much for the car in the first place and sold it for too little in the second. At any rate, the amount of money which he had was diminished by the series of transactions, and that of the dealer increased.

It may not be that the feeling that there is a loser in the transaction arises so much from the fact that one has clearly made a profit — though there are those who oppose profit-making in principle and a great many more who oppose profit-making at their expense — as that transactions usually involve the trade of some commodity or service for money. If all transactions were in kind, both parties would no doubt believe that they were the gainers, and both would no doubt be right. But when money enters the picture, is used as a medium for the exchange, he who paid out the money may conclude that he has been a loser, particularly if he tries shortly to sell the commodity for the sum he paid for it. Indeed, a man may pay \$1 for 5 pounds of apples, consume the apples, become ill, and feel certain that he is the loser in the transaction.

¹⁰ *Ibid.*, I, p. 371.

Balance of Trade

This idea of a gainer and a loser has been given international and even universal application. The main route to this notion has been the conception that there is only a given quantity of a thing. Anyone who acquires more must then be depriving others of it. The best known instance of this line of thinking occurred when precious metals were used as money and thought of, by some, as wealth, or the only true wealth. Since there is only a certain quantity of these in nature, the nation which gains these does so at the expense of other nations. The mercantile notion of "favorable" balance of trade was justified by the notion that a nation should attempt to increase its holdings of precious metals. To do so, it ought to sell more to other nations than it bought, getting the difference in gold and silver. But the belief that there is only a certain quantity of a thing has not been restricted to precious metals; it has been extended to other things as well. In our day, there are those who claim that if one man eats overmuch he is depriving others of needed food.

At any rate, over the centuries the notion that in transactions there is a gainer and loser, either potentially or actually, has bred a large portion of government regulation, restriction, and interven-

tion. It has led to laws promoting exports and discouraging imports, to the payment of bounties, to the imposing of tariffs, to price controls, to wage controls, to quality controls, to prohibitions against sending gold out of a country, to the confiscation of "excess profits", to all sorts of laws for the protection of consumers.

Each Party Gains

Adam Smith did not spend much energy on the gainer-loser in transactions idea. He simply stated that where a trade had been freely effected it was assumed to be to the mutual advantage of the parties. (The Austrian School has since buttressed this point with extensive theoretical demonstrations.) He did go to some length to justify profits, rent, and interest. Indeed, he held that men save and invest in order to make a profit, that the capital that results from this is the main way to prosperity, and that when men are free to compete prices and wages are regulated by it. He did acknowledge that in transactions men frequently were unable to get the best possible price for what they were selling or buying. The source of this, however, was government restraints on commerce and on the entry of competitors to the field, not that some individual was taking unfair advantage. And,

he devoted fulsome attention to the fallacies of mercantilism and the bullion or monetary theory of wealth.

The Wealth of Nations moves toward one conclusion, sometimes ponderously but always masterfully — the individual and social beneficence of liberty:

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of society. According to the system of natural liberty, the sovereign has only three duties to attend to . . . first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting . . . every member of the society from the injustice or oppression of every other member of it . . . ; and, thirdly, the duty of erect-

ing and maintaining certain public works and certain public institutions. . . .¹¹

A Century of Gain

For more than a century after 1776 the thrust toward liberty gained sway in the world. The United States and England led the way in many respects. Trade restrictions among nations were either greatly reduced or removed. In the course of the nineteenth century, serfdom and slavery, where they still existed, were generally abolished. The ideas that men have an equal right to pursue their interests and that when they do so the general public benefits gained hold and were buttressed by law in many lands. There was a great creative and productive surge within nations, and the nations of the world were generally drawn together in a great trading network. Populations increased as rarely before, but the ever-larger numbers of people were more prosperous than ever. Wars still occurred, but with one or two notable exceptions they were brief and limited affairs.

By the turn into the twentieth century, though, there were already ominous signs that the tide was shifting against individual liberty. The defection of the intellectuals was already well under-

¹¹ *Ibid.*, II, p. 290.

way. A spate of ideologies was gaining adherents, particularly socialistic ideologies. The system that had produced abundance on a scale never before imagined in the world was being attacked for not having made everyone affluent. Governments were beginning to impose new and old restraints on productive efforts. Nations were once again beginning to erect barriers against trade. New names and new ideas were supplanting those of the Founders of the United States and the classical economists: such names as Karl Marx, Friedrich Nietzsche, Nicolai Lenin, Benito Mussolini, and Joseph Stalin. In their wake has come the totalitarian state which threatens in varying degrees individual liberty in every corner of the world.

As fate would have it, on the two hundredth anniversary of the Declaration of Independence and *The Wealth of Nations*, the world is more in need of the ideas of liberty contained in them than it was in 1776. There is one appropriate way to celebrate the bicen-

tennial of *The Wealth of Nations*; it is to read or re-read it. True, the sentences are long and complex, and the periods are rounded, as it is described. The language is, much of it, from a bygone era. But many of the ideas are as fresh and applicable today as when they were penned.

Nor is the celebration of the publication of *The Wealth of Nations* something for Scotland only, or for England, or even for the English-speaking countries. Adam Smith's great work was written by a Scotsman in English in the eighteenth century, but it belongs to the ages and to the whole world. He took economics out of its parochial framework where it was concerned only with the wealth of a single nation and made it a universal study, one which conceived an order in which the efforts of the individual benefitted not only his own country but peoples everywhere that trade took place. So long as the love of liberty survives anywhere, sustenance for it can be found in *The Wealth of Nations*. 

The 977-page Modern Library one-volume edition of *The Wealth of Nations* at \$5.95 is available from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533.

The Plot to Print a Masterpiece:

Gulliver's Travels

JACK MARKOWITZ



TWO HUNDRED AND FIFTY years ago, in 1726, a half century before the United States was born, England's brightest literary men were playing midwife to a different sort of enduring political classic. Its author was one of the wittiest (which did not preserve him from being one of the angriest) geniuses who ever lived: a priest of the Church of England who would have healed the world by making it laugh at itself. A quarter of a millennium has not dulled the bite of his salubrious masterpiece, *Travels into Several Remote Nations of the World*.

Never heard of it? Yes you

Mr. Markowitz is business editor of the *Pittsburgh Post-Gazette*.

have. The supposed author, described on the title page as "first a Surgeon, and then a Captain of several Ships," was a restless sailor called Lemuel Gulliver.

The real author was a landlubber with a deep-grooved habit of never putting his name on title pages. The sheltering tree that would become freedom of the press was in those days still a sprig. A "scandalmonger" could lose slices of his ears; and practically anything Jonathan Swift ever wrote might have earned him bed in prison or a drubbing in some alley. He was that sort of writer. Damnably contrary, to the wreck of his own ambitions.

And *Gulliver's Travels* — the

title bestowed by word of mouth — was his most contrary book. Unabridged, it reads as tough on the establishment as the Declaration of Independence, for which indeed it may have been a literary ancestor. Three years after the book came out Swift received from an admirer in Philadelphia the honest frontier gift of a cured ham, and *Gulliver* undoubtedly was popular reading in the colonies when young shavers named Washington, Jefferson, and Adams were forming their own tender notions of politics.

That anyone might charge Jonathan Swift, Doctor of Divinity, with fomenting revolution would of course have scandalized him. He hated war, was profoundly loyal to governing institutions consistent with law and liberty; but he detested those vices and excesses of power which eternally blight the happiness of men. In short, he was torn by the conflicts between freedom and a corrupted order that Americans would resolve a half century later in favor of revolution.

Seeds of Bitterness

Gulliver could only have come from a soul rich in grievances, and Swift started collecting his early in life. At his birth, one might say, in 1667. He came into this world seven months after his

father left it. The elder Swift having been employed as an estate manager in Ireland, the posthumous son grew up in a land energized to lyricism by ancient feelings of injury and alienation. He was educated, grudgingly, as he believed, by the bounty of relatives. All his adult life he was subject to prostrating attacks of dizziness, deafness, and fears of insanity, against which, in later years, he furiously exercised, walking or riding miles every day or, in bad weather, tramping the stairs of his house. Despising yet also craving wealth, he set out on two contradictory careers: the church and the writing of satires.

His verses and essays in the *Tatler* and other papers of literary London made him one of the luminaries of the dawn of modern journalism, though he was "famous" only to people in the know. A fashionable painting of the time, now in the London Portrait Gallery, shows him an alert, businesslike parson, elegantly wigged and double-chinned, looking up from his writing desk. "The most agreeable companion, the truest friend, and the greatest genius of the age," Joseph Addison called him. He had a prose style as lean, accurate, and keen for cutting as a scalpel. The bloated politics of his time begged for such a knife. It was his surgical journalism that

turned public opinion against a bleeding series of wars in France, tumbled from power the glamorous Duke of Marlborough, and helped effect the Peace of Utrecht in 1713.

For this service a grateful crown awarded him the deanery of a cathedral. Not Wells, Salisbury or another of the influential English churches, but St. Patrick's in Dublin, separated merely by the breadth of England and the Irish Sea from a court that had enjoyed quite enough of his close scrutiny of public affairs.

So back to his native city he went, to the exile, in his own gentle phrase, of "a poisoned rat in a hole." Though he took up his cathedral duties with a surprising piety, in time the sheer flagrancy of the exploitation of Ireland goaded him to the risky old habit of anonymous pamphleteering. He became an underground hero to the Irish, whose plight, he once said, came down simply to this, almost a thumbnail of our own Declaration of 1776: "Freedom consists in a People being governed by Laws made with their own Consent, and Slavery in the contrary."

In 1721 he suddenly announced in a letter that he was "writing a History of my Travells [giving] Account of Countreyes hitherto unknown." Not real travels, certainly. These would be voyages of

the mind. The idea had popped up at some dinner of the Martin Scriblerus Club, a literary society to which Swift had belonged in his great London years. How fortunate for literature that he never got round to the project till his bile had sufficiently ripened in failure and banishment.

The moody labor took four years. Then, triumphantly, in a letter of August 14, 1725: "I have finished my Travells . . . They are admirable Things, and will wonderfully mend the World."

To Alexander Pope, a friend of Scriblerus days and by then England's reigning poet, he confided that his aim was "to vex the world rather than divert it." But he was more entertaining than he knew. The artist in him kept the preacher under control, and his rage and wit, his suffering and indignation fused into a book that is one of the greatest ever written.

Irresistible Adventures

The *Travels* are, first of all, irresistible adventures. They run along fantastic but temptingly believable trains of plot, loaded with a vast freight of critical observations, commentary, digs, jabs, slashes, and thrusts. Swift is the most tireless of satirists. His blade is always cutting, forward and back, nicking the observer as well as the observed.

There is no safe place to stand against him. Gulliver — humanity's "gullible traveler" keeps getting marooned in fascinating countries. Lilliput: where the people are six inches tall but where incessant faction, greed and war seem the more deplorably vicious just for being so small. Then Brobdingnag, a land of giants, where Gulliver gets one pride-killing lesson after another in how small *we* are. The third voyage (past the point where many children's editions leave off) takes the traveler to a "flying island" where human intelligence, the one gift that might amend the chronic botch of history, utterly wastes itself upon worthless "projects" and idle aspirations. Finally, the ironic utopia of Houyhnhnms and Yahoos: civilization itself hopelessly lost to a brutalized humanity and taken up by a species more qualified, the horse.

Like the best science fiction, it all comes off with precise, credible details and with what George Saintsbury called "the dexterous relief of the satirist's lash with the mere tickling of the humorist." And the cream of the jest is that every queer country Gulliver visits is unmistakably one's own.

In March of 1726 Swift took ship with his manuscript to England. He was 58 now and wore

what Dr. Johnson calls "a countenance sour and severe, which he seldom softened by any appearance of gaiety." Yet he must have enjoyed that spring and summer 250 years ago as a guest at Pope's villa in Twickenham, near London. There were country excursions and dinners, long evenings spent over a good bottle and good talk with old friends still near the center of things: among others John Gay, author of *The Beggar's Opera*, and John Arbuthnot, who had been physician to Queen Anne.

Selling the Manuscript

The survivors of Martin Scriblerus were well content with the "Travells" — and determined to bring it to market. Not only would they find Dean Swift a publisher but also wangle a fee for him, the first — and as it happened, the last — that the greatest satirist in the English language ever pocketed for a piece of writing.

Soon afterward Benjamin Motte, a printer in Fleet Street, received a letter from someone claiming the name Richard Sympson. He announced that as "manager for my friend and cousin," a certain retired Captain Gulliver, he, Sympson, had been entrusted with the memoirs of marvellous voyages. "I know the author intends the profit for the use of poor seamen," the letter said, "and

I am advised to say that two hundred pounds is the least sum I will receive on his account."

Motte was not duped. He was the successor to Swift's old publisher and he undoubtedly had been warned to expect the dean's "Travells" one day in some such melodramatic disguise. He only balked at a demand that within three days he "deliver a bankbill of two hundred pounds, wrapped up so as to make a parcel, to the hand from whence you receive this." He counter-offered payment six months *after* publication and won the point.

The manuscript probably was recopied to remove any trace of the real author's hand, and Swift departed for Ireland, home, church, and alibi. Then one September night a hackney coach stopped at the printer's door and a package of copy sheets changed hands in the dark. Motte never saw Cousin Sympson's face.

About a month later — the date deserves remembrance: October 28, 1726 — the book went on sale.

The Sales Continue

The rest, it is fair to say, is history: a publishing history that shows no sign of ending, with some two dozen editions currently in print in English, scores of others in languages around the globe, and Gulliver sailing off in trans-

lation each year on new *voyages*, *viaggi*, *viajes*, *podroze*, and *reisen* unnumbered.

Happily the author had a glimpse of this immortality while alive. (He died 19 years later at age 77 in 1745, senile, modern scholars and medical experts now agree, rather than "mad," as his detractors long alleged.) The book's first printing sold in a week and "hath been the conversation of the whole town," John Gay wrote to Swift from London. "Gulliver is a happy man that at his age can write such a merry work," chimed in Dr. Arbuthnot, predicting "as good a run" as that of *Pilgrim's Progress*. "'Tis generally said that you are the Author," slyly reported Gay, but "you are not much injur'd by [this] . . . From the highest to the lowest it is universally read, from the Cabinet-Council to the Nursery."

There was prophecy in that, too. By chopping so extensively that many people who think they have read *Gulliver's Travels* actually have read perhaps half of it, editors succeeded in hacking a "children's classic" out of a work thought to be so politically loaded it required publication by secret plot.

And it is still loaded. The essential political vision of the Rev. Dr. Swift has dated astonishingly lit-

tle. To our Bicentennial celebrations he would bring the sobering perspective that changes in governmental form do not, for very long, improve the political behavior of man himself. The whole cannot be a great deal more than the sum of its not terribly noble parts. Lilliputian meanness will lower the quality of public life under presidents as well as kings, in parliaments as easily as palaces.

A century in which the sheer amount of destruction, decadence and despotism actually perceived has outflown the farthest reach of Swiftian imagination can get a special shock of recognition out of Gulliver's ultimate judgment on mankind. Driven mad (but super-shrewdly mad) by a society of

humane animals and brutish humans, the traveler perceives that man is, after all, merely a designing beast — "a sort of animals to whose share, by what accident he could not conjecture, some small pittance of reason had fallen, whereof we made no other use than by its assistance to aggravate our natural corruptions, and to acquire new ones which Nature had not given us."

There, in a few words, is the human dilemma: as challenging in 1976 as it was in 1726. The men who plotted to print a masterpiece 250 years ago, like those others who plotted to found a nation 200 years ago, never meant to leave us perfectly comfortable with ourselves as we are. ●

The Planners of Balnibarbi

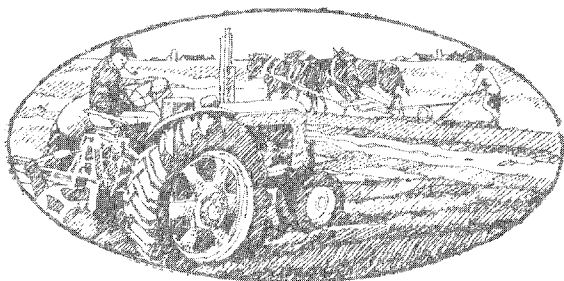
IDEAS ON



LIBERTY

IN THESE COLLEGES the professors contrive new rules and methods of agriculture and building, and new instruments and tools for all trades and manufactures, whereby, as they undertake, one man shall do the work of ten; a palace may be built in a week, of materials so durable as to last for ever without repairing. All the fruits of the earth shall come to maturity at whatever season we think fit to choose, and increase an hundred fold more than they do at present, with innumerable other happy proposals. The only inconvenience is, that none of these projects are yet brought to perfection, and in the mean time, the whole country lies miserably waste, the houses in ruins, and the people without food or clothes. By all which, instead of being discouraged, they are fifty times more violently bent upon prosecuting their schemes, driven equally on by hope and despair . . .

From *Gulliver's Travels*, JONATHAN SWIFT



The Right to Food

E. C. PASOUR, JR.

PEOPLE IN THE U.S. and throughout the world now have a heightened awareness of the age-old problems of hunger and poverty. It has been estimated that 460 million people throughout the world today suffer from acute malnutrition. At the same time, capacity to produce food is at an all time high in the U.S. and throughout the highly developed countries. Increasingly, questions are being raised about the apparent injustice of this coexistence of hunger and affluence.

The movement to provide more food to hungry people throughout the world has increased significantly since the early 1970's. The 1974 World Food Conference in Rome took what many regarded as an essential first step. The conference adopted an objective that

within a decade no child will go to bed hungry and that no family need fear for its next day's bread. In the same spirit, a "Right to Food" resolution was introduced in both houses of the U.S. Congress in 1975. This resolution declares that every person in the U.S. and throughout the world has the right to a nutritionally adequate diet. The resolution has received the official sanction of various religious groups. Members of the Lutheran Church in America, for example, have been exhorted to contact their Representatives and Senators to "urge its passage."

The concerned citizen cannot be oblivious to his neighbor's condition. The fact that a problem exists, however, does not imply that all possible solutions are either feasible or right. What should be the attitude of the morally sensitive person toward this

Dr. Pasour is Professor of Economics at North Carolina State University at Raleigh.

(or any other) "Right to Food" resolution? Do we, as individuals, have an obligation to support this legislation? More generally, what should be our stance toward world hunger problems? What can we as individuals do to alleviate the hunger problem facing half a billion people throughout the world?

The purpose of this paper is to analyze the "Right to Food" resolution. In doing so, the legitimacy of the right to food by citizens in the U.S. and in other countries will be discussed. The distinction between public and private charity will be stressed. Finally, limitations of charity as a long-run solution to hunger and poverty will be described.

The Concept Examined

There can be no universal right to food. The concept of the right to food cannot be supported on either economic or moral grounds. First, consider the economic implications of the right to food. The right to food basically involves the problem of income distribution. Food is man-produced. Proposals which assume a right to food (or income) by individuals within or outside the U.S. imply that there is no relationship between the incentives of food producers and food production. Many of the countries in which the hunger problem is most acute have at-

tempted to ignore this relationship.

The right to food is fundamentally no different than a right to housing, clothing, and the like. Thus, there can be no economic bill of rights assuring everyone a specified level of "necessities," since dividing income differently will affect the output of goods and services and, consequently, the amount of income to divide. That is, the more equal the income distribution, the less enthusiasm there will be on the part of individuals to engage in wealth-producing activities.

Food and other goods must be produced before they can be distributed. This is just as true for a highly developed modern economy as it was for Robinson Crusoe. The absurdity of the concept of "Right to Food" is obvious in the case of a Crusoe economy. The same basic problem remains, however, for a modern economy. There is no way to legislate prosperity for all.

The recent bankruptcy of New York City is a predictable outcome of an attitude by public officials which holds that "we will not be constrained by economics in caring for our citizens." The minimum wage provides another good example of attempting to increase incomes by ignoring economic principles. Increases in the mini-

imum wage cannot be used as a device to insure a minimum amount of income for all. Instead, the evidence in scores of examples has shown that the effect of an increase in the minimum wage is to eliminate jobs for marginal workers — not to increase their income.

Though a policy which is not feasible from an economic standpoint could hardly be moral, there are other moral objections to any universal right to food. Any right to a given level of food must be at someone else's expense. Granting individual A the right to food (or any other good) means that an obligation is simultaneously being imposed on person B to provide the food since food must be produced to be consumed. Any right for one individual which imposes an unchosen obligation on other individuals can hardly be regarded as a moral right. This point is closely related to the distinction between "public" and private charity.

Public vs. Private Charity

Charity by its very nature implies a voluntary, freely chosen act. However, the "Right to Food" resolution involves not private charity but an involuntary gift of food (and income) from people who are not disposed to provide such aid. The "Right to Food"

resolution involves the use of the state's power to collect from individuals more than they are willing to contribute privately. Any individual is now free to contribute privately as much as he chooses for domestic and foreign relief agencies. The "Right to Food" resolution means, however, that individuals should be forced to contribute more to such work than they freely choose.

Support of legislation to coerce individuals into performing or abstaining from particular actions is inconsistent with the Judaeo-Christian concept of freedom. Blue Laws, prohibition, and anti-pornography provide other recent examples of legislation attempting to coerce individuals into particular modes of behavior. Freedom involves choice, not necessity, but means little if man is not free to choose — to choose good as well as evil. Thus, it is difficult to understand why a religious imprimatur should be placed on legislation intended to coerce individuals into supporting a particular activity. Such legislation will inevitably restrict the individual's freedom of choice.

The act of supporting legislation affecting income levels on moral grounds raises a host of questions — theoretical and practical. Numerous groups, some preponderantly low income (e.g., eld-

erly) and some preponderantly high income (e.g., doctors and lawyers), use or attempt to use the power of the state to affect their incomes. What moral basis can one use to determine whether the income of a particular individual or group is too high or too low? The Aristotelian idea of a "just price," meaning anything other than the competitive market price, has long been discredited. The idea of a "just wage" determined administratively is just as spurious. The market provides only the objective basis for determining what the wage of a particular individual should be.

In reality, the incomes of most groups are influenced by the political process. Decisions to increase school teacher salaries or the level of social security benefits for the elderly, for example, are made in the political arena and reflect the political power of their individual constituencies. However, we have no objective basis apart from market forces for determining the "just" level of income for these or any other groups.

The fact that individuals or groups have no moral basis for attempting to coerce other individuals into involuntary acts does not mean, of course, that the hunger problem is not worthy of our attention as individuals. We cannot

be oblivious to problems of hunger and malnutrition within the U.S. or in less-developed countries. Private charity is an important activity and can often play a key role in alleviating distress. Unfortunately, the impulse for private charity and the individual's concern for his fellow man is being reduced by the progressively larger role of "public charity."

Right to food resolutions also have a pernicious effect in fostering expectations which, aside from problems of economic scarcity, are incapable of being fulfilled. There is no way to assure everyone the right to a nutritionally adequate diet or to insure, as proposed at the Rome Conference, that "no human being's future and capacities will be stunted by nutrition." Nutrition problems exist in all countries for persons at all income levels. All parents know that providing the proper food does not guarantee that a nutritious meal will be eaten. Interest in "Weight-watchers" and other diet programs indicates that practical difficulties associated with eating properly (even when food is abundant) are not limited to children.

Alternatives

For most of the world's hungry people, however, the basic problem is to obtain enough food. The question is not whether the plight

of hungry people should be alleviated, but how. If the "Right to Food" resolution is not the proper approach toward alleviating hunger, what should we as individuals do? There is certainly a key positive role for private charity. Such aid can perform a valuable role in providing temporary relief in case of earthquakes, floods, and other disasters.

Western "imperialism," lack of resources and weather are being used as scapegoats by many underdeveloped countries to hide the effects of their own mismanagement. The advantage of abundant resources can easily be negated by government policies (as in Jamaica). On the other hand, Hong Kong, Singapore, South Korea and Taiwan demonstrate the fact that resource-poor areas can develop when economic incentives are present. The fact that Russian farmers produce 25 percent of their food in private plots worked by farmers in their spare time provides additional evidence of the effect of economic incentives on output.

The only long-run solution to low income and hunger is to increase the output of the people involved, since wages depend primarily on the productivity of labor. For a given economic system, the productivity of labor depends on the amount of resources, including machinery and equip-

ment available to work with. Increasing the ratio of capital to labor requires incentives to invest and produce. Yet, many of the underdeveloped countries fail to provide the climate for economic development, with an overt hostility toward a system of economic incentives.

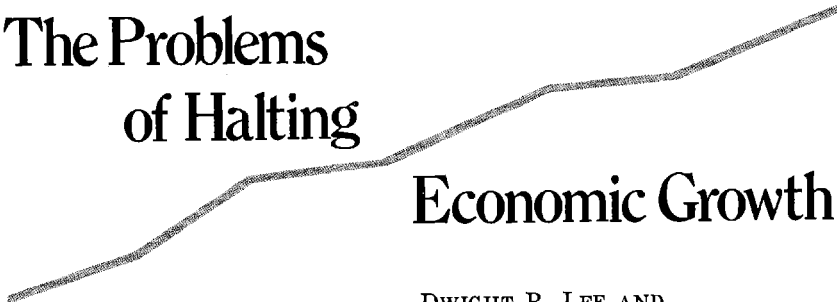
Attempts to avoid the "mistakes" of a market economy through comprehensive central planning in "Third World" countries are almost certain to impede economic development. There are no short cuts to economic development or panaceas to solve low-income and hunger problems. Capital formation requires time, and hasty decisions adversely affecting investment by domestic and foreign investors can affect the lives of a country's inhabitants for decades to come. The shortages, "bottlenecks" in production, low emphasis on output of consumer goods, and the like in Russia and other centrally directed economies are predictable results of relying on central control instead of the market in organizing economic activity. The typical person has little appreciation of the way in which the price system of a market economy provides information to market participants. For example, the amount of information required and number of decisions involved in getting a

loaf of bread into a consumer's hands is staggering to contemplate.

Though charity may alleviate some temporary distress problems, the only long-run answer to world hunger and low income lies fundamentally within the countries themselves. Neither private nor "public" charity is an effective substitute for basic political and economic reforms. Good intentions

are not enough. "Right to Food" resolutions, whether passed or not, are likely to have a harmful effect on development efforts, since they divert attention from the basic problem. If enacted, such resolutions may also impede long-run development by enabling developing countries to adopt policies which discourage capital formation both from within and by foreign investors. 

The Problems of Halting Economic Growth



DWIGHT R. LEE AND
ROBERT F. MCNOWN

ECONOMIC GROWTH is no longer a universally accepted goal of economic policy. To be sure there are still plenty of defenders of economic growth, but it has become

increasingly fashionable to criticize continued growth as undesirable and unsustainable. The debate surrounding this issue has centered almost entirely on the question of whether our resource base is adequate to support the demands of a growing economy. Without going into detail here, it is our judgment that historical evidence and economic analysis re-

Messrs. McNown and Lee are Assistant Professors, Department of Economics, University of Colorado at Boulder.

This article is based on a chapter from a book by Professors Lee and McNown, to be published by Science Research Associates, Incorporated in 1976.

quire that this question be answered with a resounding affirmative.

The purpose of this paper, however, is to address an important aspect of the growth versus no-growth debate that has been largely neglected. There has been little discussion of the problems that would be encountered in actually formulating and implementing a policy of zero economic growth. Despite the importance of these problems in assessing the desirability of the no-growth position, they have been brushed aside by those pushing for a halt to economic growth. According to E. J. Mishan, one of the most articulate advocates of zero economic growth (in his words, a steady-state economy):¹

The actual means whereby a steady-state economy is to be brought into being — the rationing of raw materials, the controls on technology, etc. — and the level of affluence to be sought are important subjects of discussion. But in the existing state of social awareness, they are perhaps premature. . . . The aim of the ecologist and environmentalist is not a no-growth economy per se. It is to win *acceptance* by the public at large of a no-growth society.

¹ E. J. Mishan, "Ills, Bads, and Disamenities: The Wages of Growth," in *The No-Growth Society*, eds. M. Olson and H. H. Landsberg, W. W. Norton and Company, 1973, pp. 81-82.

Why Does Growth Occur?

One may also say it is premature to feel an urgency to convince the public of the desirability of a proposal until it has been fully thought through. Certainly a consideration of the implementation and functioning of a zero-growth economy is crucial in assessing the overall desirability of such an economy.

In considering the question of how growth in the economy is to be halted, it is wise to ask why economic growth occurs in the first place. The motivating force behind our economic growth has always been the desire of individuals to improve the economic well-being of themselves and their offspring. Government policy can help by creating a stable political environment, protecting property rights, and not destabilizing the economy with inappropriate monetary and fiscal policy. But without individuals seeking to improve their lot by working, innovating, saving, and investing, economic growth would not take place. This means that achieving a no-growth society would require denying people many of the opportunities and freedoms they now have to improve their situation. The question of how this is to be accomplished poses problems that are crucial in assessing the merits and liabilities of a no-growth economy.

Certain attributes are desirable in any economy, whether growing or not. One of the most important of these is that our resources be used as efficiently as possible to produce those goods and services most valued by consumers. Certainly this has to be considered an important attribute to those who feel that a dwindling resource base makes halting economic growth an imperative. Stopping economic growth clearly shouldn't mean halting technological improvements that allow a given set of consumer desires to be satisfied with reduced demands on our resources. If a no-growth policy restricted this technological growth, it would frustrate the mechanism that has provided us with a growing usable resource base in the past and can continue to do so in the future. And as we are about to see, the implementation of a no-growth policy is very likely to hamper technological advances. In so doing, such a policy would probably hasten the very problems its advocates claim it will postpone.

Market Allocation

In a market economy the efficient use of resources is accomplished primarily by private producers responding to prices of productive inputs and outputs. Output prices provide information on consumer preferences, with the

relative price of a good increasing in response to an increase in consumer demand, which in turn motivates producers to increase their production of the good. Prices of productive inputs reflect their value in their most productive employments in the economy. Therefore, with producers responding to these input prices in their attempt to produce as cheaply as possible, the cost of producing commodities is kept to a minimum, with substantial rewards going to those who can innovate more efficient ways of producing. While the market mechanism doesn't always work perfectly, it works better than any other mechanism yet conceived.

But without a large amount of freedom afforded to the individual to spend his money as he desires, and to allocate his productive resources and talents as he sees fit, much of the advantage of the market mechanism is negated. This brings us face to face with the problem of how zero economic growth can be achieved without obstructing the desirable allocation of our resources among competing uses.

How Assure Constant Output?

It may seem quite simple to design an effective policy imposing zero economic growth. The government could pass and enforce a

law requiring the value of production to remain constant from year to year. However, some problems come immediately to mind. First of all, what mechanism can the government use to insure that output doesn't increase? One possibility would be to place quotas on the quantity of each good to be produced. If this is done a major problem is that of determining which goods should be produced and in what combination.

As previously discussed, a crucial goal of any economy is that these decisions be made to conform to consumer preferences. These preferences vary widely from individual to individual and change unpredictably through time. It takes an extraordinary amount of information to keep the productive process responsive to these consumer preferences. It is optimistic indeed to hope that any government agency would be able to keep abreast of this information and maintain the desirable production quota system. Optimism would require not only tremendous confidence in the government's ability to keep current on changing preferences, but also great faith in its ability to make decisions independent of political pressures.

Assume, for example, that consumers began to sour on the automobile as the almost exclusive

form of personal transportation and that millions of individuals decided that bicycles offered a more desirable alternative. With production decisions being made in response to market forces, we would find a reduction in auto production as auto manufacturers found fewer people willing to buy their product at prices that covered their cost. On the other hand, with increasing numbers of people willing to spend money on bicycles, producers of bicycles would expand output in response to higher profits.

Problems of Control

It's hard to imagine this adjustment occurring so smoothly if the decision of auto versus bicycle production was under the control of a government agency. Under these circumstances automobile manufacturers would find it to their advantage to invest heavily in lobbying against any reduction in their production quotas. They could come up with any number of "justifications" for maintaining high production levels for autos. Of course, bicycle manufacturers could, and probably would, lobby for an increase in their production quotas; but being much smaller and less influential politically, they would have an uphill task getting their quota enlarged at the expense of the automobile quota. The

bicycle manufacturers certainly wouldn't get any help from the oil industry or the highway lobby, both of which would take an active interest in the issue. Meanwhile, the consumer, who should be the important decision-maker, will hardly be heard from in the decision-making process.

Extend our example of autos and bicycles to include razor blades, running shorts, motor boats, tennis balls, insect repellent, shoe repair services, dental repair, textbooks, soy beans, and the like, and it is clear that vesting government with the authority to determine the allowable production of each conceivable good and service would be a frightfully clumsy and wasteful way to halt economic growth.

But there are further difficulties involved in direct government control. Once the quota for a good has been established, decisions as to which producing units are to fill that quota would have to be made. Suppose, for example, that an individual developed a new technique for making sleeping bags, and as a result thought he could give consumers a better bag than was currently available and at a lower price. Operating under the market mechanism, this individual could invest his money in manufacturing and promoting his sleeping bag. If his assessment of

his bag wasn't consistent with that of the consumer, he would soon find it advantageous to direct his talents and money elsewhere. On the other hand, if consumers did find his sleeping bag preferable to existing bags, his production and revenue would expand while the production and revenue of his competitors would fall. Eventually our innovator's techniques would be imitated and all producers would be producing better bags for less, much to the consumer's benefit.

The Consumer's Interest

If a government agency rather than the market was responsible for deciding for each product which firms could expand output and correspondingly which firms had to reduce output, it's doubtful if the interests of the consumer would be promoted. For practical purposes it would be impossible for a government agency to have the information on changing productive techniques necessary to know, for each product, which firms should be expanding and which should be contracting. Not having this information, the agency would soon find itself relying on the expertise of the existing firms in each industry in order to make its decision. Each firm in an industry would soon learn that in order to protect or enlarge its market share, it has to appeal to

the judgment of the regulatory agency rather than that of the consumer. Technological improvements and product innovations would be found less useful to the aggressive firm than its lobbying activities and influence with the right regulators. Unfortunately, this wouldn't create the type of environment that a new firm with an improved product or lower price will find very hospitable. Well-established firms in the industry could be expected to use their influence to prevent such intruders from ever getting their product to market.

This is more than idle conjecture. We unfortunately have had plenty of experience with government agencies regulating such things as market share and entry in many of our industries. For example, since the Civil Aeronautics Board was established in 1938 to regulate our airline industry, not one new airline has been permitted to enter into long haul competition with the existing airlines.

Another example comes from the Interstate Commerce Commission (ICC), an agency of the federal government charged with regulating interstate ground transportation. In 1961, Southern Railroad had developed a grain-carrying car that allowed them to cut their freight rates on grain by 60 percent and requested the ICC

to permit this reduction. It was estimated that this innovation would save consumers millions of dollars annually. Yet the ICC, in sympathy with barge lines, trucking firms, and other railroads, all of which competed with Southern Railroad, refused to allow the rate reduction Southern requested. It wasn't until 1965, after the case was nine times before lower federal courts and twice before the U.S. Supreme Court, that the ICC quit fighting the rate reduction and allowed it to go into effect.²

Many other examples could be given indicating the tendency of agencies charged with regulating industries to completely lose sight of the consumer interest. But by now our point should be clear. Attempting to halt economic growth by controlling the permitted output for each good and service would be inconsistent with the goal of using our resources as efficiently as possible to produce a combination of goods and services compatible with the preferences of consumers. The cost of halting economic growth in this way would be so high that only the most enthusiastic no-growth advocate would find it acceptable.

² For a more complete discussion of this case, see Louis M. Kohlmeier, Jr., *The Regulators: Watchdog Agencies & The Public Interest*, Harper & Row, 1969, pp. 121-128.

**Let Consumers Choose,
But Limit Total Income**

Having a government agency decide on the combination of goods and services to be produced, isn't the only way zero economic growth could be imposed. Another possibility is to let consumers spend their incomes as they see fit, but limit the total income that can be earned in the economy. This would seem to have the advantage of allowing consumers to decide what should be produced and encouraging producers to be innovative and efficient with their use of resources. But, of course, we now have the problem of controlling incomes. And, unfortunately, for this approach, there is a strong relationship between how consumers exercise their preferences for goods and services and how individuals earn their incomes.

People earn their incomes by responding to the desires of consumers, producing and perfecting those things on which consumers are most anxious to spend their money. As we have already pointed out, this provides the incentive for producers to use resources efficiently and creatively in order to provide consumers with better products at lower prices. But people get rich doing this, and in so doing they invariably enrich countless others by creating highly productive jobs and permitting

consumers to obtain more with less effort.

So any attempt at controlling the incomes consumers have to spend will require strict controls or strong disincentives against creative responses to the wishes of consumers. This doesn't necessarily mean that the government would have to apply direct restrictions on innovative behavior. A high enough tax on profits or investment returns could sufficiently discourage investment in capital and technological improvements to be consistent with a no-growth economy. But whatever the means, only by discouraging producers from responding to the consumers' desire for better products at less cost will it be possible to prevent incomes from increasing.

It's hard to see, therefore, where this approach to controlling economic growth has eliminated the disadvantage of direct controls on output. Both approaches will have the effect of insulating the actions of producers from the desires of consumers.

Reducing Income Mobility

Attempting to control incomes and dampen investment presents another, but related, problem. The necessity of controlling innovative responses to consumer preferences means controlling one of the most important sources of income

mobility in the economy. Despite much ridicule of the Horatio Alger "myth" the evidence indicates a substantial amount of income mobility in the U.S. from one generation to the next.³ There are plenty of opportunities for the ambitious and capable individual to become wealthy even though born into poverty. Likewise, being born into wealth is no guarantee that an individual can remain both indolent and affluent for long. The primary source of this mobility is that those who are productive are rewarded while those who are unproductive aren't. Attempts to control income would surely reduce income mobility in our society by hampering the mechanism that produces it. Restricting people's ability to develop more productive techniques or train for more productive employment would restrict the means by which individuals have been able to improve their economic situation. It also restricts the competition that forces those who have achieved economic success to either remain responsive to consumer desires or move down the economic ladder. With perhaps a little cynicism, we note that no-growth advocates are sel-

dom positioned in the bottom half of the income distribution.

Designing and enforcing a policy to halt economic growth would be a difficult task. If such a policy were actually imposed, many of the consequences would be unfortunate. It would reduce the influence that consumers have on the choice of what is to be produced. Coupled with that is the stifling influence the implementation of such a policy would have on motivations to produce efficiently and creatively. We would also find a more regimented society, with far less chance for the relatively disadvantaged in society to improve their situation through ingenuity and hard work. The likely consequence of this calcification of society would be disruptive social unrest or the emergence of a caste system in which people knew their place and accepted it.

If the advocates of eliminating economic growth feel we are faced with an imperative, they had better come to grips with the serious problem of implementing their proposals. It is our judgment, however, that they have first failed to establish the imperative for a no-growth policy, and secondly, have no positive proposals on how such an economy could be implemented without unfortunate consequences.

³ See Peter M. Blau and O. D. Duncan, *The American Occupational Structure*, New York, Wiley, 1967.

How Much ? Competition

BRIAN SUMMERS

ONE OF THE ARGUMENTS used against free enterprise is that there is *too much* competition, that the business world is "dog eat dog" and "cutthroat." Another argument used against free enterprise is that there is *too little* competition, that the business world is dominated by monopolies and oligopolies. Opponents of liberty, it seems, believe in touching all bases.

Is there too much competition? Is there too little? How much should there be?

Let us answer these questions by examining the more basic question: What is the meaning of business competition?

Unfortunately, many people try to answer this question by counting noses. If a given industry has many firms, they call it "competitive." If an industry has few

firms, they call it "noncompetitive."

A little reflection reveals the shortcomings of this criterion. It tells us the number of firms in an industry, but it doesn't tell us what they are doing. And if a nose count doesn't tell us what the firms are doing, it certainly doesn't tell us if they are competing because *competition*, if it is to have any meaning, must refer to actions, not just the number of contestants.

What, then, is the meaning of business competition? Well, what do businessmen do? The answer, of course, is they try to earn profits.

And the only way businessmen can earn profits is by cutting costs of production, since there is very little they can do about the selling prices of their products.

To see this, first consider costs of production. The businessman

Mr. Summers is a member of the staff of the Foundation for Economic Education.

can choose from a wide variety of known production processes; he may even develop a new process. Clearly, there is much the businessman can do to try to cut his costs by making more efficient use of his men, materials, and machines.

Once his products are finished, however, there is little the businessman can do except name an asking price and wait. If people buy his product, fine. If they don't — if they prefer the products of his competitors — he has little recourse other than to lower his asking price, perhaps by offering rebates.

And who are his competitors? They are the manufacturers of identical products, similar products and, in fact, all the other producers who bid for the consumer's dollar. Each businessman must also take into account the potential competitors who stand ready to enter his field the moment his profits start to look good. Thus, General Motors competes with Ford, Chrysler, American Motors, foreign auto makers, the manufacturers of motorcycles, bi-

cycles, buses, trains, and airplanes, the potential manufacturers of these items, and everyone else who hopes to win the consumer's approval. The folly in attempting to count competitors is now apparent: In a free market, all businessmen are competitors.

Free market competition benefits everyone. It encourages businessmen to introduce new products and make efficient use of resources. It yields profits to those who give consumers what they want and losses to those who don't. Profits enable efficient producers to expand production, while losses stimulate inefficient producers toward greater efficiency.

Too much competition? That is like asking if there is too much efficiency and not enough waste. Too little competition? Only when government licenses, franchises, and other regulations prevent people from entering a given field. How much competition should there be? Let all people be free to compete in a market economy, an economy that offers a fair field, with no privileges or favors available from the government. ☸

Ludwig von Mises

IDEAS ON



LIBERTY

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.



Eat, Drink, Talk

FRANCIS E. MAHAFFY

BACK IN 1961 I pointed out that instead of a time of progress and development for the great continent of Africa, the chains of a far deeper servitude than that of colonial rule were being forged with a "Made in Moscow" or a "Made in Peking" label attached.¹ For twenty-three years I have lived and worked in Eritrea, now a province of Ethiopia. I observed firsthand the changes in that land from the time shortly after the Italians were defeated, through the eleven years of British rule,

ten years as a federated state of Ethiopia, and since 1962 as a province of Ethiopia.

One day while traveling back country I stopped in the last tea-shop before entering forty miles of hot dusty desert. While I was leisurely drinking tea and eating a hard biscuit, a man engaged me in conversation and asked if I wanted to know the difference between the Italian colonial rule, the later British rule (from 1941 to 1952) and the subsequent rule of Eritrea by Ethiopia.

His graphic description of the three governments appeared to me to characterize the history not only of Eritrea but of much of Africa in recent decades as countries one by one have been freed from colonial rule. Under the Italians, he

The Rev. Mr. Mahaffy served for twenty-three years as a missionary of the Orthodox Presbyterian Church in Ethiopia and is presently serving as a home mission pastor north of Chicago.

¹ *Essays on Liberty*, Vol. IX, Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1962, p. 191.

said, the people were commanded to *bet, u'ub, mawanishin* which translated is, "Eat, drink, don't talk." Under the British it was *mabetin, ma'ubin, wanish* — "Don't eat, don't drink, talk." Now, under Ethiopian rule, it is *mabetin, ma'ubin, mawanishin* — "Don't eat, don't drink, don't talk."

Under Italian rule which began toward the end of the last century the Italian immigrants built roads and a mountain railroad, planted tropical fruit orchards, raised cattle and poultry, opened small factories and garages, built houses and cities and greatly improved the economy. To be sure, later under Mussolini's Fascist regime much wealth was poured into the country to support the ruthless attack on Ethiopia in 1935. But whether for legitimate enterprise or the illegitimate business of military conquest, under the Italians the people generally had enough to eat and drink, the economy was healthy, though there was little freedom of the people to express themselves.

When the British conquered Eritrea in 1941, they confiscated as war booty the large cement factory in Massawa and other industries. They had little interest in the economic development of the country as they were a temporary caretaker government. There was progress in improved civil service,

education, and other areas, but little economic development. So many lacked enough to eat and drink; they suffered from economic depression. Under United Nations pressures the British opened the land to the formation of political parties.

This new idea was received with so much enthusiasm that numerous pro-Ethiopian and pro-independence political parties formed, armed themselves and began three years (1949-1952) of intense political activity. Among their purposes was to destroy the opposing political bands, robbing to support themselves, with one party bent on the murder of Italians. Travel on the roads was only in armed convoy. One political band robbed us at gun point and then demanded a future payment of \$45 (this was before the inflation of the 60's and 70's) on pain of death — a payment we refused to make. Three years later the bandit chief who set the price on my head was apprehended and hanged for multiple murders.

Union with Ethiopia

The fruit of the freedom of speech was federation with and later union with Ethiopia (although many contend that this did not represent the true feeling of the people). Union with Ethiopia did not improve the economic situation and it greatly diminished the

freedom to talk. Political favoritism and misrule by the Ethiopian ruling class who were not liked by the diverse tribes of the province of Eritrea led to growing discontent. Some of the pro-independence bands collaborated to form the Eritrea Liberation Front (ELF). They were strengthened when Russia, and later Communist China (with aid also from the neighboring Arab states) upgraded their arms, financed the military training of their leaders — and indoctrinated them in the ideology of Karl Marx.

The ELF was increasingly committed to the communist philosophy, and the same influence was quietly pervading the educated classes in Ethiopia proper. Haile Selassie, a powerful monarch and skillful diplomat, succeeded in preventing overly-ambitious cabinet members, governors, and other high-ranking officials from securing too much power by frequently changing their positions or appeasing them with gifts of land. For many decades as a popular emperor he held the diverse elements in the country together.

In the late 50's and 60's, against the counsel of some of his advisers, His Imperial Majesty made official visits to communist countries and invited teachers, technicians, doctors, and many others from these lands to Ethiopia. Their

influence, along with that of the professors of the new Haile Selassie University in Addis, began to spread through the country. Students at the University, in the high schools, and even in the grades became increasingly committed to the ideology of Karl Marx. This influence was strong enough among some military leaders to enable them to successfully overthrow the old regime, execute many of the former leaders, depose the king, and establish a socialist Ethiopia.

Like Uganda, Angola, Nigeria, and many other African countries, Ethiopia has found the road to the socialist utopia a path strewn with corpses. Nor has all the bloodshed been the blood of those who preferred the old order and resisted the advance of the socialist ideal. Five to ten thousand were reported killed last spring when the ELF besieged Asmara, the capital of Eritrea, and the Ethiopian army defended it with tanks, guns, and planes. Far more civilians apparently were killed than were members of the army or of the ELF.

Civil War

As is so often the case, two groups professing the same basic goals are engaged in a bloody battle. The ELF describes the socialist Ethiopian rulers as "Im-

perialists and Colonialists." Within the ELF there have been, as is the case elsewhere, rival pro-China and pro-Russia groups. The pro-China branch of the Peoples Liberation Front (PLF) is reported to have suffered a serious defeat by the ELF some months back. In Ethiopia thousands of Chinese Communists have been invited in recent years to help implement the new socialist policy and to help the Ethiopian students educate the back-country illiterate people and to establish cooperatives on the land which has been taken and redistributed to the peasants.

The official declaration of the economic policy of the new Ethiopia is pure socialism. Major industries and all banks and financial institutions have been nationalized. A few small businesses are to be left to private ownership though under strict government controls. Even some private schools and hospitals are to continue for a while under private control until the government is able to assume this responsibility. The official paper of socialist Ethiopia states:

The basic cause of the economic exploitation of man by man is the private ownership of the means of production. The ownership of the major means of production by a small section of the population in a situation where the vast majority of the population has nothing but its own labour

power leads to the exploitation of the many by the few and to a highly uneven distribution of income. The elimination of exploitation through the public ownership and control of the major means of production is therefore one of the primary goals of Ethiopian Socialism.²

Ideals and Motives

While it would be naive to believe that pure idealism and not the ruthless struggle for power is often the driving motive behind the leaders of the socialist movement, yet it is the ideals that draw the multitudes to rally to its banners. The Ethiopian socialist paper states:

... the major and immediate economic goal of Ethiopian Socialism cannot be but the elimination of poverty through the development of the productive forces and the consequent expansion of production and the prevention of exploitation of the Ethiopian people.³

A leader in the ELF in talking to Debbie Dortzbach, who was kidnapped by them and held captive for twenty-six days, said to her, "We're fighting for peace and contentment. When the ELF win our freedom, Eritreans will have peace and much more: education, health

² *Declaration of Economic Policy of Socialist Ethiopia*, 1975, p. 4.

³ *Ibid.* p. 3.

care, and productive farming. Then there will be freedom at its best."⁴ With the savagery of Ethiopian rule vivid in their minds, the people of Eritrea generally have rallied behind the ELF, making it extremely difficult for Ethiopia effectively to rule Eritrea even with a military victory.

Socialism in Ethiopia, however, is really not a new idea. There has been a change in rulers, and the assets of some wealthy former rulers have been taken and their land given to the people; but there is little change in the idea that the State is the mother and caretaker of the people.

Some years ago I was arrested and underwent interrogation by officers in the Ethiopian army, the police, and finally by the Criminal Investigation. One of the charges against me (the only true one) was that I had given charity to some widows and orphans who were not approved by the State for private charity. I was repeatedly told that charity is the work of the State and if I wanted to help people, I must give my contributions to the governing body to distribute. (In the U.S. one is not yet arrested for helping poor widows and orphans, but charity is popularly deemed to be the work

of the State and not of individuals, families, and voluntary institutions.)

Peace, economic progress, and freedom, the "Eat, drink, talk" of my friend in the teashop, is the goal of most people, even of multitudes who profess adherence to socialist ideology. It is inevitable, however, that socialism in Africa or elsewhere is incapable of attaining these goals. There are a number of reasons for this fact. Socialism is the rule of men and not of law. As the Ethiopian socialist paper puts it:

The Government, because of its control of the commanding heights of the economy, can engage in a meaningful and effective planning, marshalling available resources and generating and directing popular participation to carry out the historic task of transforming Ethiopia from a land of poverty into one of prosperity.

The Government can, because it controls the resources, direct all available resources, both physical and human.⁵

Uncertainty Hinders Progress

Where men gain control of their fellow men, even though their motives should be the highest, the resultant uncertainty makes planning, investment, and wise economic decisions impossible. Under

⁴ Karl and Debbie Dortzbach, *Kidnapped*, Harper & Row, 1975, p. 118.

⁵ Declaration of Economic Policy of Socialist Ethiopia, 1975, p. 3.

law which is known by all and enforced, the individual and entrepreneur can plan for the future. Where the whim of the man in charge determines the profits attainable by those from whom he is able to confiscate wealth which he deems excessive, the very motive for the planning and investment essential to progress and prosperity is eliminated. Socialism can control the economy only by controlling the people. General Teferi Banti, the Premier of Ethiopia, said:

Not only have the masses of farmers efficiently organized themselves to carry out the revolution by wiping out reactionary forces and feudal landlords, but they have started to show their productive capacity by running collective farms.⁶

Reactionaries, i.e. non-socialists, must be *wiped out*. Recently the new government leaders executed without trial over sixty former leaders in Ethiopia, not all of whom were by any means "right wing reactionaries."

While there has been little semblance of a free press in Ethiopia in the past, one of the fourteen activities reserved exclusively for the State is "Large-scale printing and publishing."

It is the promise of socialists

that under them you will be able to eat, drink, and talk. This promise of prosperity and freedom lures many people to its fold. Socialism cannot deliver what it promises and instead effects the most stringent curb of freedom, thereby assuring economic distress. In place of the promised peace, there is war and conflict. Nor is this only between the opponents of socialism and the socialists. One of the characteristics of socialism is internal conflict. The conflict between the Nazi socialists and Russia and between Communist China and Russia are examples of internal strife between those who follow the socialist ideology. The Red China-Russian conflict has manifested itself among the followers of these rival leaders in Africa.

Socialism Breeds Conflict

Because socialism is an irrational system, it is bound to lead to inner conflicts. Karl Marx denied rationality to his opponents, describing their thinking as that of the bourgeoisie determined by their economic environment. There is no reason why the thinking of the proletariat, likewise determined by the economic environment, should set the absolute standard by which to judge the thinking and rationality of another class, especially in a system which denies absolutes! The Marxists

⁶ *Christian Anti-Communism Crusade*, Aug. 1, 1975, p. 8.

have adopted a system inimical to production, based on the distribution of what is already produced. It destroys the freedom that alone has led to progress, denies God and His law as the framework under which man — the creature — must labor, and replaces God with the State. The omnipotent State has set itself a task impossible of fulfillment. Since the rule is by men, not law, blame for the failure is placed not on the system but on the men in power; and so an internal power struggle ensues.

It is inevitable that socialism will destroy itself because it is a system designed for a world of unreality. It has survived this long largely because such capitalist countries as the United States have supported it with their largess. Left to itself, it would soon amass the evidence that it is not a viable system. As R. J. Rushdoony well says: "There is no greater sign of hope today than

our world crises: they witness to the collapse of the enemy's power and the impossibility of his world-plan."⁷

It is time we left the socialist countries to destroy themselves or, hopefully, to realize that the fault lies in their irrational and immoral system and to turn again to freedom under God. Perhaps there is a strong enough remnant of people in Ethiopia to turn the nation onto the path of freedom after the socialists have reached the end of their rope.

Let us also develop a remnant in our land strong enough to turn us back to a rule of law, honest money, and freedom under God, lest we too continue down the disastrous path of full-blown socialism. May we learn the lesson from the African teashop and practice the principles that will enable us to eat, drink, and talk.

⁷ R. J. Rushdoony, *Chalcedon Report*, August, 1975.



Majority Rule

IDEAS ON



LIBERTY

THE PRESCRIPTIONS in favor of liberty ought to be leveled against that quarter where the greatest danger lies, namely, that which possesses the highest prerogative of power. But this is not found in either the Executive or Legislative Department of the Government, but in the body of the people, operating by the majority against the minority.

JAMES MADISON



Robespierre: *The Voice of Virtue*

OTTO J. SCOTT is an enviable man. He spends part of his writing life exploring the careers of self-starting characters who act constructively for their country while pleasing themselves as individuals. His *The Creative Ordeal*, published a year ago, was a thoroughly justified paean to the "wizards" of the Raytheon company, who refined radar, a British invention, and produced it in sufficient volume to save England and to enable a crippled U.S. Navy to defeat Japan. Raytheon, with its M. I. T. scientists, was a prime example of Edmund Burke's "little platoon" in action in a situation that depended on individual initiative even more than on coordinated wartime planning.

The other part of Otto Scott's writing life is spent on dramatizing the evil effects of the Horrible Example. He is very much concerned with the occasional propensity of the human race to listen

to fools. He plans biographies of King James I of England and President Woodrow Wilson, who, in his estimation, were strong men who just couldn't think straight. The Stuart dynasty never did learn how to govern England, and Woodrow Wilson's idea that the Seychelles Islands could be the equal of Britain or the U.S. in a world parliament has led to all the stupidities that Pat Moynihan has had to protest. But the biggest fools of all, in Scott's opinion, were the men who created the French Revolution. Scott has chosen the most despicable of all the French revolutionaries for his *Robespierre: The Voice of Virtue* (Mason and Lipscomb, \$9.95).

The French Revolution, of course, was the antithesis of the American Revolution, even though Tom Paine and the Marquis de Lafayette, who took part in both of them, failed to see it that way until it was too late. The American

Revolution was, actually, an armed struggle fought to defend the traditional claim of the colonists to the immemorial "rights of Englishmen." As such, it was a counter-revolution (the real revolutionist being King George III, who sought to become a dictator insofar as his American "subjects" were concerned). What Washington, John Adams, Thomas Jefferson and the rest established in America was a drastically limited government that provided for vetoes all over the lot. The small states could check the big states in the U.S. Senate; the big states could have their way in the House of Representatives. The President had his veto over both houses of Congress, and the Supreme Court could measure all new laws against the words of the Constitution. Meanwhile the ninth and tenth amendments, with some help from the first, second and fifth, defined the inalienable rights of states and individuals.

The French Revolution

There was nothing like this in France. When King Louis the Sixteenth called for convening the Estates-General for the first time in 174 years, he succumbed to the pamphleteers who demanded that the Commons should have as many votes as the clergy and nobility combined. This insured the crea-

tion of a "National Assembly" that would be unchecked save by a royal veto. But Louis the Sixteenth, an amiable, thoughtless man, was not one to fight for retention of his veto rights. With the help of a few renegade nobles and clergymen, the new National Assembly quickly became a monolith. Dominated by small-bore provincial lawyers such as Robespierre, the "sea-green incorruptible" from Arras, the Assembly knew nothing about the requirements of production or the need for fiscal sanity. Excess was piled upon excess. The cities, faced with starvation, could not restrain a maddened populace. Bakers were taken out and hanged because they had run out of bread.

It wasn't long before the more "virtuous" revolutionaries such as Robespierre were using their control of an unchecked majority in the National Assembly to get rid of "moderates." The Revolution, with its guillotine, began to "devour its children." Danton went. Marat was assassinated in his bath by Charlotte Corday. Blood flowed everywhere. And then, one fine day, some of the more frightened revolutionaries looked at Robespierre, with his endless posturing about total virtue, and realized that if they didn't get the "incorruptible" from Arras first he would soon be getting them. They

did what was necessary: Robespierre was beheaded, and the stage was set for the military regime of Napoleon.

Mr. Scott does not bother to philosophize; he lets the dramatic narrative, with all its grisly detail, convey its own lesson. Whether it all had to happen that way is a question. If Louis the Sixteenth had been a stronger man, and if his Queen, Marie Antoinette, had had the intelligence of some of the royal mistresses of earlier French monarchs, the Estates-General might have been reconstituted along English lines, with the nobles and the clergy occupying the position of the British House of Lords. Workable compromises might have put France, a rich country, on its feet again, with a budget more or less in balance and with taxes equitably levied.

Emphasis on Equality

The French went wrong in 1789 because they made the fundamental mistake of equating freedom with equality. The only equality in the world is equal judgment in the sight of God. Men are not gods; they have no business trying to put each and every individual into the bed of an equalitarian Procrustes.

Burke said it all in his *Reflections on the Revolution in France*. We ought to suspend our judgment

on the spirit of liberty, he said, until we see how it works out in action in a specific context. Burke refused to endorse the French Revolution on the basis of abstractions. He wanted to know how the "new liberty of France . . . had been combined with government; with public force; with the discipline and obedience of armies; with the collection of an effective and well-distributed revenue; with morality and religion; with the solidity of property; with peace and order; with civil and social manners." All these, he said, were good things, too.

The "new liberty" of France took no cognizance of the Burkean caveats. And so all the "good things" enumerated by Burke were sacrificed to a grand abstraction.

Otto Scott's story makes something of Mirabeau's effort to write a new constitution for France based on the English system. This would have been in accord with Montesquieu's idea of checks and balances. But in the heady atmosphere of the time the National Assembly, as the voice of the "people," did not propose yielding some of its powers to an upper chamber or to a royal veto. Years later John Calhoun of South Carolina, in his great *Disquisition on Government*, put his finger on the French mistake. Government must be limited

or Equality, as defined by 51 per cent of the people, will murder the liberty of 49 per cent. Without vetoes democracy runs to tyranny. A good thought for our Bicentennial.

► **THINKING ABOUT CRIME** by James Wilson. New York: Basic Books, 1975, 231 pp. \$10.

Reviewed by Haven Bradford Gow

JAMES WILSON, a Professor of Government at Harvard University, is concerned about the fashionable cant and nonsense that is revealed in our thinking about, and attempts to cope with, crime. For example: During the past decade legal scholars have been engaged in an intense debate over the evidentiary rules governing search and seizure, police interrogations, and the taking of confessions. Professor Wilson concedes that this debate has illuminated some interesting legal and philosophical issues, but thinks the debate has a hollow ring when recalled in the context of what actually happens in a police station house. Professor Wilson has done the much-needed research; he finds that most persons arrested for such crimes as robbery and burglary have been arrested under circumstances in which no confession

is needed, no searches have to be conducted, and no police interrogations are required. Most robbers and burglars are caught in the very act. Also, there often are witnesses to testify or stolen property that can be identified; and most of those who are captured, far from desiring to ensure that they may remain silent behind constitutionally protected rights, want very much to talk so that they might lighten their sentences.

The Harvard University professor is also disturbed about the view that "Crime and drug addiction can only be dealt with by attacking their root causes." He responds that he has yet to see a "root cause," and that he has yet to encounter a government program that has successfully attacked it, at least with respect to those social problems that emanate from human volition rather than technological malfunction. But more importantly, he finds that the demand for causal solutions is really an excuse for deferring action.

Professor Wilson also explodes the popular myth that poverty causes crime. During the 1960's it became fashionable to contend that if we as a society were to reduce crime, we had to eliminate poverty, increase educational opportunities, eliminate bad housing, encourage community organiza-

tion, and furnish counseling services to troubled and delinquent youth. It was a confident assumption of high-level Kennedy and Johnson administration officials that economic prosperity would lead to a sharp reduction of crime. Thus an avalanche of programs aimed at the poor, young and deprived were developed and implemented.

But crime soared. Indeed, crime rose at a faster rate, and to higher levels than at any time since the 1930's and, in some categories, to higher levels than any previously experienced in this country. The decade of the 1960's began with a sense of contentment and optimism; but this sense of contentment and optimism was shattered, not only by crime but by riots and war as well.

To the contention that "Men steal because they are poor and deprived," Professor Wilson responds: "There is more crime in most poor neighborhoods than in most well-off ones, but even in poor communities most people do not steal." Moreover, "crime rose the fastest in this country at a time when the number of persons living in poverty or squalor was declining." And to the popular assertion that the increase in crime results from population changes, the author replies: "Crime in our cities has increased far faster than the

number of young people, or poor people, or black people, or just plain people who live in those cities. In short, objective conditions alone, whether demographic or economic, cannot account for the crime increases, though they no doubt contributed to it." Far more accurate to contend, as Professor Wilson does, that the increase of crime emanates from forces difficult to define and impossible to measure scientifically: namely, the destruction of community and our attitudes, ideas and values.

Implicit in much of the fashionable misconception regarding crime and criminals, contends Professor Wilson, are frequently naive and unacknowledged assumptions about human nature. To contend that poverty causes a person to become a criminal is to assume that man does not possess free will, that he lacks the inherent capacity to transcend his environment. To believe that human beings will become virtuous once they have attained social and economic success is to deny the common-sense recognition that wicked people exist. "Some persons will shun crime even if we do nothing to deter them," observes the Harvard University professor, "while others will seek it out even if we do everything to reform them." Evil men and women exist; and nothing avails except to set these

evil persons apart from innocent persons. "And many people, neither wicked nor innocent, but watchful, dissembling, or calculating of their opportunities," concludes Professor Wilson in his clearly-written and well-argued work, "ponder our reaction to wickedness as a cue to what they might profitably do. We have trifled with the wicked, made sport of the innocent, and encouraged the calculators. Justice suffers, and so do we all."

► **PROPERTY IN A HUMANE ECONOMY** edited by Samuel L. Blumenfeld (LaSalle, IL: Open Court, 1974) 265 pages plus index, \$10.00 hardcover, \$3.50 softcover.

Reviewed by Brian Summers

THIS VOLUME consists of thirteen essays delivered at several symposia sponsored by the Institute for Humane Studies. The contributors — F. A. Harper, Carl F. H. Henry, Leopold Kohr, James W.

Wiggins, James A. Sadowsky, Murray N. Rothbard, Arthur Kemp, Louis M. Spadaro, Sylvester Petro, George I. Mavrodes, Edwin G. Dolan, James M. Smith, Israel M. Kirzner — consider such questions as:

What is the connection between property and freedom? Is private property theft? Can scarcity be eliminated by redistributing property? Are property rights the creation of law? If God owns everything, can people own anything? Can an individual own himself?

The authors represent a wide spectrum of professions, approaches, and points of view. They differ on many questions, including the precise definitions of *ownership* and *property*. However, they unite in their belief that the institution of private property is crucial to a humane society.

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TEL: (914) 591-7230

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

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Educational Vouchers: The Double Tax

GARY NORTH

All State education is a sort of dynamo machine for polarizing the popular mind; for turning and holding its lines of force in the direction supposed to be most effective for State purposes.

Henry Adams
The Education of Henry Adams (1907)

WE ARE CONTINUALLY BOMBARDED by newspaper and magazine headlines informing us of the continuing "crisis in education," which actually is a crisis in government-operated education. Virtually all the available data reveal that the crisis is accelerating. Inner-city schools have become literal battlefields between rival gangs, between teachers and students, between administrators and increasingly vociferous faculty unions, and most important, between outraged parents and the whole system. Yet the crisis is in no way confined to inner-city schools. The suburban schools of the white middle class are burdened with the multiple plagues of student boredom, drug addiction, and rapidly increasing

alcoholism. A dozen years of falling scores on the college entrance examination reveal the steady nature of the erosion, despite the acceleration of costs associated with the public schools.

Educators cannot bring themselves to admit that the crisis is anything more than a temporary aberration—an aberration from the "normal" which itself was dead long before today's administrators were born. The theories multiply, the explanations proliferate, and the crisis gets worse. What the last decade has brought is an understanding on the part of the public and a minority of government school employees (untended, generally) that there is no answer.

Like the sinking ship which finally takes on too much water, the

Dr. North is President of the Institute for Christian Economics.

government education system is irretrievable. It will be useful in the future only as scrap. But what about those millions of students who will go through the system before it finally sinks? Will they too become useful only as scrap?

Parents are becoming aware of the discussion syndrome. The endless discussions in half-empty halls between a few parents and local administrators have not altered anything. The teacher conferences, the administrator conferences, the PTA conferences, and all the other conferences have proved useful only for the cataloguing of the unsolved and increasingly unsolvable problems connected with government education. Solutions have not emerged from conferences — or at least no solutions acceptable to parents, administrators, school boards, students, state legislators, and an angry group of levy-rejecting voters. If there are no solutions, why pay higher taxes? This is the reasoning of the voters. The reasoning of the school administrators is different. They only want to discover a new source of tax money that will be acceptable to the voters, or better yet, that will not be subject to public elections at all.

The Root of the Crisis

The problems of American public education are the problems as-

sociated with any system of government-enforced, tax-supported coercive wealth redistribution: the system of financing conflicts with the expressly stated goals of the planning agencies. This conflict between the method of financing and the stated goals of education has been with us since the days of the Puritans of New England who set up compulsory education which was to be financed, in part, by money collected by the local property tax assessor.

There is no education apart from conformity of thought. One thing is true and another is not. Education requires indoctrination. But the conformity of thought which is basic to all education creates conflicts when parents of differing first principles are required either to finance a hostile educational system or to send their children to it. The Puritans' solution was to enforce conformity by expelling hostile families from the community. The modern bureaucrat's solution is to force parents to finance an alternative school system as well as the government system, and then to take control of the private system later on.

Sidney E. Mead, in his important book, *The Lively Experiment: The Shaping of Christianity in America* (1963), has argued perceptively that the public school system is America's only estab-

lished church. His point is well taken. Like all systems of established worship, some people are forced to finance doctrines and principles that they do not agree with. They resent this fact, but instead of seeking for the separation of "church" and state, the modern parent only seeks to "recapture" the public education system. So deeply rooted is the idea of the necessity of public-financed education that those who are being destroyed by the system — who are losing their children to the system — cannot bring themselves to abandon it on principle. If the moral answer of the free man to the socialist's policies of coercive wealth redistribution is "not yours to give," then the moral answer to those who would somehow take over the public school system is "not yours to recapture."

The religious nature of the conflict has been noted by R. J. Rushdoony: "The state is [seen as] the order of liberty, and the school is the means whereby citizens are prepared for the good life. The state has become the saving institution, and the function of the school has been to proclaim a new gospel of salvation. Education in this era is a messianic and utopian movement, a facet of the Enlightenment hope of regenerating man in terms of the promises of science and that new social or-

der to be achieved in the state."¹ Yet precisely because the new state religious establishment has become messianic, it has also become the center of men's criticism.

Education today occupies an equivocal position in contemporary life, functioning both as a scapegoat for every failure and as a catch-all for every hope and expectation of society. The schools and colleges are berated for extending their authority beyond the fundamentals of learning into a program which envelopes the whole child or the whole man, and, at the same time, are given additional responsibilities which can only extend their scope even further. Fundamental to this unhappy and contradictory approach is a messianic expectation of education coupled with a messianic attitude on the part of educators. The attitude of people towards education is that it is a god that has failed and yet a god who can perhaps still be whipped into fulfilling his mission.²

The decade which has just passed — one which began only a few months after these words were published — has brought a massive disillusionment concerning education. Nevertheless, the public's faith in government-financed and administered educa-

¹ Rousas J. Rushdoony, *The Messianic Character of American Education* (Nutley, New Jersey: Craig Press, 1963), p. 4.

² *Ibid.*, p. 6.

tion still persists, at least to the extent that people think the system can still be reformed, transformed, or recaptured.

The pluralism of American life is now, and always has been, in direct opposition to a philosophy of public education. Yet the irreconcilable conflict between these two principles has never been faced by the vast bulk of our citizens and virtually any of its educational theorists. The financing of a pluralistic culture must be voluntary, springing from the deeply felt needs of the various religious, intellectual, and cultural groups.

Three centuries of conflict over the control, content, and financing of public education serve as a testimony to the futility of combining a system of tax-financed schools with a pluralistic culture financed by free men. The system of education is elitist, as all professional systems must be, but with taxation as its base, the system is in conflict with democratic principles. It leads to a system of minority rule. Weber was quite correct when he argued that bureaucracy is antidemocratic by nature; control is separated from those who bear the financial burdens.³ Tenure and civil service

protection assure that control and financing are kept separate.

The Assumption of Neutrality

An implicit schizophrenia undermines every system of public education. On the one hand, a primary justification for the existence of government-financed education is that the nation needs citizens who are educated for the responsibilities of democratic participation in the political processes. The schools are to educate men in terms of the "ethics of democracy" or "democratic values" or just plain "patriotism." Schools must inculcate "values," although the more vague these are, the better for the administrators.

On the other hand, in order to ward off criticism from various religious and ideological groups, public education is simultaneously defended as a system which inculcates no religious or ideological values whatsoever. Public education is simply technical, making possible a better, more productive, and more profitable life for all of its students. *The stated goals of democratic education and strictly vocational or technical training are in absolute opposition to each other.* The first absolutely affirms the value-laden nature of public education, while the second absolutely denies it.

The schizophrenia of public edu-

³ Max Weber, "Bureaucracy," *From Max Weber: Essays in Sociology*, edited by H. H. Gerth and C. Wright Mills (New York: Oxford University Press, 1946).

cation can be seen in the doctrine of academic freedom. The doctrine was first developed by the professors employed by the Prussian universities that were the products of state financing. (Prussia invented the kindergarten and the graduate seminar, two of the least productive educational developments on record.) The universities were supposed to be extensions of the Prussian state, and they were understood as such by everyone, but professors wanted to be exempted from any form of censorship or control by the agents of the state. Thus, they invented the idea of academic freedom — the freedom of inquiry belonging to any *certified* scholar in his area of expertise. He is to be entirely neutral, however; his instruction must be based only on facts. He must not indulge in propaganda.

Yet, steadily, as the implications of epistemology have been recognized, the idea that "facts" somehow create a neutral world of scholarship has been abandoned. The so-called sociology of knowledge (sociology of prejudice) indicates that men can investigate only a tiny fraction of the infinite number of facts, gleaning facts and assembling them in terms of a philosophical framework. Presuppositions therefore influence interpretations, and interpretations are now recognized as ulti-

mately religious in nature, i.e., they are accepted as unchallengeable first principles. While few students recognized this fact as recently as the early 1960's, the effects of the Vietnam war and the counter culture have reversed this. The students, and many of their professors, now acknowledge what has always been true: education is not neutral. But if education cannot be neutral, then the public school system's legal pillar — the assumption of neutrality — is exposed as a false justification for the maintenance of an established church and a tenured priesthood.

The Locus of Sovereignty

The ultimate source of the educational crisis stems from an error in first principles. Once committed to this error, the public education system has floundered repeatedly. To locate the source of the error, men need only ask themselves a single question: Who is responsible for the education of a child? The answers, of course, are varied: the parents, the church, the civil government, or a combination of the three.

The conflicts in education are in fact conflicts over a much more fundamental issue: the locus of sovereignty, and hence, the locus of personal responsibility. The person or institution which pos-

sesses sovereignty must be the one which takes on the responsibility. By affirming the legitimacy of tax-supported education, voters have attempted to transfer their responsibilities for the education of their children to another agency, the state. Yet at the same time, they affirm their own sovereignty over the content and structure of the educational system. That they have lost almost every battle in their war with tenured, state-supported educational bureaucrats, is the direct result of the public's abdication of personal responsibility, family by family, for the education of their children. The war was lost on the day that parents, as voters, decided to transfer the financial responsibilities of educating their own children to other members of the body politic. While Horace Mann can be regarded as the general who was victorious over private education in Massachusetts, he was only conducting mopping-up operations. The end had been determined two centuries earlier when the Puritans of Massachusetts affirmed the principle of tax-supported education.

Any system of education must ultimately be the reflection of and product of the philosophical principles of those who finance the system. The decision about the financing of any institution inescapably determines the shape and

content of that institution. Modern men, being secular, now recognize this fact when applied to the institution of the church. They see that a state-supported church is antithetical to the principle of freedom of conscience. They see, and religious zealots like Roger Williams see, that state-financed churches become the tools of the state which supplies the funds. But modern men do not see that this strict relationship between financing and operations applies equally well to government school systems. Somehow, the relationship is *ad hoc*; it works when churches are involved, but it is irrelevant in the field of public education. Like the established churchmen of two centuries ago, today's priests and parishioners of the public schools refuse to recognize the nature of their relationship to the state.

Who Pays?

Do men finance their children's educations directly, through the personal financial sacrifice of the family unit? If so, then the family is sovereign over education. The school is then merely an extension of the family. The family makes use of the efficiencies associated with the division of labor. Parents hire professional educators to train their children, but those who are hired are paid to

adapt their educational skills to the needs of the families that are financing the education. This can be done directly, through family-controlled school boards, but it can also be accomplished through the indirect means of the market. The family hires the tutor, or the school, in the same way that it hires any other servant. The parents are directly responsible for their children, and the selection of a school is an act of responsible stewardship. The family has not delegated the responsibility of educating the children to anyone else. It controls the purse strings—the ultimate affirmation of earthly sovereignty.

The more distant the source of the school's funds from the family, the less control the family has over the selection of the teachers and equipment. If the church finances the education of its members' children, then a layer of institutional bureaucracy is interposed between parents and teachers. This may be agreeable to many parents, but if church members other than the parents are expected to finance the school (as is the case in most instances), then they too have a legitimate right to determine school policies.

By transferring some of the burdens of financing education to other church members, the family thereby relinquishes a portion of

its sovereignty over the educators. The educators then serve someone other than the parents, or at least in addition to the parents: the deacons, the elders, the minister, the school committee, or whatever. By diluting sovereignty, the educational bureaucrats gain more autonomy, since they can play off one church faction against another until everyone gives up and grants more autonomy to the administrators.

The bureaucrats gain their greatest control in tax-supported systems. Sovereignty is so diluted at the level of the individual citizen that the expertise of the professional and tenured bureaucrats is overwhelmingly powerful. But their power is not tied to a personal relationship with the children (as it is with a parent), nor is it linked to a financial dependence on the parents, nor is it even linked to a community of shared values, as in the case of a church school. Their power stems from the unwillingness of legislators to turn off the funds. And the legislators' unwillingness to interfere stems from two primary facts of political life: 1) the experts have an aura of invincibility about them, plus tenure; 2) the voters still believe in the establishment of the public school church. It is easier to give speeches than to take action, so legislators give

speeches. Most of them are re-elected most of the time, so the policy pays off in the coin of the political realm: votes.

The crisis of education is therefore a crisis in the realm of values, with the values of the parents coming into conflict with the values, philosophies, and incompetence of those in control of the tax-supported educational system. If the parents continue to capitulate to the philosophy of public education, then they will continue to be defeated in their attempts to gain the kind of education they want for their children. There is only one way that all parents can gain such satisfaction: they must pay for the education of their children. They can earn the money or they can convince some third party to give them or their children the necessary funds on a voluntary basis, but the parents must pay. If they want to get what they pay for, they must pay directly, rather than paying through the coercive means of state taxation.

Until men are willing to cut off the political funding of the established church of America, they will see the educational crisis escalate. The visible sign of sovereignty is the ability to pay for a service and the willingness to do so. Nothing short of this will suffice to solve the crisis in the schools, for the educational crisis is ultimately a

conflict over sovereignty. He who pays with his own funds will win; he who continues to pay by voting cannot possibly win.

Pseudo-market Schemes

Professor Milton Friedman of the University of Chicago is one of the most technically proficient economists in America. As a defender of the principle of market efficiency, he has been able to gain many adherents within the economics profession. He has been especially successful in challenging the inefficiencies of the Federal regulatory commissions. His most popular and widely read book, *Capitalism and Freedom* (1962), was a landmark of the 1960's, for it was popularly written by a professional economist who had long before established his technical proficiency before his peers. Some of the policy recommendations of the book, such as the abolition of occupational licensure by civil governments, have not been taken seriously by most economists and certainly not by professionals who now hold occupational licenses from the civil government. Yet from the point of view of those who are convinced of the technical superiority of the free market over governmental regulation, it is this kind of uncompromising stand taken by Prof. Friedman which is most val-

uable in the defense of freedom, not to mention capitalism.

The problem that many free market advocates have with some of Prof. Friedman's policy recommendations is that too often he spends many pages in devising ingenious schemes that would make government programs more efficient and, Prof. Friedman fervently hopes, less burdensome to the taxpayers, businessmen, and innocent citizens of the land. These policy recommendations have one feature in common: they are pseudo-market devices. They would create a kind of shadow market — "almost a free market" — that could provide success indicators analogous to those provided by a truly free market. In doing so, he argues, these pseudo-market alterations would make government more responsive to the needs of citizens.

Economic Calculation

Back in 1920, Professor Ludwig von Mises wrote the most famous essay of his academic career, "Economic Calculation in a Socialist Commonwealth." Mises argued that the inescapable weakness of all systems of central planning is the inability of the planners to assess the actual value of any product or service in the economy. Without freely fluctuating prices that are the product of the private ownership of both consumer and

capital goods, there can be no means of imputing value accurately by any of the participants in the economy. What should anything cost? What is it worth? What should be given up to attain any particular goal? Without market prices, meaning without open entry to markets by buyers and sellers, there can be only random guesses by the planning bodies. Randomness is not efficient, except on random occasions. Thus, concluded Mises, the socialist commonwealth is of necessity inefficient. It cannot plan rationally. So long as the monopoly character of the state-controlled markets continues, the planning authorities will remain blind to the true conditions of supply and demand.⁴

Understandably, Mises had no use for pseudo-market schemes of any kind. In fact, the most important (though ineffectual) reply to Mises from the socialist camp was made by Oskar Lange, and it consisted of a system of hypothetical pseudo-market responses by central planners: artificial and arbitrary prices to be set by the planners, followed by adjustments in the price system in order for planning agencies to stimulate the desired response from buyers and

⁴ Ludwig von Mises, "Economic Calculation in a Socialist Commonwealth," (1920), in F. A. Hayek (ed.), *Collectivist Economic Planning* (London: Routledge & Kegan Paul, 1935).

producers.⁵ The problem, as always, was the closed nature of the system. The planners could never be sure that they were not wasting resources in their attempt to attain any goal. Those who set prices are sovereign, and in the case of the socialist commonwealth, the sovereign is economically blind.

In short, the creation of a pseudo-market cannot guarantee increased government efficiency or increased economic power on the part of consumers. All that will be accomplished is the irrationalization of the central economic plan by mixing it with non-socialist yet non-market elements. Lange's scheme was never adopted by the Polish planning agency he belonged to, nor have the Soviets adopted it. It is neither socialist nor market; it is only economically irrational.

The Voucher Scheme

Perhaps the most interesting of all of the pseudo-market policy recommendations promoted by Prof. Friedman is his educational

voucher plan. Under such a school financing system, each family would receive one voucher for each school age child in the family. The voucher would be redeemable in money upon presentation by a private school to the state or country government. Its value would be equal to the average per student cost of education in the district. (This figure, by the way, is seldom even calculated by school boards, for obvious political and public relations reasons, and when it is calculated, it virtually never includes such crucial items as the interest which the government might have earned had it sold off the school buildings and invested the money elsewhere, such as in the bank which would loan the purchase money to a local profit-making school.) The parents could then send their students to a public school or to a private school. If the cost of tuition were higher in the private school than the value of the voucher, the parents could make up the difference by paying more money.

The advantages of this scheme, argue the supporters of school vouchers, would be considerable. The parents gain back their lost sovereignty. They decide where the children will attend school. The public schools would be forced to compete for students, thereby increasing their efficiency. Private

⁵ Oskar Lange and Fred M. Taylor, *On the Economic Theory of Socialism* (New York: McGraw-Hill, [1938] 1956). For a reply, see T. J. B. Hoff, *Economic Calculation in the Socialist Society* (London: Hodge, 1949).

Prof. Hayek's latest statement on the question of central economic planning appeared in *The Morgan Guaranty Survey* (Jan. 1976), and is available on request: 23 Wall St., New York, N.Y. 10015.

schools would spring up everywhere in response to the existence of vouchers. The diversity of educational opportunities would be fostered. The costs of administration would be very low. (One advocate back in 1962 — a respected libertarian philosopher — announced that it would only take a computer and four secretaries to run the whole system for the state of California. If this were true — and it certainly is not true — it would insure the doom of the program in the eyes of the most potent group of special-interest pleaders in the state, the civil service employees.) The state could establish specialty schools of all kinds to lure back parents and their vouchers. The authority of parents would be re-established, and this would guarantee a truly progressive educational system.

There is no doubt that the logic of the voucher program is initially impressive. Parents would seem to have far more power in selecting educational alternatives under the voucher system. The below-market pricing monopoly of the state would be eliminated. The conformity of bureaucratic education would be challenged by a new diversity. A new educational pluralism would be the creation of vouchers. It would save money and increase freedom. What more could we ask for? In any case, what

more can we expect in an age of wealth redistribution? This is always the key argument in favor of the creation of pseudo-market schemes: no way exists to re-establish a truly free market, so this is the best we can hope for.

The Locus of Sovereignty Revisited

It all sounds so plausible. Yet it overlooks the fundamental problem of voucher-financed education. The question must still be asked: Where is the locus of sovereignty? And the answer must still be the same: the civil government. The voucher program violates the most important principle of education: parents are responsible for the financing of their children's education. He who is responsible is also legally sovereign, and vice versa. Operationally, the source of the funding determines the locus of sovereignty. The goal of all those who would defend market arrangements must be to determine the *moral* locus of sovereignty in any particular circumstance, and then see to it that the sovereign agent be made legally and economically responsible for the exercise of his power. By failing to demand that parents be the source of funding for their own children's education, the promoters of the voucher scheme have abdicated their responsibility in extending the principle of voluntar-

ism and its concomitant, personal responsibility.

In the voucher system, the source of the funding is still the taxation system. The financing is based on the principle that it is legitimate to use political power in order to grant benefits to one group at the expense of the other. The principle of coercion is still dominant. The dominant principle, over time, will thwart the elements of voluntarism in any pseudo-market scheme. The state is still the operational sovereign over education, simply because the threat of violence, which is the state's legal monopoly, is the source of the funds for education.

There is no doubt that Prof. Friedman recognizes this fact, yet he does not emphasize it. He believes that the technical alteration of the way in which coercively collected taxes are redistributed can overcome the sovereignty of the state. He acknowledges that the authority of the parents in a voucher scheme cannot be absolute. The state-financed "educational diversity" under a voucher system is a diversity operating within government-established guidelines. Money spent by the state can never be on a "no strings attached" basis. There is always more demand for government money than there is money available to meet the demand (unless

the purchasing power of government money falls to zero). Those legally responsible for the distribution of tax money must have legal guidelines, or else rampant waste and dishonesty will instantly appear, and the treasury will be emptied overnight.⁶ This is why statist education must be bureaucratic education, with guidelines imposed from above, since the money comes from the state. There is no escape from the rules of bureaucracy in a voucher system. Friedman acknowledges this fact:

Governments could require a minimum level of schooling financed by giving parents vouchers redeemable for a specified maximum sum per child per year if spent on "approved" educational services. Parents would then be free to spend this sum and any additional sum they themselves provided on purchasing educational services from an "approved" institution of their own choice.⁷

The key word, of course, is "approved." Why Prof. Friedman has chosen to put the word in quotes is not altogether clear. Does he mean "kind of approved"? Certainly, he is wise enough to know that when the state bureaucrats

⁶ Mises, *Bureaucracy* (New Rochelle, New York: Arlington House, [1944] 1969).

⁷ Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 89.

approve or disapprove, they do not hide their actions in quotation marks. They simply decide. They decide in terms of criteria appropriate to the continued functioning of the statist educational bureaucracy. As Prof. Friedman writes: "Any subsidy should be granted to individuals to be spent at institutions of their own choosing, provided only that the schooling is of a kind that it is desired to subsidize."⁸ *Desired by whom* to subsidize? The parents? Hardly; they are the ones to be dictated to, not dictated by. The parents will be told where they can freely spend their vouchers, and they have to that degree lost their sovereignty. The state provides the funds through its monopoly of coercion; the state shall determine, coercively, how and where those funds are to be spent.

Controlling the Alternatives

What the decades-long erosion of the government school systems has provided is a long list of reasons why it would be profitable for each family to remove its children from the subsidized schools. A small but growing minority of parents is doing just that. The state bureaucrats are legally prohibited from providing religious schools, ideologically prohibited

from providing free market education, and apparently unable to provide competent instruction. They see their task as insuring standards, which means insuring educational conformity. The rise of an independent school system, which is replacing the declining number of Roman Catholic parochial schools, is a threat to public school administrators. They are as hostile to alternative educational programs as the postal system's administrators are to United Parcel Service or anyone else carrying first-class mail.

Private school administrators in Indiana were recently imprisoned temporarily for having cooperated with parents who attempted to remove their son from the public school system against his will. Parents in Ohio have been threatened with the removal of their children to foster homes if they persist in sending their children to unaccredited schools. This is warfare, not some simple debate over financing. Technical solutions are insufficient to solve problems of ideological and religious warfare.

What we are witnessing is a conflict over sovereignty. Who is responsible for the training of children, the state or the parents? The lines are being drawn far more sharply today than at any time in this nation's history. Pseudo-market schemes cannot solve

⁸ *Ibid.*, p. 99.

questions of ultimate sovereignty, or at least they cannot solve them for the benefit of free market institutions.

State schools rest on a whole series of erroneous assumptions. First, that the state is ultimately sovereign in the field of education — the pseudo-parent of every child. Second, that state schools can teach children totally neutral values — universally acceptable principles that all education must provide. Third, that it is the moral as well as legal obligation of taxpayers to finance the school system. Fourth, that the professional, tenured, and civil-service-protected officials of the educational monopoly are the people best prepared to operate the educational system.

Buying Off the Competition

The voucher system challenges directly only the last of these assumptions, and then only superficially. (After all, state schools will still be permitted to operate.) The voucher system necessarily requires the *licensing of schools*. For those who favor bureaucratic licensing of alternative educational systems by the state bureaucrats whose jobs are threatened by alternative educational systems, I can only recommend chapter 9 of Prof. Friedman's *Capitalism and Freedom* — the chapter on occupational licensing.

As private schools continue to replace the disintegrating government schools at the primary and secondary levels, the state's educational bureaucrats will have to take decisive action to protect their monopoly. One way to accomplish this is to refuse to certify any more schools. (I am assuming that outright abolition will not be tolerated politically or in the courts.) This approach may work for a time, since parents are concerned about quality schools. By some peculiar twist of logic, the parents of private school children somehow believe that the state licensing boards are competent to certify educational performance, despite the fact that the schools that they themselves operate are anathema to the parents in question.

Private school administrators, who come to parents in the name of a superior educational program, are equally hypnotized by the boards of certification. The most intelligent response is that made by Robert Thoburn, principal and owner of the profit-making and highly successful Fairfax Christian School of Fairfax, Virginia: "If the bureaucrats want me to certify their schools, they can come to me and I'll look over their programs. That's my view of certification."

If the certification ploy does not

work, then the last hope of state educational bureaucrats is the voucher system. If parents continue to send their children to uncertified schools, then the state must find a way to convince private school administrators that they must register with the state and conform their programs to state educational standards. The voucher system is the most logical means of achieving this goal. Vouchers will create a second, pseudo-free market school system, using "free" in both senses: independent and without cost to the users. The state-operated schools will then compete with the state-licensed schools. Almost no third alternative will be economically possible.

Taxed Again and Again

Those parents who want their children out of the government-operated schools (which their taxes support) will also be paying for the operation of voucher-supported, state-licensed schools. These parents must turn down the first subsidy (free public education in a government school), turn down a second subsidy (vouchers for government-licensed schools), and come up with after-tax income to finance their children's education in a truly independent school.

This is assuming they can find such a school. To do so, they must

locate other parents equally committed religiously and ideologically to the principle of independent education, and also financially able to put their preference into action. How many concerned parents will do this? How many private school administrators will be able to operate a school while denying admittance to those who would pay with vouchers? How many of these schools with total commitment to private education will there be? I can tell you: very, very few.

Not until the blight so obvious in the government-operated schools has spread to the government-licensed voucher schools will parents even consider bearing the second tax (vouchers) and find money to pay for an independent education. In short: *vouchers are the most promising tool for the suppression of independent private education now at the disposal of state educational bureaucrats.*

What will the price be? What may not have been clear to Prof. Friedman back in the early 1960's is clear to us now. We will have HEW guidelines operating in every voucher-using school — equal opportunity policies, quota systems of every kind, teacher hiring and firing policies, racially and religiously mixed student bodies. There will be a whole army of Federal bureaucrats, not to men-

tion state bureaucrats, policing every private school. The so-called private educational system will be swallowed up in a mountain of red tape. How much imagination does it take to see what is coming? Isn't it sufficient to look at what our independent private colleges are now going through? Can you imagine the kinds of controls in store for schools that are set up to permit an escape hatch for the crumbling state educational monopoly — the most horrendous visible failure of socialism in America?

The statist educators and politicians of Great Britain are calling for the abolition of all independent schools in Britain, not because they think the government schools will be improved, but because it is intolerable in a society guided by the politics of envy to let any class, any family, any religious group escape the blight of the socialist educational system. If the sons and daughters of the laboring class must suffer the terrors of the government school system, why should the sons and daughters of the rich be permitted to escape? The logic is impeccable. After the Civil War we abolished the right of men to buy their way out of conscription by paying the government a fine sufficient to enlist another man. This practice was thought to be undemocratic.

The same will be true, I fear, for those who would escape conscription into the public school system.

Conclusion

The state is not about to adopt pseudo-market schemes unless the bureaucrats believe that the adoption of the scheme will remove competition from consistently independent private competitors. The state is not going to consider the latest pseudo-market proposal to come out of the graduate seminars of the pro-free market professors unless the scheme can be rewritten to enhance the sovereignty, power, and efficiency of those who would suppress the independence of private men. This should be the lesson of the age: statist ideologues and their tenured hirelings do not commit suicide voluntarily. They do not abandon the ideology of the control economy simply because some new scheme promises to make the government benign or reduce the tax burden of the public.

Pseudo-market schemes, promoted in the name of the free market, are adopted by the enemies of freedom for very specific purposes: to reduce the zones of freedom. Those who believe in increasing all state sovereignty will adopt pseudo-market schemes only when they are convinced that the free market is too great a threat

to pure, uncompromising bureaucratic failure—the same reason why the Soviets allow semi-market pricing in a few restricted areas of the economy.

The state may adopt vouchers for education on an experimental basis, in order to test the scheme. If it does foster independent education, vouchers will be scrapped. But they will not have to be scrapped. Vouchers may well become a permanent fixture of our government education system. If so, it will be for a reason: the school voucher offers vast new powers of control over a vibrant and growing independent school system that threatens to undercut government schools.

The great threat to freedom from school vouchers is that they strike at the heart of society: the family. As a pseudo-market device, they promise to be remarkably successful in destroying a tiny but important pure free market development. I am reminded of Lenin's dictum that if the communists announced that all capitalists were to be hanged tomorrow, the capitalists would trip over each other today trying to sell Lenin the rope. The profit system does not regard the origins of profits, at least short-run profits. Men act to improve their positions in life. Private school administrators and most of the private col-

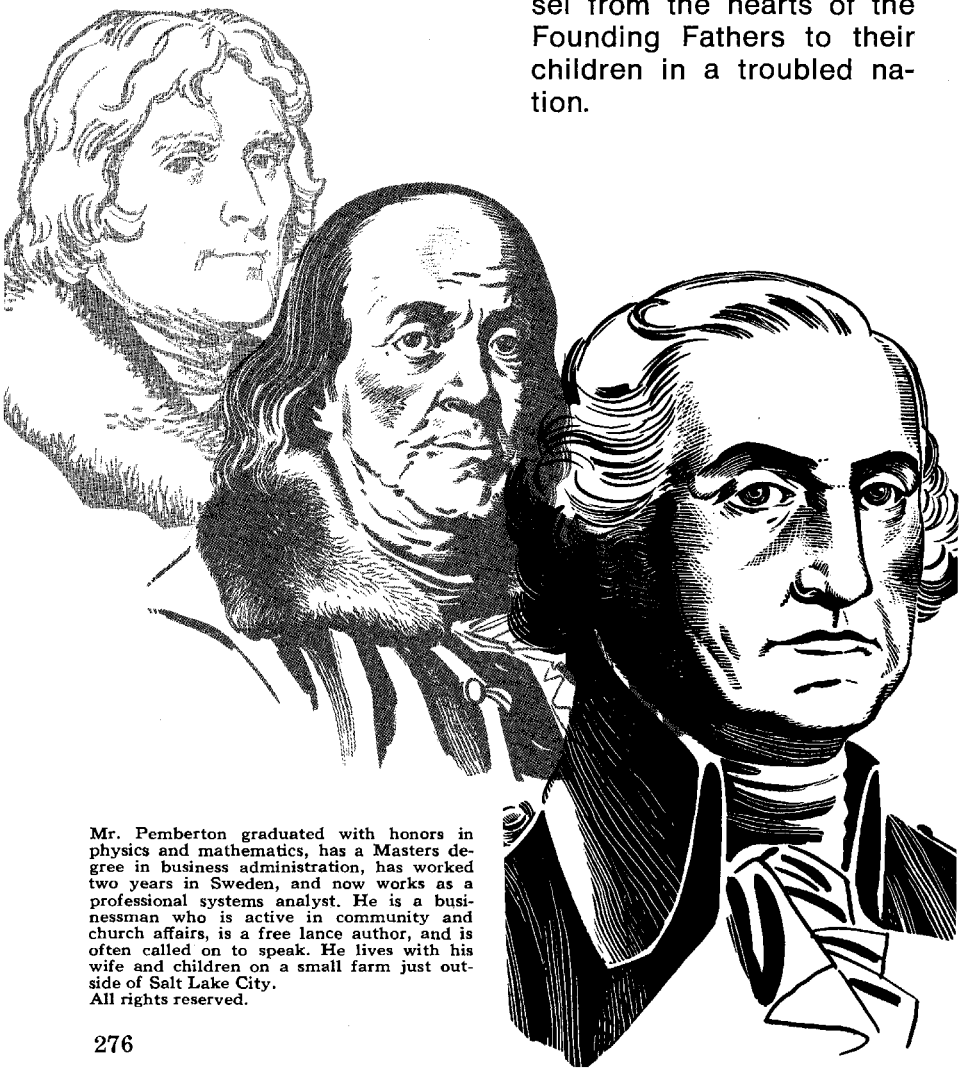
leges have been eager to receive Federal aid; only a minority of a minority have held out against the lure of Federal money. (Their schools, it should be remembered, are very small and may grow smaller.) The lure of vouchers almost certainly will prove too great a temptation for thousands of our struggling little private schools. It may take another generation to recover from the defection of these schools, should that defection have an opportunity to manifest itself.

If vouchers are to be stopped, they will have to be stopped by parents who recognize the double taxation nature of the voucher scheme. Those who truly want independent schools and are willing to pay for them must not seek after vouchers, for vouchers are the very seal of doom for the independent school system. Pseudo-market schemes generally lead to anti-market results. The opposition to vouchers must be made on principle and in opposition to the superficial logic of the pseudo-market. He who is morally responsible must pay. Abandon this principle, and you abandon your sovereignty as a free man. Good results stem from good principles. Vouchers are an intellectual, moral, and educational disaster. They will not work to expand the realm of freedom. 

A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City.

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I. On Choosing Liberty

Some historians have suggested that our nation is following a typical cycle of formation, growth, influence, and decline. What we are seeing in our national crises then, is probably no more or less than the result of normal wear and tear, the natural consequence of life and time. But there arises here a largely ignored yet terribly significant question of causes. Changes have been made to the Constitution with the motivation to alleviate problems. So much is clear. But have those changes created more troubles than they may have assuaged?

As the machinery of government begins to break down, we hear that it is time to make further modifications or even to replace it. That could seem reasonable were we not considering one of the most amazing political machines in history. It would be the height of folly to inconsiderately tamper with or lay aside the instrument of such extraordinary human progress. Prudence suggests, rather, that we seek counsel from the sources.

Although those men who framed our freedom are no more among us, there exists an extensive collection of their thoughts. It is the intent in this series of articles to draw upon those sources to show us a view of our political day as it would appear to the Founders.

Listen, one is speaking . . .

I HAVE often been filled with regret that I and my fellows did not somehow make our position more clear, although I confess that I have been unable to discover anything we might have done to make the true nature of our revolution plainer to you. We had no desire for revolution, and even less for an armed one. It was, simply stated, that King George offered us two very unhappy alternatives.

It was our desire, and we spared no effort to manifest it, that we

remain under the flag of England. We attempted every legal device to obtain relief from the arbitrary and abusive policies of the Crown, and at length resorted to some illegal ones too, before it became clear that we would receive no relief. We sought only to enjoy the natural rights of English subjects, but the oppression of the King and Parliament forced us finally to raise our own flag and defend our liberty.

Some of your papers are as ir-

responsible in your day as some of ours were in our time, for you have been told, and by those who should have known better, that we were a "bunch of radicals, rebels, and extremists defying our establishment." There is but the smallest shred of truth in that, for they neglect to remind you that we had enjoyed self-government with little interference from England for a century and a half (almost as long prior to my time as you are after it) before we were pressed to the wall and obliged to choose between tyranny and liberty. We wanted only to maintain that self-government, not revolt against it, to re-establish our rights, not to throw off a government just to prove some dubious principle. There was among us very little of that haughty defiance that marks your rebels. There was only a sad determination that we would have to exchange lives for liberty, and the joy of knowing that we had made the choice for which we would be proud whether we won or lost the approaching struggle.

You see, King George was the radical who set about to create havoc in our midst, but we refused to submit. Radicals and extremists indeed! Here, here! You malign us! We decided against our will (but according to our best judgment) to make a stand and regain our rights. Then we set our

hand to the task of forming a government wherein it should have been very difficult for our condition to have been repeated.

But alas, our fears for the welfare of liberty in this nation were more founded in fact than we had ever wanted to admit, for your condition now is much too similar to ours then.

We gave you a republic of states with sovereign powers in the necessary functions of government and certain defined and limited powers granted to a small but effective federal government. But now that government is drawing authority and influence to itself at an alarming rate, and threatens, if allowed to continue unchecked, to even overshadow England's former abuse of the colonies. But there is a cause to all this.

The King used his prerogative to pamper and flatter his vanity by plundering our wealth and heaping unto himself the products of our labor. Some of your public servants, particularly in the last several decades, have rediscovered that ancient craft. Do you not see that they defraud you of your riches and gratify their own conceits? They abuse the necessary power of taxation to take your wealth, then use it upon you to plan and regulate your economic, social, educational, and even your

moral and religious life. These high-minded politicians fancy themselves wiser than you. They would transform our republic into an aristocracy!

For our ruler, it was the most presumptuous vanity to think that because he was King he was judge and lawgiver, that his will had the weight of natural law. Your rulers today suffer under a similar but more subtle delusion. They have put their noses to the books (with all their high-flown and complicated ways of describing the simplest things) and studied law, science, economics, sociology, statistics, and the science of politics, yet they, with all that learning, have more than anything else learned the conceit to fancy themselves better prepared than you to govern your life.

And what is the source of all their learning? They have not properly studied the rise and fall of nations, but prefer to teach one another their favorite new theories of governments and so-called social orders. New indeed! Those theories are old as the Theodosian Code of ancient Rome! We considered them unfit and with one mind rejected them. They are all aged forms of oppression and pillage of the people by the aristocracy. Beware of them!

They have not comprehended the most fundamental of truths;

that the essence of the republic we gave you (which they persist to call a democracy, a government we carefully shunned) was, that only the people have the right to govern the people; that whatsoever is more or less than this is either oppression on the one hand or anarchy on the other. They have lost faith in the ability of the people to choose what is best for themselves. But what is more, they do not perceive that even if the people fail to choose the best, it is nonetheless far to be desired to be free and be wrong than to be a slave and be perfect.

Now stand back here with me, if you will, and view our nation as I see it. When the Constitution was first applied, a sense of order, unity, confidence, and peace came upon the land that far surpassed our most eager expectations. It was sublime beyond our ability to describe. The new nation rose powerfully and majestically; the eyes of the world were upon it. In a few decades that laughing stock of governments became the most compelling political mecca. It was the hand of Divine Providence made manifest to the great blessing of the society of mankind.

Now observe how, as the fundamental principles of the Constitution were tampered with (by amendment and by what I must

call judicial usurpation), the workings of that carefully balanced engine of state began to falter. That faltering seemed to demand yet more change. And more rapidly and frequently the changes have come, and always they have brought you more troubles and only made matters worse. Can you see how, through the years your despair has grown in ratio with your alterations and violations of the Constitution? It is quite obvious from where I stand. Though I desire it not, I am compelled to chide you for this. We were careful to warn you, yet you heeded not. But I tell you, your shortsighted cures have caused your disease!

Your learned men tell you more reforms are desperately needed now, and well they might, for in that they are correct. However, when you inquire of your politicians as to where the source of your problems lies, they answer only what they themselves are wont to believe: "times have changed; things are different now; the world is smaller; things are a lot more complicated now" (they have seen to that!), and on and on. Ridiculous! A poor sham! But you must recognize that their alternatives are few, for they know that it is either that times have changed or that their wisdom is foolishness.

Of course times have changed, but that is hardly relevant to the question. I will show you why.

First, the Constitution was not based upon any particular economic or social order (as some have claimed); we assiduously avoided that, for, you will recall, we had only recently fought a bloody and discouraging war to secure our liberties, and we earnestly desired that you, our children, should be spared such a necessity whatever your social or economic system might become. Nay, 'twas not that at all. The Constitution was built upon a painful recognition of the folly and mischievous nature of man: hence the checks and balances.

Second, we recognized that there are only two legitimate sources of the power to govern: the Creator and the people. Whenever men have acknowledged any other power, they have submitted themselves to one form or another of tyranny. It is really quite that simple.

Now you, my sons and my daughters, you stand in a middle ground having on the one hand the protections of the Constitution and the ability still to use it to re-establish government by the people, and on the other hand you have drifted at an ever-quickenning pace back toward the oppression

that we managed to throw off. You must awake and gather your strength. You have so long enjoyed the peace and prosperity of your freedom that you have gone to sleep.

Up now, and clear your heads! The die is cast for you too. Your government is nearly out of your control. You too must submit or triumph. Thank God you will not be required to pay the price we paid if you will be about the business of your government and not leave it to your over-eager learned men. If you will move carefully, intelligently, and without undue delay, you may effect the salvation of what is still far and away the most legitimate government on the planet.

Be aware however, that your danger is more than considerable. If your government should gain the upper hand in your day with all its instantaneous communications, statistical projections, psychological drugs, and computers with unfailing memories, it could put to naught the combined tyrannies of the centuries for control, not only of your property and the products of your labor, but of your very deeds and even your thoughts. You must make your drive for freedom, lest by default you allow the prevailing forces to propel you back down and return you Sons of Liberty to the dungeon from

which we so recently redeemed you by the sacrifice of our fortunes and our lives.

I will give you the counsel Moses gave our forefathers wherein he exhorted them to elect wise men of understanding whom they knew to be true. Seek out men of that nature!

There are men among you with that requisite wisdom and integrity to lead you back to the full freedom whence you have come; but of even greater significance, these men, when you find them, will lack the presumption to seek to be your protector and savior and to have the glory and honor of caring for your every need. These men will desire only to be free men, and to allow all men the opportunity to lift themselves (with the help of Divine Providence only) by their own diligence, even though that opportunity must also give them the equal chance to falter and fail. Yes, there is the substance of your choice and the essence of your challenge. And in that connection I will remind you that we gave you for the symbol of our nation, not a well-tended goose in a cage, but an eagle: free, unfettered, independent, and close to God. 

*Next: II. On Human Rights
and Government*



Capital Consumption

GOVERNMENT SPENDING seems to be an all-purpose remedy for economic and social ills, the key to important political ends. The world of scarcity with which man always has struggled is finally giving way to a fabulous world of fulfillment and plenty.

In the world of reality, every economic good must be produced by man and his capital in cooperation with nature. In order to consume more, man must produce more unless he is prepared to eat into the capital substance that is helping to produce the goods. Capital refers to the monetary net amount of all the productive assets of an enterprise, which may consist of anything from cash to receivables, inventory, tools and

equipment, or even land and buildings.

The amount of capital invested per head of the population basically determines the productivity of our labor, wage rates, and standards of living. We speak of a progressing economy when the per capita amount is increasing, which causes income to rise through an expansion of production. And we speak of a contracting economy when the amount of capital per person is shrinking, which reduces incomes and standards of living.

Every day we either accumulate capital through saving or reduce it through overconsumption. Businessmen either form capital through reinvestments of their earnings or dissipate it through losses or overconsumption. Every day total productive capital in the

Dr. Sennholz heads the Department of Economics at Grove City College and is a noted writer and lecturer on monetary and economic affairs.

U.S. either expands or contracts, which causes labor productivity to rise or fall, and incomes and living standards to move accordingly.

The growing popularity of many government programs rests on the inability of the public to understand the nature and importance of capital. The redistributive policies of the U.S. government have consumed productive capital on a massive scale. At first, these policies merely slowed down capital accumulation and improvement in the rates of production. But with the acceleration of government spending in recent years, it appears now that *the U.S. has embarked upon net consumption of capital* that was accumulated in the past. If this conclusion is correct, our redistributive policies have arrested further economic progress and now are reducing our wage rates and standards of living. Neither law nor regulation can prevent pernicious poverty if we choose to consume our capital substance.

We are today heirs and beneficiaries of the capital that was formed by our forebears. We are better off than earlier generations of Americans because we are working with capital goods that they created and accumulated for us. But if, for any reason, our generation chooses to consume more than we produce, we must

prepare for reduced living conditions and all the social and political consequences thereof. And our children must learn to face further poverty and deprivation.

The Taxing of Progress

With the growing popularity of redistribution by political force, all levels of government have embarked upon specific policies of capital consumption. Their favorite tool at first was taxation of the income and wealth of rich capitalists and entrepreneurs.

From a modest beginning in 1913, the Federal income tax rose steadily from one per cent of personal incomes above \$3,000, or \$4,000 for married couples, plus surtaxes of 6 per cent on incomes of \$500,000 or more, to a maximum personal income tax rate of 94 per cent in 1944. Corporate income taxes soared to 90 per cent of "excess profits." Simultaneously the Federal tax rates on larger estates rose to 77 per cent, on top of which the states may claim their shares. It is true that in recent years individual and corporate income tax rates have come down a little; but a variety of other taxes, from social security to state and local taxes, have taken even larger shares.

No matter what the motivation, this confiscation of the income and wealth of millionaires must have

certain economic and social consequences. Corporate income may be distributed as dividends to owners or reinvested in business activity, that is, in capital goods that continue to render productive services. Expanding enterprises tend to reinvest most of their earnings in the business. Now, confiscatory taxation surely reduces the amount of revenue that can be reinvested in productive assets. And it curtails the dividends paid to stockholders and thereby reduces the savings that are reinvested.

Progressive income taxation has the same effects. Most successful businessmen with large incomes make large investments, that is, they convert income to productive capital which renders additional services. Confiscatory taxation obviously curtails this creation of capital and thus prevents production of goods and income. Labor productivity and living standards are debilitated as the taxing authorities consume this income.

Inheritance taxation to a large extent is an outright confiscation of productive capital. The wealth of a multimillionaire mainly consists of business assets that are producing goods for millions of customers and giving employment to thousands of workers. What the wealthy person holds to consume, such as his housing and clothing,

usually constitutes a tiny fraction of his total wealth. Confiscatory estate taxation is bound to fall preponderantly on his productive assets, which means that the taxing authorities directly consume productive capital, and thus limit living standards and employment.

And finally, the taxpayers are influenced by the fear of such tax rates. Instead of making more productive investments — the profits of which are destined to be seized, or worse yet, the substance of which will some day be claimed by estate tax collectors — the individual may prefer to consume and enjoy the wealth himself. Why strive and struggle if the fruits will be reaped by tax collectors? Why preserve his capital for the benefit of politicians and their beneficiaries?

Deficit Spending

When the public demand for government services and benefits grows beyond the ability of business and wealthy taxpayers to pay, budgetary deficits become unavoidable. After all, the popularity of redistribution by political force tends to grow with every dollar of "free" service rendered. The clamor finally becomes so intense that, in order to be heard, every new call is presented as an "emergency" that must be met immediately before all others. Redistribu-

tive government then rushes from one emergency to another trying to meet the most noisy and politically potent demands. As no one wants to pay for the new expenditures, least of all the beneficiaries, the transfer administration is bound to suffer budgetary deficits.

When a corporation suffers losses for long periods of time, it inevitably comes to the end of its capital substance and ceases to operate. Any remaining assets will be distributed to its creditors. While government deficits may not throw the government into bankruptcy, they nevertheless have economic consequences. They destroy productive capital. Indeed, the deficits of the U.S. government have consumed, and continue to consume, capital substance on a scale far greater than all losing enterprises combined. In the decade of the 1950's total U.S. government deficits amounted to a mere \$17.7 billion. During the 1960's the total was \$56.9 billion. Deficits during the first half of the 1970's soared to \$71.4 billion, and, as if they were following an exponential curve, in fiscal 1976 alone are expected to exceed \$74 billion.

It is difficult to estimate the number of factories and stores that were not built, the tools and dies that were not cast, the jobs

not created, the wages not paid, the food, clothing and shelter not produced on account of this massive consumption of capital. This generation of Americans and countless others to come will be poorer by the productive capacity that could have been, but was not created.

Of course, the beneficiaries of the redistribution process may have enjoyed every moment of it. Among men lacking vision, today's enjoyment is always more pleasurable than saving for tomorrow. They may applaud the very favors and handouts that are destroying their jobs and the wages they could have earned, and costly emergency programs may be hailed as progress though they yield the opposite. The bank or insurance company that is investing the people's savings in Treasury bonds, notes, or bills may be enjoying "safety" for its investments. What is significant is the fact that it is channelling potentially productive savings into the maelstrom of government consumption. The returns it seeks from its investments will not come from new production but from taxes to be collected in the future.

In dim awareness of the importance of capital, some social spenders are quick to maintain that government spending is mere-

ly another form of investing. Therefore, they want government to "invest" in a greater society that is to be built by political force and redistribution of property. Their judgment of what is most urgent and important is to prevail over that of all others.

All such planners are would-be dictators. No matter what the objective, government expenditures always constitute economic costs that are borne by taxpayers, lenders, or inflation victims. Even when the government builds roads or canals, utility plants or airports, the expenditures invariably flunk the tests of the market. Demanded by voters, authorized by politicians, and administered by bureaucrats, public works constitute huge malinvestments that waste scarce resources and consume productive capital.

Inflation Destroys Capital

When the redistributive society has exhausted its favorite victims — wealthy taxpayers and lenders — it can be expected to resort to inflation as a desperate method of fund-raising. The inflation then taps the savings of the middle class whose material wealth mainly consists of monetary assets and claims. It destroys the capital markets that provide the necessary savings for the expansion and modernization of productive

enterprises. And above all, it causes businessmen to overestimate their earnings, overpay their taxes, and consume their fictitious profits.

When the purchasing power of money depreciates, all claims depreciate at the inflation rate. Creditors lose and debtors gain. Now the creditors — for instance, physicians, dentists, attorneys, business executives, and all others holding savings bonds, life insurance, pension funds, and the like — may, in spite of their inflation losses, endeavor to maintain the levels of consumption to which they have grown accustomed. The physician whose Keough fund has lost half or more of its purchasing power, will not sell his home or automobile or postpone his vacation because of his inflation losses. On the contrary, in reaction to his losses, he may save less and consume more because of the apparent "futility" of saving. Or, he may want to hedge against further losses by investing in durable goods, which do not enhance the capital supply.

On the other hand, the debtors who are gaining from the debt depreciation may immediately raise their consumption. The government whose real debt, let us say, is cut in half will surely increase its spending. In fact, it may be tempted to add more debt

until its old level of real debt is restored. Most individuals tend to react the same way. The house owner whose mortgage debt has diminished to insignificant monthly payments may buy new furniture or appliances. His consumption rises as his debt decreases.

Corporate Losses

Corporations, which as a class are the largest debtor, lose most of their inflation gains to tax collectors, labor unions, and their customers, all of whom are eager to boost their consumption. As prices rise taxes rise at progressive rates. When corporate income doubles on account of the inflation, the multiplicity of corporate taxes will surely more than double. Labor unions will make massive demands that are to compensate them for past losses and anticipated losses during the life of the contract.

And finally, customers may reap inflation gains as corporations tend to pass their gains from debt depreciation on to their customers. After all, when a bank loan falls in value or a corporate bond loses in purchasing power, a corporation usually does not raise the prices it charges its customers. On the contrary, facing the competition of many other enterprises reaping similar gains, the corporation may keep its own prices

lower than it otherwise would. This means that customers pay prices that do not fully cover the rising costs of capital. Only gradually, when the inflation raises interest rates and corporations face higher interest charges on new loans, do business costs rise and ultimately the prices of goods. Thus, corporate customers are reaping gains at the expense of corporate creditors, gains that may find their way into additional consumption. Only a small fraction of the capital lost by creditors may be retained as productive capital by the corporation.

Capital Markets Disappear

Inflation destroys the capital markets. Surely, there are always debtors eager to borrow money at "low" interest rates, that is, at rates that do not fully compensate the lender for the anticipated inflation losses. But the number of creditors willing to lend their funds at such rates tends to shrink with progressing inflation. Instead of suffering losses, the would-be lenders may prefer to consume their funds, or invest them in durable goods that may rise in price rather than depreciate in purchasing power.

Thus, the capital market tends to wane and economic expansion is checked for lack of capital. In fact, there may not even be enough

capital to *maintain* the apparatus of production if business should fail to earn sufficient profits to rebuild and replace the capital goods that were used in the production process.

In countries that are plagued by chronic inflation, as in Asia and South America, long-term capital markets have long ceased to exist. Consequently, new plants and enterprises requiring large investments of capital cannot be built, labor productivity cannot rise and living conditions are destined to remain at misery levels.

Inflation makes economic calculation nearly impossible, which invariably causes businessmen to overestimate their earnings and overpay their taxes. Both accounting convention and tax legislation permit businessmen to treat as costs only those costs of capital that were expended in the past. But economic action always aims at future provision of goods and services; the past is significant only as it provides the means for future action. The fact that a certain item of capital equipment cost \$1 million five years ago is irrelevant for business decisions if it costs \$2 million today. If only \$1 million were set aside for its replacement the production process cannot continue. But tax accounting only depreciates past capital costs and thus during inflation un-

derstates present costs and overstates business earnings.

Earnings Overestimated, Taxes Overpaid

The overestimation of American corporate earnings in recent years runs into tens of billions of dollars. Capital intensive industries, especially, are badly affected by this delusion, leading to massive capital consumption. To illustrate the point, let's take a chemical company with capital facilities of one billion dollars earning 20 per cent before taxes, but after taxes only 10 per cent or \$100 million per year. If the facilities need to be replaced on the average of every five years, our company will depreciate \$200 million per year. Let us now assume that in a given year inflation raises the costs of the capital equipment by 25 per cent, which is a realistic assumption today. Our company needs \$250 million for replacements this year and every year thereafter. If capital goods prices continue to rise at the 25 per cent rate, it will need \$312 million in the following year, \$391 million in the year thereafter, \$488 million in the fourth year, and \$610 million in the fifth year — altogether \$2.051 billion in five years. But in order to accumulate this amount for mere capital replacement, in order to earn the extra billion dollars in

five years, its profits after taxes would have to rise by \$200 million per year, that is, from \$100 million to \$300 million, and its gross profits before taxes would have to soar from \$200 million to \$600 million. Only a 60 per cent gross return on capital could maintain its substance; anything less would lead to capital consumption.

Few companies are enjoying such profits today. Most businessmen are happy to earn their "normal profits" regardless of the rising costs of capital goods. They continue to calculate with capital costs of the distant past and thus arrive at earnings that are greatly overstated, and at overestimated tax liabilities that further reduce the meager returns. Only when specific replacements of capital goods are made, perhaps with the help of loan capital, do present costs appear on the company ledgers and depress the calculated earnings.

Few capital-intensive enterprises today are earning returns that fully cover the higher costs of capital. This is why capital spending by American business is declining year after year. Even a Commerce Department survey admits that projected spending in 1976 won't keep pace with the rise in capital-goods costs. The spending projection suggests a decline in "real" spending of about 5 per

cent, which follows a decline of more than 10 per cent in 1975, the worst in 14 years. (Cf. *The Wall Street Journal*, Jan. 14, 1976, p. 3). The situation is even worse when we bear in mind that some of these capital expenditures are made by industries that cater to growing government consumption or are making mandated changes to meet the requirements of government regulations and controls. Such capital spending surely does not increase the stock of capital goods that are producing economic goods and services. They actually consume capital and thus lower the productivity of labor.

The businessman who, because of underdepreciation, overstates his earnings and overpays his taxes, may blithely consume his capital. After all, as goods prices rise he may allow himself to be impressed and deceived by his rising dollar profits and therefore indulge himself with higher outlays for consumption. While he is enjoying his "profits" he may actually be eating into his capital substance.

The Business Cycle

The boom and bust cycle, which is an inevitable consequence of inflation and credit expansion, is a powerful destroyer of capital. The administration that resorts to such policies must be charged with

the responsibility for this capital destruction.

When the monetary authorities create new money and credit in order to stimulate economic activity they set in motion a causal chain of ominous events. Let us say they, as lenders of last resort, are financing a \$75 billion Federal deficit. They either acquire Treasury obligations directly in exchange for newly created funds, or they extend new credits to banks who then purchase the Treasury obligations. No matter how it is done — directly or indirectly — the Treasury comes into possession of newly created purchasing power that enables it to buy more commodities and services. It thus withdraws real goods from other members of society, from consumers as well as businessmen. Everyone who is not a recipient of the newly created deficit funds must now tighten his belt as government is consuming a larger share of production.

When the monetary authorities engage in credit expansion in order to stimulate economic activity they destroy capital on a massive scale. The newly created funds, i.e. fiduciary credits, that are injected into the banking system tend to disarrange the whole production process. They lower interest rates and thereby misguide business in all its investment de-

cisions. After all, the market rate of interest is an important guidepost for business, and an important item of cost that determines the profitability of activity. Whether a time-consuming project can be embarked upon largely depends on the rate of interest.

False Signals

When our monetary authorities inject fiduciary credits, interest rates tend to fall. That is, they falsely indicate the existence of savings that in reality were never made. Misguided by such low interest rates, businessmen may be led to embark upon investments that later will be disastrous. After all, the real savings are not available for a new round of expansion and modernization; the guidepost has been misplaced. It causes business to launch an economic boom amidst confusion and delusion. Many expensive projects are undertaken that later will prove to be costly malinvestments.

The mistakes become visible as soon as the prices of the factors of production, which are business costs, soar on account of the boom while consumers' goods prices fail to keep pace with the former. Profit margins are squeezed or turned into losses — powerful reminders of the mistakes that were made. Businessmen may then be forced to abandon their expansion

projects for which there was no economic demand; many may fall into bankruptcy. Massive amounts of capital are written off — that is, are permanently lost. A society that indulges in such destructive policies must pay the price in the form of lower labor productivity, lower wage rates and a lower standard of living.

Government Regulations

It will never be possible to calculate the economic costs of government regulations. A few are visible, but most are hidden in the dimension of economic action that never took place on account of the government interference. The order that closes a factory may cost little in bureaucratic expense; even the capital losses to owners may be moderate. But the reduction in public well-being which the factory used to serve, the goods no longer produced, the wages no longer paid, the income no longer earned, the savings and investments that will never be made, these are incalculable real costs that may greatly surpass the visible losses.

Government intervention by law or decree may assume several forms: it may be directly prohibitive or restrictive as it forcibly prevents economic production. It may weaken competition through licenses and franchises, or even

create cartels and monopolies. It may impose additional costs on the production process. The U.S. Environmental Agency, for instance, may want American industry to spend some \$32 billion in order to reduce the occupational noise limit. And finally, the regulation may interfere with business management and efficient application of land, labor, and capital. All such controls and regulations tend to reduce economic productivity, depress wage rates, and lower our standard of living.

Capital is consumed when, for any reason, the capital goods expended in production are not replaced. If we consume more than we produce, we dissipate the productive wealth accumulated in the past. Or, even if our consumption should stay the same, but production falls below our consumption levels, we are eating into our substance.

In the United States we are attacking capital on both fronts: our political institutions are pressing continuously toward higher levels of consumption as most politicians are clamoring for ever greater government expenditures; and production is falling off because of costly government intervention.

The Environmental Decade

The 1970's are supposed to be the "environmental decade" — ten

years devoted to cleaning and mending our environment. The laws and regulatory actions of the 1970-1975 period alone are estimated to cost industry some \$300 billion in addition to the major costs the taxpayers will be forced to bear. All such costs are "unproductive," meaning that the expenditures consume business capital without generating new production and income. Production costs per unit of output are not lowered, but raised, which causes real incomes to decline. F. C. Olds, senior editor of *Power Engineering* magazine, estimates that present environmental protection laws are costing every American family \$2,000 a year. (*Power Engineering*, September 1975, p. 38 *et seq.*) If such costs merely were to reduce our incomes they would not destroy capital substance. But the \$300 billion which industry must spend is business capital that will never be used to produce economic goods.

According to a recent report of the U.S. Council on Environmental Quality, pollution control is a growth industry that has created roughly one million jobs during 1975. (*Chicago Tribune*, January 6, 1976, Section 2, p. 4) If this should be true, we cannot escape the conclusion that this new industry with one million workers is busily consuming the capital

substance of the productive industries rendering economic services to consumers. It cannot be surprising then that while the former is prosperous and growing, the latter industries are lingering in stagnation and recession.

This is not to imply that environmental pollution is preferable to clean air and water. On the contrary, let us favor full allocation of the total costs of property to its owners. As the undiminished benefits of an economic good should accrue to its owner, so should the costs be borne by him. But rather than rely on government regulation and an army of bureaucrats, let us rely on the safeguards of contract and the jurisdiction by courts of law. And let us seek to reduce the sphere of public property which is the principal source of environmental pollution.

Regulatory Agencies

Government regulation dissipates capital directly through imposition of capital outlays, and indirectly through restrictions of productivity that reduce income, saving, and investment. The American cartels are cogent examples of the latter. Through compulsory government licensing and rate making, government agents control the railroad industry, the motor carriers, water carriers, freight

forwarders, air carriers, power generation, and broadcasting. Furthermore, government is manipulating labor and management in order to achieve its political and economic objectives. The National Labor Relations Act of 1935 and 1947, the Fair Labor Standards Act of 1938, the Employment Act of 1946, the Occupational Safety and Health Act of 1970, the Comprehensive Employment and Training Act of 1973, all are designed to prevent the application of labor according to the efficiency dictates of the market. Extensive government control over agriculture is preventing this important industry from working efficiently for its world-wide markets. And finally, the recent government take-over of energy production and distribution places all industries in serious jeopardy.

It is the very objective of such controls to interfere with efficient economic production. After all, if we equate profitable production for the market with economic efficiency, then government interference with this production must necessarily be inefficient and costly. It is costly to consumers who pay more for fewer goods, and to producers who may suffer losses in income and capital. A small reduction in business income entails a large loss of capital. After all, it is the yield of capital

that determines its market price; a \$1 million reduction in income, for instance, may lower capital goods prices by \$10 million. A regulation that completely idles a productive enterprise completely destroys its productive capital, or at least reduces it to the salvage value of its component parts.

Labor Unions

Capital can be formed only by saving, that is, a surplus of production over consumption. An enterprise that enjoys an excess of proceeds over costs earns a surplus, commonly called profit, some of which usually is plowed back into production. Profitable enterprises tend to grow; unprofitable ones must contract.

Labor unions owe their existence to the doctrines and notions of labor exploitation. They are pressure organizations of members who are afraid to stand alone in the economic world of competition. Through strikes and threats of strikes they aim to achieve one basic objective: to improve the lot of their members through higher pay and benefits, or through lower output and less work. In every instance, labor unions endeavor to raise the costs of production.

Productive business capital is consumed in nearly every phase of union activity. A strike may severely drain the working capital

of an enterprise. After all, most business expenses continue although production is halted. Productive property may be damaged or even destroyed. And when the strike is finally settled, the costs of labor usually rise substantially. The hourly pay of union members as well as their fringe benefits, such as paid holidays, vacations, health and dental care, pension funds, and the like frequently double labor costs in just a few years. For the average General Motors hourly employee in the United States, the so-called fringes now come to \$4,500 a year. (Remarks by Thomas A. Murphy, Chairman of General Motors Corporation before The Economic Club of New York, Nov. 12, 1975). But this is not all. The work rules to which the company must submit under the new contract may prove to be even more costly as management loses its ability to manage labor efficiently. The seniority rule may prevent a more efficient younger worker from performing a task. The "bumping right" of a senior worker may even cause the younger man's dismissal. Management must helplessly watch the replacement of its best workers by senior union workers, the substitution of inefficient work rules for labor efficiency, or the application of unproductive methods and tools of production. And finally, the job

discipline tends to suffer as union members may feel protected from managerial direction and supervision.

The demands and tactics of militant labor unions invariably reduce the expansion of profitable enterprises as business profits are turned into labor expenses rather than productive capital. Marginal enterprises that are burdened by new labor costs now suffer losses that dissipate business capital. And enterprises that were suffering losses even before the union extracted its coercive costs may be forced out of business. In each case, economic output is reduced and productive capital is consumed.

Capital Consumption Tends to Accelerate

Every day, one's economic condition either improves or deteriorates. It is unlikely that anyone's condition would remain unchanged, as income and consumption are independent continuous processes that rarely balance each other. Even if your savings and cash-holdings should stay the same day after day, you probably are suffering a decline in living conditions as your consumers' goods, such as your car, refrigerator and shoes, are wearing out. The same is true with business. Every day a business enterprise either accumulates

capital through saving, or reduces it through overconsumption. In a prosperous society with high rates of productivity and income, many people are in a position to save and invest. After the most important needs are met, a part of income is left for productive improvements. On the other hand, in a poor country it is more difficult to save and invest. In India, which reports a per capita income of \$98 per year, it is more difficult to save \$50 than in the U.S. where individual incomes average some \$6,000. In fact, we can easily make more productive improvements, that is, spend more money on new factories, stores, machines and equipment, than the average Hindu is earning. This fact, together with the institutional handicaps that cause some countries to be so poor in the first place, explains why the difference in living standards between various countries continues to widen.

As economic improvements may accelerate through ever higher rates of saving and investing, so may we see an accelerating process of capital consumption and economic decline. No matter what our incomes may be, if we consume more than we produce we are eating into our productive substance. And once we consume capital while stubbornly clinging to old levels of consumption to which we have

grown accustomed, we descend at ever faster rates. The stockholder who liquidates some stock in order to supplement his dividends for living expenses faces lower income in the future. If, nevertheless, he maintains his living standard he will have to liquidate his holdings faster and faster until the last share is sold. Obviously he could halt his impoverishment at any time, or even restore his fortune, through suitable curtailment of his living expenses.

Changing the Body Politic

For a future-oriented, determined individual, it may be relatively easy to readjust his consumption to falling income. But for a society consisting of millions of voters who are bent on redistribution and consumption through the political apparatus, this readjustment may be rather difficult. If the public is indifferent or uninformed about the significance of productive capital, the political pressures for government benefits and services may grow when incomes are falling. The very forces that are debilitating productive capital through overconsumption are likely to oppose any reduction in consumption. They may move heaven and earth to maintain their spending levels which, after all, come from "social benefits and services" to which they believe

they are morally and politically entitled. Thus, the process of dissipation once begun feeds on the public pressures for simple preservation of the economic way of life to which we have grown accustomed.

If declining productivity and incomes should finally cut into those benefits and services, the beneficiaries may rise in anger about the sudden "violation of their rights." There could be social disturbance and disruption of the production process, which would reduce output and income even further, which in turn would again aggravate the social situation — a vicious circle of frustration and decline!

But even without this particular social force of acceleration, we may consume productive capital at accelerating rates. Many people react to declining real incomes from employment by producing less. They may even blame their employers, those "greedy" and "ruthless" merchants and industrialists, whom the demagogues will be quick to condemn for the decline. Absenteeism, slowdowns, work stoppages, featherbedding, and other restrictive work practices may grow worse. But lower output on account of lower labor efficiency raises labor costs and dissipates business capital. Only greater output through harder,

more efficient work can arrest the decline.

In Spite of It All

Facing such powerful restraints on his creative energy, why does man not just surrender? Why does he struggle against all such odds to preserve his material well-being instead of consuming it in the pleasures of the moment? Why, in spite of this massive capital consumption by our political institutions, do we continue to enjoy a standard of living that is the envy of the world?

It cannot be the nature of man that continues to guide us to high incomes and relative prosperity. For the vast majority of human beings throughout history have lingered in abject poverty and suffering. It cannot be a racial characteristic of the white man, for he, too, has lived with hunger and misery throughout most of his history, and millions still do today. It cannot be the natural resources at our disposal, for countries that are poverty-stricken may be rich in such natural resources. The answer must be sought in the moral antecedents to economic freedom and prosperity. Honesty, integrity, independence, self-reliance, respect for the rights of one's fellowmen and their property, the ethos of work and thrift, and genuine concern for tomorrow continue to live

in the hearts and minds of millions of people. The moral values that gave birth to our political and economic order with its democratic institutions and the private property system in production are still alive and continue to guide many Americans. Attacked and wounded, shackled and mutilated, their individual enterprise system continues to deliver more goods, affords higher incomes and better living conditions than any other system now or ever before. And although many Americans no longer embrace its moral antecedents, they are naturally cautious in eradicating all remnants of such a system. While enjoying its rich fruits, they may question its various pillars, but are reluctant to bring them down all at once.

Thrift and Industry Bring Forth Economic Progress

To avoid gradual impoverishment, we must reverse this ominous trend toward the consumption of our substance. If we seek to improve our working and living conditions and to give a better economic life to our children and future generations, we must save and build now. We must curtail our appetites for present enjoyment and allocate a share of our earthly goods to production for the future.

No matter what a man's motives

for saving may be, he not only serves himself but also benefits society. Even the miser who saves more than other people deem appropriate, clinging to his savings in growing cashholdings, renders a valuable social service. His act of saving allows a supply of goods that were produced to be available for further production activities. But most people who save part of their incomes either deposit their savings in banks and other thrift institutions, or directly purchase more factors of production. In each case, saving may directly be turned into capital accumulation. The farmer who builds a fence or barn or buys a tractor is creating capital that renders his labor more productive. The merchant who improves his store or enlarges his inventory is forming business capital. The oil company that builds a refinery or service station is creating capital goods that render human labor more productive. And the refinery worker who deposits his savings in his bank or credit union helps to create productive capital as some of their reserves are invested productively, yielding incomes on the investments.

A society that looks upon thrift and frugality as social virtues, that believes with Benjamin Franklin "if you know how to spend less than you get, you have the philosopher's stone," such a

society cannot escape the rich rewards that come from capital formation. On the other hand, a society whose habits are not thrifty will soon be poverty-stricken.

Our economic well-being depends on our ability to master the world of production which depends on our power of work. Man must work, which is as certain as life and death. In order to earn more, he must produce more. And he can always work more in order to produce more, which gives him the means to create the capital for ever higher productivity in the future. Work is not a curse; it is the only means to sustain and improve human life. Work, hard work, and long hours of work are the parents of prosperity.

The Blessings of Work

A society that looks upon labor as a blessing that brings happiness and ennobles all those who labor, reaps rich rewards in economic prosperity and progress. After all, the greatest economic asset of any people is the determination and courage to work. On the other hand, a society that frowns upon work as a curse or man's device of exploitation is destined to be poor and wretched. As the man who lives in constant fear of exploitation and does not work for the love of work, but only for money, is likely to be poor and de-

jected, so is a society of such individuals likely to be plagued by poverty and torn by strife.

Man's thrift and industry yield rich fruits, even though his body politic indulges in profuseness and encourages idleness. In fact, when the political institutions embark upon the consumption of economic substance, it becomes all the more important for the individual to preserve his productive capital through greater thrift and industry. And when the amount of capital invested per head of the population begins to decline, with ever lower real wages and standards of living, the individual may endeavor to offset the social decline through rising personal productivity. Indeed, he may successfully swim against the stream as long as the current of decline does not surpass his own forward movement.

When individual thrift and industry decline, man's political institutions invariably reflect his changing aspirations. The government of profuse and idle men indulges in capital consumption and sanctions idleness. To reverse our ominous trend toward poverty and conflict, our political institutions must learn again to live within their present circumstances. For no society can be rich whose expenditures exceed its means.

All present policies that con-

sume productive substance must be abandoned. Confiscatory taxes that prevent the formation of productive capital must be repealed. The deficit spending that consumes the peoples' savings must be halted immediately. The inflation that is destroying the life's savings of millions of thrifty Americans must be abhorred as a crime against economic well-being and social peace. The business cycle must be prevented through resort to sound

and honest money. The countless government regulations that are impeding economic productivity and consuming business capital must be repealed and bureaucratic labor returned to productive employment. And finally, the legal immunities and privileges of labor unions must be abolished and labor disputes returned to the courts of law. In short, government must remove its numerous shackles on the creative energy of man. ☉

How to Attract Capital

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

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

IDEAS ON



LIBERTY

Socialism as a Family Enterprise



YALE JAY LUBKIN

DEFENDERS OF SOCIALISM often win debating points on "From each according to his ability; to each according to his need" by claiming that the family works this way and that the nation is merely an extension of the family. Defenders of Liberty often reply with the observation that the family is based on love, and the nation is not, and the two are not comparable. Certainly, to cite an extreme example, I would sacrifice much for my children, but nothing at all for an Angela Davis. For that matter, I would not willingly sacrifice very much for anyone, including the President, the Pope and the Editor.

The family analogy is, however,

much better than the critics of Socialism believe. In my family, after all, I am the one who determines what everyone's need is, and I am the one who determines what efforts are required of each of my seven children. I am a despot, in a very real sense. A benevolent despot, to be sure, guided mainly by love, but a despot nonetheless. If David wants a sports car, I am the one who decides that he does not "need" it. If Judith wants to stay up an extra hour to watch television, I am the one who decides that she does not "need" that. I decide that Sara has the ability to make her bed and help with the dishes, and that David has the ability to take care of irrigating the orange grove, and woe betide them if they do not perform ac-

Dr. Lubkin is a consulting engineer in Israel.

cording to my estimate of their ability.

As might be expected, there occasionally is rebellion in the ranks, which gets more and more serious with age. Adam, at six, may complain a little, and do his chores with much reluctance on occasion, unless I pay him with money that he can spend as he pleases, but rebellion is a way of life for David at seventeen. While I may not feel that David is sufficiently mature and capable to cope with the world, David feels that he is, and my choice in the matter is either to let him or to lock him up.

I can hardly fault David for his feelings, for they are exactly the same as mine. I resent being told by a Government flunky what I must plant and to whom I may sell it and for what price. I resent being forced to obtain the approval of numberless faceless functionaries to do what I want to do, and to be prevented from doing it by whim or stupidity or spite. I resent being liable to punishment for violation of any of thousands of regulations, most of which I have never even heard of and most of which I consider silly, oppressive, arbitrary or offensive. I resent having to pay taxes under threat of violence to support efforts which I disapprove and I resent having to reveal and explain to

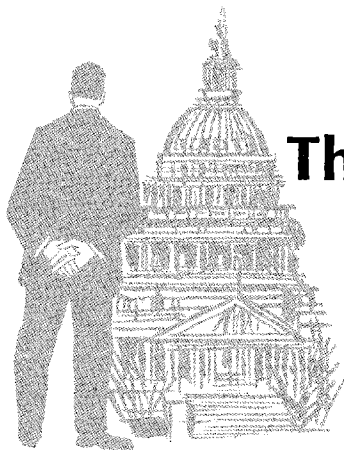
some clerk, with whom I normally would not even associate, the details of my affairs so that he may judge whether adequate funds have been extorted from me.

The comparison between Socialism and the family is better than the Socialist wants. The benevolent despot can only function with subservience, with children too small and too immature to know better. When the children become adults, they will no longer submit, and insist on running their own lives as they see fit.

What the Socialist really wants is not a family, but an Animal Farm. On a farm, the farmer determines exactly what each animal needs, and that is what the animal gets. He may love his horse, but the horse does not get to eat all the oats he wants. He may love his dogs, but they do not get sirloin.

The farmer also determines exactly what each animal's ability is — and enforces his decision. If the farmer decides that a hen should lay 300 eggs a year, either she lays 300 eggs, or she goes to the stewpot. No appeal. When the steer is fat enough, off to the butcher, and when the horse can no longer pull his weight, off to the knacker.

In the Socialist's dream of a Socialist paradise, guess who will be the farmer. 



The Business of Government

CLARENCE B. CARSON

IN JANUARY of the year of our Lord 1976, of the United States 200, and of the Constitution 187, President Gerald R. Ford proposed to Congress a budget for the fiscal year 1977. He proposed to spend \$394 billion, to raise \$351 billion in revenue, and to have a deficit for this coming year of \$43 billion. Of the total to be spent, \$177 billion is earmarked for what are called welfare programs. This amounts to just about 45% of the total budget. As of January 21, 1976, the national debt stood at \$578 billion, and it had grown in a little over six months by the amount of \$45 billion. The interest

on the debt for fiscal year 1975 was \$32.7 billion, and the estimated interest for 1976 is \$37.7 billion.

The budget is composed of estimates as to what a vast assortment of government programs will cost in 1977. The programs range from school lunches for children to hospital care for veterans, from aid for fatherless children to subsidies for the United States Post Office, from pay for soldiers in the Army to salaries for bureaucrats in the Occupational Safety and Health Administration, and from support for research in entomology to payments for dentures for retired people.

There are several questions that should be asked of every item in this immense budget. If asked and

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty* (1973), covers the founding of the American Republic from 1760 to 1800.

answered with care, it is possible that the budget could be reduced to manageable dimensions. Here are some of them:

- 1. Is the program for which the appropriation is being requested constitutional?
- 2. What level of government should pay for and administer any given program? Is the program local in character? Is it peculiar to the needs and interests of a particular locale or region? Are there variations throughout the country which would make a national program disruptive?
- 3. Can the program be expected to achieve its object? Has experience shown that programs of this kind work as they are supposed to?
- 4. Who is the program expected to help?
- 5. Can the United States government [taxpayers] afford the program?
- 6. Is there some point at which the level of taxation establishes serfdom?
- 7. In what direction does this or any similar program take us? Is it socialism? Is it premised on "From each according to his ability; to each according to his need"? The answer to this question needs to be made in terms of the whole body of programs that are

welfarist and interventionist in nature. A piecemeal examination of the programs will not provide the answer. The whole body of legislation needs to be seen in its tendency and direction.

These are questions that ought to be asked and answered for every item in the budget. The whole body of constitutional, legal, political, and economic thought ought to be brought to bear in answering them. They are mostly technical questions and, if they are answered, will probably be answered by experts. But there is a question, or order of questions, which precedes all of the above. It is a question not to be propounded to experts only but to all Americans in their capacity as citizens. It is a question not addressed primarily to either theory or experience; yet one which everyone is supposed to be able to answer. The question is this: *Is it right to authorize and spend money on this program?*

Some subordinate questions will throw this central question into relief. Of welfarist measures, we may ask: Is it right to take money from some portion of the population and give it to others? Of regulatory measures, we may ask: Is it right to force people to do these things against their wills? Of deficit financing, we may ask: Is it

right to go into debt to provide those goods for the presumed beneficiary? Of inflation, we may ask: Is it right to reduce the value of the money now in circulation by increasing the supply? Of the national debt, we may ask: Is it right to continue to expand and expand the debt with no provision for retiring it?

As strange as it may appear to some of us, there are many people who have, in effect, answered these questions in the affirmative. They have not, of course, usually phrased the issues this way. They have, instead, talked and presumably thought in terms of the good they were supposed to be accomplishing with the spending. The moral questions they propounded would be phrased in some such fashion as this. Is it right that anyone in a wealthy country such as ours should have his needs unmet? Is it right, they have asked, that this industry or that endeavor go unregulated in what they charge and the quality they offer? As for the debt, they have said, that is no great problem since we owe it to ourselves, and the more sophisticated bluntly recommend increasing the money supply to "spur the economy."

But let us stay with the questions at the highest level, the level of what is right. To answer them, we need to remind ourselves what

government is, and from that deduce what it may properly and rightly do. We need to keep in mind how government achieves whatever results it does. None of this tells us what is right, but we can apply our knowledge of right only with a clear view of the nature of government.

Instrument of Force

Government is that instrument which maintains itself by and is *authorized to use force*. It is not only authorized to use force but it also acts exclusively by the use of force. If there is no force entailed, an act ceases to be governmental, even though someone in government performs it. In short, the *sine qua non* of government is its reliance upon and authority to use force.

What functions are appropriate to government, then? To what ends may force be properly exercised? The Founders of these United States made a general summation of these in the Preamble to the Constitution: to "establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity. . . ." It should be granted that there are many who can give assent to these general aims without seeing in them any limitations

on government. This occurs, I suspect, because they do not generally think of them as intertwined but rather as separate and distinct functions. At any rate, let us examine a little closer into the proper functions of government as they are suggested by these statements.

The basic task of government is to keep the peace. Most of its functions are closely related to this job. Keeping the peace involves, most fundamentally, protecting peaceful men from attacks upon them by aggressors and trespassers. These offenders may be individuals or groups, domestic or foreign. In any case, a government is providing for the common defense and insuring domestic tranquility when it holds these at bay. Keeping the peace also involves dealing with those who have committed offenses, and settling disputes that arise between individuals and groups. In this fashion, then, government can properly act to establish justice. It can be seen, too, that these are objects to which force is appropriate. Force can be used against aggressors and to compel obedience to the verdict of the court.

The statement that government should promote the general welfare appears to us to raise questions rather than to answer them. This is so because we have been

taught to misconstrue the phrase. We have been taught to believe that government may act to advance the well-being of some portion of the population, perhaps at the expense of another, and that this is somehow for the general welfare. But that cannot be: The general welfare is the *general* welfare, not the welfare of some part. The general welfare is the welfare of all, a welfare which no man or group of men can have more interest in, nor less, than all others. To maintain peace in a society promotes the general welfare — in the same fashion so does, to establish justice, to insure domestic tranquility, and to provide for the common defense. But, it may be objected, there are those who would disturb the peace. Just so, that is why we have government in the first place. But is the maintenance of peace in their interest? Of course it is.

In the Public Interest

There is another order of services that a government may provide that can be said to be for the general welfare. They are those services of general use and benefit whose costs cannot be readily or equitably divided among users. They consist of such things as fire protection, the providing of safety markers in waterways, the providing of information about the

weather, and such like. It is proper, also, that government and its instruments of force and for administering justice be supported with tax money. The keeping of the peace being for the general welfare, it must follow that all those with means should contribute to it, whether they will or not.

Government is the right instrument, also, to secure the blessings of liberty to a people. It may see to it that peaceful men are not detained and that all such are permitted to exercise their faculties without restraint, so long as they do not injure others and that they exercise them on their own facilities or on those of others who have hired or invited them or in public places and at times appointed to the particular uses. Force, defensive force, can be employed so as to prevent the strong from oppressing the weak or anyone from interfering with the liberty of another.

In the performance of the above functions, government is essential to social existence. It is, as the traditional phrase has it, ordained of God. For government to do those things for which it is ordained and established there should be no question of the rightness of it. The question of right arises over welfare, interventionist, and fiscal policy. The answer lies in the critical area of justice and the con-

temporary confusion of justice and mercy. The Founders declared that one of the purposes of government was to establish justice. If that be accepted, the content of justice needs to be carefully examined.

Qualities of Justice

The most obvious thing we know about justice is that it is blind. Representations of justice show it blindfolded, and it is a matter of long-standing prescription that it should be. Justice — that ideal of it that has guided men in Western Civilization — cannot see. It cannot see whether those who come before it are black or white, rich or poor, farmers or industrial workers, old or young, men whose hearts have generally been pure or are as black as the Ace of Spades. Justice is concerned with but one thing: *To give each man his due*. To put it in economic terms, justice is concerned with seeing that each man gets what is his. To this end, justice must attend to the character (or nature) of acts and transactions, ignoring all else.

What is a man's due, or what is his? A man is due what has been promised him, and that is his which he has made for himself or has acquired from others by purchase or gift. In determining any question of ownership, justice has been done when it has been de-

cided who made the object in question and whose it is, otherwise, by transfer from the original owner, and restitution has been made. Justice, of course, has to do also with seeing to it that those who have committed offenses — crimes — against the public order are penalized. Justice here attempts to mete out punishment in accord with the gravity of the offense.

Justice holds, roughly speaking, that he who does not work shall do without. He who does not earn his keep shall be deprived. Justice will not allow the excuse that a man was hungry, that his family was hungry, that he had been ill, or that for any other reason he may appropriate the property of another. True, men will say that before they will let their families go hungry they will steal. That is no matter, so long as they know it is stealing, and so long as it is clear that if they are caught taking what is another's they may be justly punished. In the same manner, justice requires that he who injures another in any fashion shall be made to pay. A people who attempt to establish justice have undertaken a formidable task.

Justice is blind; Mercy can see the helplessness of children, the plight of the aged, the ravages of disease, the suffering from deprivation, the discrimination because

of color, the hard work that has not been rewarded with produce, the hard luck with which some are afflicted, the lame, the halt, and the blind. Mercy can distinguish between the deserving and undeserving of pity and of charity. The standard of Justice is desert; the standard of Mercy is need.

***Shall Government Dispense Mercy —
or Establish Justice?***

There is no doubt that many of us stand in need of mercy from time to time and place to place. But there is a question whether government is the proper body to dispense mercy. If it is the business of government to establish justice, it cannot also be its task to be merciful. The two are incompatible. The question of whether justice or mercy shall be extended is an either-or proposition in particular instances. If government does justice, it must deny mercy; if it is merciful, it will tend to work injustice. This is so for government because force may be properly used to do justice, but mercy must be freely — not forcibly — offered else there will be injustice. Specifically, it is proper to use force to see that a man gets what is his. But mercy involves conveying upon a man that which is not his by right, that which he has not earned, that which is not his due, but which

someone out of pity or charity wills that he shall have. For government to extend mercy in this manner means that it must take from someone who has and give to someone who had it not. In short, when government extends mercy it usually produces injustice.

Men of good will may agree that those who cannot help themselves are the proper objects of concern of those who can. It is the part of charity to render aid to such in their need. However, it does not follow that government is the proper instrument to provide such aid. Government aid is derived from taxes, and these are taken involuntarily from the taxpayers. Mercy is properly the prerogative of moral individuals, many of whom have ever shown themselves willing to help those in need when they have been left free to do so.

The questions posed at the outset of this discussion reduce themselves to one question: Do men have a *right* to what they possess as *property*? Let us pose them again with this question in mind. Is it right to take money from some portion of the population and give it to others? If men have a right to what they have produced, it is not, for if it can be taken from them to give to others they had no right to it in the first place. Is it right to force people to do these things (by regulation to use

their efforts and property in ways they do not choose) against their wills? If what a producer or exchanger has is his by right, then it is his to do with as he sees fit, so long as he does no demonstrable injury to others. Is it right to reduce the value of the money now in circulation by increasing the supply? If there is a right to money, there is a concomitant right to it without having its value arbitrarily reduced. If not, there is no right to money, for its whole value may be reduced to naught by government action. Is it right to continue to expand and expand the debt with no provision for retiring it? This is a complicated question, for the main means of raising the money is by way of increasing the money supply. There are two prongs to the answer. One is that it is not right for government to take away from property by increasing the money supply. The other is that the future holdings of property are reduced in value by the amount of them that must be taken away to pay the interest and the debt.

James Madison answered the questions this way in 1792:

Government is instituted to protect property of every sort. . . . This being the end of government, that alone is a *just* government which *impartially* secures to every man, whatever is his own.

Even though property is the key, it is necessary to discuss these matters in the context of the proper role or business of government. This is so because government — any government — costs money to operate. These costs become, of necessity, a charge against property. If government is “instituted to protect property,” as James Madison said, it must necessarily follow that its costs must be kept down to a nominal level in order to perform its function. However, when government begins taking property for anything other than its protective function it becomes an *invader* of property rather than a *protector* of it. Rather than a protector of right it becomes itself a wrongdoer.

The extent of government activity today is new, but the tendency of government to become wrongdoer is old. These questions of right were also answered, and answered vigorously at the time of its formation and the early years of the Republic. Americans experienced the wrongdoing of government depreciating the paper money by printing more and more of it during the War for Independence. Josiah Quincy wrote to George Washington:

I am firmly of the opinion, and think it entirely defensible that there never was a paper pound, a paper

dollar, or a paper promise of any kind, that ever yet obtained a general currency, but by force or fraud, generally by both. That the army has been grossly cheated; that creditors have been infamously defrauded; that the widows and fatherless have been oppressively wronged and beggared; that the gray hairs of the aged and innocent, for want of their just dues have gone down with sorrow to their graves, in consequence of our disgraceful depreciated paper currency. . . .¹

On the matter of public credit and indebtedness, George Washington had this to say in his Farewell Address:

As a very important source of strength and security, cherish public credit. One method of preserving it is to use it as sparingly as possible, avoiding occasions of expense . . . ; avoiding likewise the accumulation of debt, not only by shunning occasions of expense, but by vigorous exertions in the time of peace to discharge the debts which unavoidable wars have occasioned, not ungenerously throwing upon posterity the burthen which we ourselves ought to bear. . . .²

Thomas Jefferson, in his own inimitable way, put the business

¹ Arthur S. Bolles, *The Financial History of the United States*, I (New York: D. Appleton, 1896, 4th ed.), p. 208.

² Henry S. Commager, ed., *Documents of American History*, I (New York: Appleton-Century-Crofts, 1963), 173.

of government clearly and succinctly in his First Inaugural Address:

. . . Still one thing more, fellow citizens — a wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government. . . .³

Martin Van Buren stated similar principles, though in some greater detail:

All communities are apt to look to government for too much. Even in our own country, where its powers and duties are so strictly limited, we are prone to do so. . . . But this ought not to be. The framers of our excellent Constitution and the people who approved it with calm and sagacious deliberation acted at the time on a sounder principle. They wisely judged that the less government interferes with private pursuits the better for the general prosperity. It is not its legitimate object to make men rich or to repair by direct grants of money or legislation in favor of particular pursuits, losses not incurred in the public service. This would be substantially to use the property of some for the benefit of others. But its real duty — that duty the performance of

which makes a good government the most precious of human blessings — is to enact and enforce a system of general laws commensurate with, but not exceeding, the objects of its establishment, and to leave every citizen and every interest to reap under its benign protection the rewards of virtue, industry, and prudence.⁴

As things have been going in these United States, it is not difficult to make some predictions about the budget for 1977. It is most unlikely that spending will be kept within the extensive bounds of \$394.2 billion. There are all those programs already authorized which cost more and more each year. Then, Congress is apt to tack on yet more programs which will add to the expense of government. Already, predictions have been made that the deficit will not be kept to \$43.1 billion but may well continue to balloon at the current rate.

There are many indications that the spenders still have the momentum behind them. Even if they did not at this moment, authorizations made in times past carry their own momentum. And, regardless of the feeling in the Congress, the vast Federal bureaucracy stands ready with its public-ity apparatus to continue present

³ *Ibid.*, p. 188.

⁴ Henry S. Commager, ed., *Living Ideas in America* (New York: Harper and Bros., 1951), pp. 323-24.

programs and present justifications for new spending. It will not do to try to stop at the present level; it is necessary to begin to remove programs already established in order to stem the tide of rising expenditures.

There is, I suspect, only one level of looking at the matter at which there is any hope of reversal and a return to a modicum of fiscal sanity. It is at the level of what is right. So long as there is general acceptance of taxing, inflating, borrowing, and spending what the government does not have upon welfare, subsidies, and regulation, these things will continue. So long as people generally believe that it is right to take

from some and give to others, that government should regulate and control business, that deficit financing is right and proper, that it is all right to reduce the value of the money in circulation by increasing the amount of it, and the debt does not have to be repaid, just as long these things will continue.

When and if it is understood that it is wrong for government to act in this way, then, and only then, is it likely that we will reverse our direction. Then, too, arguments about the constitutionality of programs, results of past programs, and so forth, will become powerful adjuncts in support of right. 

Providential Agency

No PEOPLE can be bound to acknowledge and adore the Invisible Hand which conducts the affairs of men more than those of the United States. Every step by which they have advanced to the character of an independent nation seems to have been distinguished by some token of providential agency; and in the important revolution just accomplished in the system of their united government the tranquil deliberations and voluntary consent of so many distinct communities from which the event has resulted can not be compared with the means by which most governments have been established without some return of pious gratitude, along with an humble anticipation of the future blessings which the past seems to presage.

IDEAS ON



LIBERTY



THE BIGGEST CON:

How the Government Is Fleecing You

THE GREAT VIRTUE of Irwin A. Schiff's *The Biggest Con: How the Government Is Fleecing You* (Arlington House, \$9.95), is, as I have already suggested in a foreword to the book, the author's ability to put it all together to show how the "critical mass" of five trillion — yes, five trillion — in government debt must end either in repudiation or a ruinous inflation. This is tough medicine, and no politician is going to swallow it immediately, particularly in an election year. But Mr. Schiff is inexorable — he simply adds things together to show how a lot of well-farist measures which looked good

individually have combined to destroy the possibility of paying off the whole in honorable and non-inflated coin.

To begin, we don't have money any more; we have what Mr. Schiff calls unmoney. Neither the Treasury nor the Federal Reserve system recognizes a duty to redeem any note or government bond in anything more than successive issues of new I.O.U.'s. What the government chooses to call its national debt is bad enough; when Mr. Schiff was writing it came to some \$540 billion (the June 30, 1975, figure). But this is just the tip of the iceberg. When you add

in the Social Security payments that the government is obligated to make good out of future income (it has already squandered the payments of the past forty years by its refusal to fund the debt in anything more than I.O.U.'s), some \$2.1 trillion more must be raised, according to a government admission made in a footnote. (Does anyone really believe that we can tax at that rate even in annual increments without breaking the middle class as inflation adds more trillions to the \$2.1 trillion as of 1975?)

Aside from Social Security, the government has other obligations reckoned in the trillions. There are annuities, student loan guarantees (an incredible \$1.9 billion), crop guarantees, veterans' benefits, and so on. The big figures and the little figures combine in a total debt (funded, unfunded and contingent) of \$4.3 trillion. It will be \$5 trillion, including the "regular" debt, as admitted by Congress and Jerry Ford, before the year has ended.

The Uneconomists

There is a lot more to Mr. Schiff's book than a recital of our overwhelming debt problems. Having coined the term unmoney, Mr. Schiff goes on to speak of our uneconomists. (The Keynesians, of course.) We do have a few legiti-

mate economists — Mr. Schiff is high in his praise for Henry Hazlitt, Hayek, the late Ludwig von Mises, and he voices a limited approval of Milton Friedman and the Chicago School. The discussion of the uneconomists is hilarious. There is a Schiff Index of Inflationary Generators, SIIG-1, SIIG-2 and so on to SIIG-17. Mr. Schiff got tired of the uneconomists' penchant for redundancy, for there is actually no difference between SIIG-1 ("ease credit") and SIIG-4 ("expand credit") or even SIIG-6 ("ease monetary controls"). He recommends SIIGomastics as a game for the whole family (just tune in on Heller and Galbraith, or read the latest financial story in the news weeklies).

Especially brilliant is Mr. Schiff's demolition of GNP, or the Gross National Product, which can with equal logic be called Gross National Cost. Mr. Schiff finds it ridiculous that all dollar payment figures to individuals and corporations should be accepted without question as "wealth." Suppose, he says, a tidal wave were to demolish the Florida coast from Miami to Boca Raton. Let's say the cost of the destruction comes to \$2 billion. It should be subtracted from the GNP, but it isn't. On the other hand, the cost of cleaning up the debris — say it's \$300 million — would be added into GNP. Does it

make sense that disasters such as tidal waves can be figured as wealth-creating when people step in to sort out useless junk, at the taxpayers' expense?

The stupidities of GNP are endless. A healthy person adds nothing to GNP, but sick people do. The sicker the population is, the greater will be the percentage of GNP spent on medical treatment. The GNP of wheat at \$2 a bushel can be less than the GNP at \$3 a bushel. The more wheat we have, the poorer in GNP terms we are likely to be. Since food is real wealth, this makes no sense. Abundance has the tendency, says Mr. Schiff, to develop lower GNP figures than scarcity.

The unions and the politicians, with their insistence on a minimum wage law, have created a ghetto problem and a teen-age problem. Blacks without skills can't get jobs, for if employers were to pay them the official hourly minimum marginal companies would soon go broke. The minimum wage makes it impossible for the U.S. to have a good apprentice system. We will pay dearly for this one fine day when we wake up to the fact that we have no young tool and die workers.

Citizens Under Compulsion

I would like, since I can't phrase it better, to quote the penultimate

paragraph of my introduction to Mr. Schiff's "blockbuster" of a book. "In a grand peroration," I wrote, "Mr. Schiff accuses our Federal government of compelling citizens to participate in a chain letter (social security); of illegally shifting wealth through inflation; of hiding the true extent of the National Debt; of saddling a lower standard of living on people by the destructive burdens it imposes; and of using the Federal Reserve to force what amounts to counterfeit money on the banks. The citizen is required to swear to things on his tax return that no two people can interpret the same way. We are, so Mr. Schiff suggests, contributing to our own destruction by paying taxes to a government that engages in so many unlawful and criminal activities that it makes the Mafia look lily-white by comparison. This poses a nice question for the taxpayer: if you cooperate with a thief, doesn't that make yourself the perpetrator of an unlawful act?"

Strangely enough, Mr. Schiff remains an optimist. Does he really believe we will change our Social Security law to put it on a welfare test basis when Ronald Reagan can't even talk about providing for alternative voluntary old-age insurance? As Milt Gross used to say, "Dun't esk."

- **AMERICA'S EMERGING FASCIST ECONOMY** by Charlotte Twilight. (New Rochelle, N. Y.: Arlington House, 1975), 314 pages, \$12.95.

Reviewed by Hans Sennholz

TOTALITARIAN REGIMES, whether they are fascist or communist, entail an extreme centralization of power from which no individual can hide. Private property in production, which is the characteristic of a capitalist order, is replaced by public property that is managed by an omnipotent, omnipresent state. Communism and fascism are sister systems that spring from identical intellectual and moral roots, and apply similar methods and policies to achieve their objectives.

And yet, in spite of their closely related basic natures, the champions of both endeavor to emphasize the differences. "We are diametrically opposed to fascism," say the communists, and "We are the bulwark against communism," proclaim the fascists. In reality, as twins, they are jealous rivals who at every opportunity confront each other. Their wars are fratricidal wars waged without mercy or compassion.

Although in philosophy, morality, and in objectives they are identical twins, they differ in two characteristics that make them

distinguishable. Communism seeks to poison the hearts and minds of all peoples and races. It aims to conquer the world with its poisonous potion. Fascism is a national disease that tends to infect national states. Italian Fascism was singularly Italian, German Nazism was basically German, as American Fascism is contagious to Americans only. This limitation in the base of fascism tends to make communism the more dangerous disease to which all of mankind may succumb.

The two also differ in the legal form in which they exert central control over the means of production. The communists assume outright ownership through law or constitution. The fascists content themselves with government controls over productive property. They do not legally expropriate the individual owners, believing that government controls are more efficient than direct bureaucratic management. Capitalism, the antithesis of both, is the private property order in which individual owners have the sole power to use their economic goods.

Charlotte Twilight's *America's Emerging Fascist Economy* is a brilliant analysis of the economic policies that are turning the U.S. into a fascist state. As an attorney and a member of the Washington State Bar Association, Mrs.

Twight presents a formidable indictment against numerous U.S. statutes and judicial decisions that are building a fascist foundation for the modern American system. Her analysis of government control over money and banking, for instance, is incisive and convincing as she reveals the objectives of such control as well as its many ominous consequences. The same can be said about her discussion of the American cartels, government control over product quality, the growth of the President's economic power, government domination over labor, agriculture, foreign trade, and the government takeover of the energy industry and many American railroads.

And yet, her admirable work is seriously flawed by her economic limitations that involve her in bad ambiguities and awkward conclusions. Her inability to distinguish between the economic and juristic concepts of property leads her to associate fascism and capitalism. She actually concludes that collectivism "may adopt socialism, communism, or capitalism as its nominal economic form." (p. 15) According to Twight, "Fascism is unique among collectivist systems in selecting capitalism as its nominal economic mate, but capitalism is turned inside out in this unlikely union." (p. 16) Or, "fascism espouses capitalism except where

its totalitarian political hierarchy dictates otherwise." (p. 17) And although she concludes that fascism embraces "a bogus capitalism" she defines, in a large-print section heading, fascism's philosophic core as *capitalistic collectivism*.

Her eyes are glued on the legal concept of property and the legal title to property, which is totally irrelevant for the economic point of view. It matters only who has the power to use an economic good — the government or the individual. Fascism, like communism, gives government total control over the means of production. The fact that some people may hold on to a legal document, a deed, while they are hurrying to obey government owners, may be interesting psychologically, but does not change the economic consequences of government control.

Charlotte Twight's "capitalistic collectivism" can be likened to such illogical concepts as "religious atheism," "evil morality," or "paternal motherhood." But while she succumbs to such ambiguities she does great harm to capitalism, her very own system. Today capitalism is accused of nearly every vice of which the human heart is capable — to exploit and gouge, rob and steal, impoverish and starve, deceive and prostitute, and on and on. And now comes Mrs. Twight

telling us that capitalism can be mated to fascism. As attorney for the defense of capitalism, she is losing her case.

- **ONE NATION UNDER GOD** by Rus Walton (Third Century Publishers, Washington, D.C., 1975) 311 pp., \$3.95

Reviewed by Robert Wren

IN A COMPILATION of facts, figures, quotes and succinct statements, journalist Rus Walton has presented us with an excellent account of the religious dimension of the American Republic. He discusses such subjects as limitation of government, freedom, taxes, the family, education, abortion, the "Equal Rights" Amendment, economics, charity and inflation.

Mr. Walton argues that the United States was founded as a Republic, not a Democracy. He points out that if we would retain the freedom responsible for our great prosperity, we must return to the limited government philosophy of our Founders. And he adds, "Freedom is not simply a matter of rights, it is also a matter of responsibilities."

Mr. Walton correctly defines inflation as an increase in the supply of money and sets forth the

correctives: limit government, cut spending, balance the budget.

Opposing the common humanistic thinking of today, Mr. Walton convincingly redirects us to Biblical and God-oriented solutions for today's problems. He confronts us with a choice: "One nation under God or one superstate under Caesar." An excellent source of ammunition against Socialism, Communism, atheism and the Welfare State!

- **THE NEW AMERICAN IDEOLOGY** by George C. Lodge (New York City: Alfred A. Knopf, 1975) 350 pp., \$12.50.

Reviewed by Melvin D. Barger

MANY LIBERTARIANS insist that America's "mixed economy" is an unstable hodgepodge, a sort of halfway house on the road to the Total State and the extinction of personal liberty. A number of politicians and corporate executives disagree, believing that the mixture of government intervention and private business brings the best of both worlds and provides immunity from further socialism. Unfortunately for proponents of the latter viewpoint, the mixed economy has tilted increasingly toward more government intervention, inviting the question: "Where

will it all end and what's in store for us?"

In this disturbing new book, Harvard Business School professor George C. Lodge obligingly supplies an answer, but libertarians won't like it. He outlines an "ideology" for the brave new world that America is in the process of becoming. Although he carefully avoids categorizing the new system, it obviously has a thick cluster of socialist roots and borrows freely from collectivist thinkers, including sociologist Karl Mannheim. The form of the title and the tone of the book also recall Galbraith's *The New Industrial State*, although the author parts company with Galbraith's socialism on certain points.

Lodge, a member of the distinguished Boston family, argues that we are in a painful transition phase in our social, political, and economic relationships. We are abandoning the traditional American ideology associated with John Locke, and developing a new one that has already taken root: individualism is giving way to a system called communitarianism; property rights are yielding to rights of community membership; competition to satisfy consumer desires is losing ground to "planning for community needs"; the idea of the limited state is being replaced by the state as the plan-

ner; and scientific specialization must be succeeded by a holistic organization of knowledge.

Lodge apparently believes that the Lockean notion of individualism was a wrong path even for eighteenth century America, let alone the present modern state. He calls it an aberration on at least two occasions and also a "blip." He is clearly more sympathetic toward Rousseau's communitarian idea of the General Will, which would be accomplished by "bringing all particular wills into conformity with it" and with virtue being defined as "nothing more than this conformity of the particular wills with the General Will."

Lodge defines individualism as the atomistic notion that a community is no more than the sum of the individuals in it, with fulfillment an essentially lonely struggle in what amounts to a wilderness where the fit survive — and where, if you do not survive, you are somehow unfit. Individualism is related to equality, or "equal opportunity," and the idea of contract that ties individuals together as buyers and sellers. Individualism, he explains, has evolved into interest group pluralism as the preferred means of directing society (unions, trade associations, special interest groups, etc.).

Communitarianism, on the other

hand, is a system that makes the community more than the sum of its individuals. People get their fulfillment through participating in communitarian activities, through identifying with their community; consensus, rather than contract, is the unifying element. Lodge claims that both corporations and unions have eroded the old idea of individualism and induced the new communitarianism though still clinging to the Lockean ideology. Lodge's best example of a communitarian society is Japan; he carefully avoids comment on Great Britain.

But what if individuals do not want to find fulfillment in this communitarian wave of the future? Lodge's answer seems to be that "we have to re-educate American youth to the fact that individual fulfillment comes about as the result of participating in an organic social process." Opponents, of course, would call this blatant indoctrination and would also note that there are vast differences between voluntary and compulsory communitarianism. Lodge evidently likes the compulsory kind, because he intends to have the communitarian way imposed on us by closing off other options. For example, community needs should take precedence over consumers' desires as a means of allocating goods and services, property rights

are to be further diluted in favor of group membership rights (and virtually eliminated in the case of the corporation), and the state is to become the national planner; indeed, the international planner if all goes well.

Why are we having such difficulty reaching Lodge's earthly millennium? The hang-up, for Lodge, is John Locke and his archaic ideology. Almost everybody who is involved in American business and government suffers to some degree from the old Lockean ideas about individualism, property rights, the Protestant ethic, the danger of Big Government, and so on. Lodge believes that even union leaders and liberal politicians such as Senator George McGovern are handicapped by this "ideological schizophrenia."

The book is obviously addressed, however, to the executives and managers of America's troubled corporations. Acting both as reporter and advocate, Lodge is telling them that the old order of their cherished beliefs is dying, and they can help bury it. The corporation, deriving its authority and legitimacy from the old Lockean ideology, is in limbo and now needs a new basis for its legitimacy. The message is clear: In order to make the transition to the new system as painless as possible, corporations should seek legiti-

macy in the new ideology by becoming willing handmaidens of the state, with the latter always as the senior partner. There is an implicit warning that terms for the corporation may become less favorable if it delays in seeking this new legitimization. Nor is there any way to avoid these conditions, since the new ideology is already in motion and cannot be reversed. The corporation can save itself — and some of its managers can save their jobs and salaries — by indenturing the organization to the new system and to the state as planner.

To his credit, Lodge describes with great accuracy the present difficulties of the large corporation and its powerlessness in coping with the pressures around it. It's to his discredit, however, that he fails to identify the "mixed economy" syndrome as a likely cause of the corporation's, and the nation's woes. In addition, he completely ignores the role of the Lockean idea in advancing human freedom, human dignity, and, yes, human rights. Far from repudiating Locke, as he does, we should be studying our abandoned road

and discovering where we took a wrong turning.

We should also give the professor a failing grade for his hopeless naivete in believing that his total state will not develop into the totalitarian state. Here and there, he admits of such dangers, but nowhere does he offer mechanisms and ideas that can effectively keep the state from becoming an oppressor. Least of all does he explain who the planners will be or say whose plans will prevail in the new super-state. If experience is any guide, the coercive power of the state will almost certainly be used arbitrarily once it has been consolidated by the new American ideology.

The book is reviewed for libertarian readers because it is, in effect, a statist manifesto that is likely to have considerable influence in the business community. Its appearance at this troubled time is another reminder, if we needed it, that the world is full of well-meaning and sometimes gifted individuals who always seem to know the best way to manage and control other people. 

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TEL: (914) 591-7230

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

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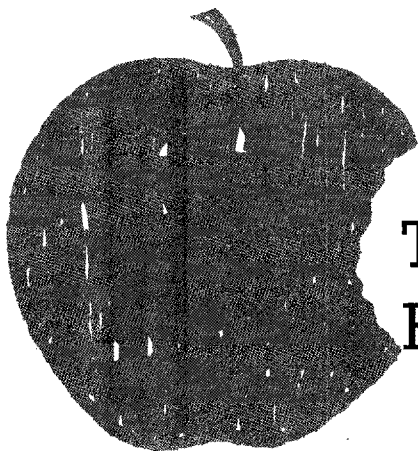
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Why Teacher Power Had to Happen

A CLOUD that was once the size of a man's hand has now grown to become a stormy presence engulfing public education throughout the United States.

This new presence is "teacher power," the political strength of the public teachers' unions and their allied organizations. John Ryor, president of the National Education Association, calls "teacher power" a term that has grown from a "wistful cliché to an unchallengeable reality" and insists that its uses must include making teachers the "foremost political power in the nation" and seeing to it that teachers "are no longer blocked out of educational

decision making."¹ Two years ago, one of Ryor's predecessors, Dr. Helen Wise, listed as an NEA goal the election of a "veto-proof Congress" as far as education bills are concerned.² Other teachers' organization leaders are saying similar things. Meanwhile, state legislators and Congressmen are beginning to feel the heat of teacher power as wielded by the NEA and its rival organization, the American Federation of Teachers.

The initial effects of teacher power are noticeable increases in

¹ John Ryor, "The Uses of Teacher Power," *Today's Education*, November-December, 1975, p. 5.

² Reported by Frank Kane in the *Toledo Blade*, December 16, 1973.

Mr. Barger is a corporate public relations executive and writer in Toledo, Ohio.

strikes and other exhibitions of teachers' militancy and political strength.³ Further down the road, however, it's likely that teachers' organizations will completely dominate public education, even to the extent of shaping all curricula and calling the shots on the acceptance or repudiation of any specific educational philosophy. As in any political controversy, this development is seen as "good" by teachers and their allies and called "bad" by many others.

However it's regarded, "teacher power" is not an isolated development. It was really something that "had to happen" as a result of our system of public education and government interventions in private union-management relationships. The surprising thing is not that teachers have finally begun to exercise political power; rather, it is that it took them so long. From now on, however, the message is indeed clear: teacher power is Mr. Ryor's unchallengeable reality, and coping with this newly-discovered power is bound to become an awesome problem in almost every community.

To some people, the exercise of teacher power will be viewed as

proof that teachers are being greedy and non-professional and "don't have the interest of the children at heart." But teachers, now a well-organized pressure group, believe that they have fallen behind other groups and that "professionalism" has been a ploy to keep them from organizing. They are also careful to say that all of their actions, including strikes that close schools, are for the benefit of the children. A few teachers may feel qualms about this new militancy, but more of them are beginning to act and think like union members.

Why did this "have to happen?" Why couldn't teachers — and other public employees for that matter — be content with the traditional privileges and status of their special kind of employment? Why did they have to launch a bid for power that now looms as a revolutionary movement that may completely change the schools?

There are several reasons why teachers are acquiring so much new muscle. Most of these reasons are rooted in our compulsory system of public education. Public schools, largely with general approval and consent, use several forms of compulsion that tend to "stack the deck" in favor of the producer group (i.e., the teachers) at the expense of the consumers (the taxpaying public, parents,

³ See Paul Friggens, "Teachers on the March," *Reader's Digest*, February, 1976, pp. 112-115. In the 1974 elections, 229 of 282 teacher-assisted candidates won in the House of Representatives; in the Senate, 21 of 28.

etc.). Compulsory education, harnessed with the compulsory practices of the labor union movement, gives teachers far more bargaining power than the typical craft or industrial union has in dealing with private employers. We must assume that teachers' organizations will take full advantage of the weapons given to them by the public educational system. At this point, it's difficult to see how reasonable checks can be made on their future demands. Here are some of the elements of teacher power that will have to be re-examined in the years ahead:

1) **Compulsory taxpayers' support of public schools.** The public school has long been a cherished American institution that has been considered to be operated in the public interest. For one thing, it has been generally accepted that a democratic form of government requires citizens to be literate and fairly knowledgeable, and that large numbers of people would be denied education if there were no public schools. Therefore, public education has been the responsibility of the community, and has usually been supported by the property tax.

This system had its drawbacks, and was always a potential threat to individual liberties. However, it also had a number of checks and

balances that kept it from becoming tyrannical and wrecking local budgets. For one thing, property owners voted in school millage elections, and were always likely to express their approval (or disapproval) of their schools in this way. At the same time, local school boards could control the schools to a certain extent, and local voters usually had direct access to board members. This wasn't always fair — indeed, it was often viewed as oppressive by school teachers—but it did serve to maintain a certain balance between community attitudes and the policies of schools.

Parents could still feel that the schools were acting as their surrogates in the classroom. This worked reasonably well, and most older persons will remember that their own parents and teachers possessed similar values and attitudes. Each reinforced the authority of the other, and if you were punished in school, there was a good chance that you might receive further punishment at home. Meanwhile, the school was also expected to perform in "delivering" education. Much is said to deplore the fact that many Americans once attended school only through the eighth grade, but the fact is that *such students then possessed reading and writing skills at that level*. It is now common knowledge that a high school

diploma is no longer proof that one necessarily has a high school level education.

But there was always a hidden weakness in the local tax-supported public school system. This weakness was in its susceptibility to takeover. In order to wrest control away from the community, it was only necessary to change the support base from local to state and Federal. Taxpayers lose voice in school matters when state and Federal boards take charge. Voting on local school millages, on the other hand, still retains some of the aspects of the marketplace, even though it is admittedly a somewhat unsatisfactory governmental program. But effective citizen control is lost when the schools are controlled or directed from state and Federal offices. When that happens, the only way to make individual views known is to organize as a pressure group, and this is too difficult and time-consuming for most parents.

The system is then ready for teacher control, since teachers are already organized as a pressure group and know what they want. Their leaders are well aware of the additional leverage they have in working with state and Federal officials rather than local systems, so they have been the leading advocates of increased state and Federal support of schools. Not only

does this give them additional funds to bargain for, it also increases their own control of the school systems and effectively neutralizes the power of parents and local boards.

2) **Compulsory attendance.**

Another weapon of the teachers' unions is that students are forced to attend schools in most states until they reach certain ages. Again, this compulsion has always been viewed as "good" by most Americans. The fear is always expressed that without compulsory education many children will grow up illiterate. We are apparently supposed to believe that any number of future Albert Einsteins and Jonas Salks would be deprived of ordinary reading and writing skills if we did not have compulsory school attendance laws.

The fact is, of course, that few parents would neglect their children's education even if attending were not compulsory. Some of them still have to resort to private education, such as tutoring, in order to help their children over serious learning difficulties. Also, compulsory attendance may even hamper the educational process, since it brings in students who do not benefit from the teaching and often disrupt classrooms to such an extent that other students are shortchanged. Compul-

sory attendance has been vastly oversold as an instrument to advance general educational levels, and some knowledgeable people are beginning to challenge it.

But it's not likely that teachers' unions will ever seriously oppose compulsory attendance. It is one of the things that contributes to "teacher power."

3) Teacher education and certification. You have to be against God and motherhood to oppose the idea of graduate education and intensive certification of teachers, because these programs are supposed to be proof of greater competence and professional skill. This drive for increased education for teachers created a huge network of expensive teacher-training courses across the country, and it has made the "teaching certificate" a condition of employment in many systems.

The rationale for all this training is that individuals become better teachers if they possess graduate degrees and teaching certificates. But one way to learn about the value of these academic credentials is to find out what teachers themselves think of education degrees and courses. In many universities, the graduate education degree is considered much easier to obtain than other types of degrees, and required courses for

teachers are jokingly referred to (by teachers) as "monkey courses" or "Mickey Mouse courses." Upon examination, the system of graduate teacher training actually turns out to be an elaborate device for raising teachers' pay levels and for excluding others from the teaching field.

By raising educational and certification requirements for teachers, the unions have been given a form of licensing power. We can also predict that teachers' organizations will soon begin taking steps to limit the number of persons who can enroll in teacher education programs. Another device they are likely to use in controlling entry to the field is to reduce the opportunities for student teachers to obtain the classroom experience that is necessary for preliminary acceptance. In this case, teachers would be borrowing a tactic from the craft unions, which arbitrarily limit the number of apprentices who are permitted to work.

4) Education as a "right." We should not overlook the influence of the various rights movements in giving teachers more power over the educational system. In recent years, the idea has surfaced that every individual has a right to an education, with society (i.e., government) being obliged to furnish it. Like many of the

new "rights," this one has great potential for harm and can impose backbreaking burdens on the nation. Such rights, like the so-called "right to welfare," really are privileges or "pseudo-rights" that contain a number of deadly booby traps. Nevertheless, the idea that the individual has a right to an education has gone largely unchallenged, and probably will get further acceptance before it falls into disrepute.

For teachers, the "right to an education" philosophy means endless opportunities to build up their empires and to increase the budget in every school. We will hear teachers making the claim that children are being robbed of their right to an education because of large classroom sizes, lack of teaching aids, aging school buildings, or lack of special teacher training. We may also see the day when every student, regardless of qualifications or motivations, will be entitled to public education through college. This has already become the philosophy in New York City, where the "free" City College has been forced to accept hundreds of near-illiterate students. This may appear to be a farcical and self-defeating action to outsiders, but one must never forget that such a practice has the effect of creating many teaching jobs.

5) **Compulsory unionism.** Finally, the teachers' organizations and other public workers' unions owe much of their muscle to unions in the private sector, which established the precedent for the new militancy and tactics of teachers. Craft and industrial unions acquired unusual power more than 40 years ago with the passage of the Wagner Act, which forced employers to bargain with them and enabled labor organizations to force employees to join unions or pay dues into them. In one stroke, this legislation wiped out a number of natural checks and balances in labor-management relationships and gave unions the power to demand wages and benefits at above-market levels.

The unions were successful in convincing the public that most of their gains were at the expense of employers and could somehow be squeezed out of profits; thus, strikes were always represented as being against certain companies and not against the public. The unions were also able to convince non-unionized workers that they, too, were indirectly benefiting from various labor settlements, despite the fact that union activity had the effect of raising prices and increasing the numbers of workers who were competing for non-unionized employment (hence forcing wages down in that

unorganized part of the economy).

Apparently few people, including leading economists, realized that if every worker belonged to a militant union, the result could only be a high level of unemployment, because it would be impossible to give everybody the same pay and benefits of workers in highly skilled trades or in capital intensive industries such as steel and automobiles. Union leaders did nothing to explain such facts, since it has been in their interest to increase their membership in every possible way and to present their mission as a struggle to force management to share swollen profits with the workers.

Meanwhile, teachers and other public employees began to feel that unionized employees in the private sector were moving far ahead of them in pay and benefits. There has been a tradition that public employees should not be permitted to strike, but it is obvious that such laws are not likely to be enforced by vote-conscious public officials. The rapid build-up of Government activity in every field has created vast armies of public employees with common interests and considerable political power.

The same rationale that is used to justify strikes in the private sector can also be used to justify strikes of teachers and other pub-

lic employees. Other union members, though perhaps personally disturbed when their own teachers and garbage collectors go on strike, cannot really oppose such strikes in principle without undermining their own position. The leaders of craft and industrial unions are in a similar bind; they need the political support of public employees' unions and must therefore defend the right of public employees to strike.

So it is unrealistic to believe that special laws can be passed or enforced to make teachers and other public employees moderate their demands. The unionization of these groups was really a logical extension both of union growth and of the expansion of government into so many fields. True, it will prove to be somewhat more difficult for public employees to present their case, since they are not bargaining with a private employer who can be accused of making "unconscionable profits." But with these unions acquiring considerable political power, they don't have to be overly concerned about such matters.

Where Will It End?

With so many forms of compulsion working in their favor, teachers will undoubtedly attain Mr. Ryor's goal of becoming the foremost political power in the nation.

There are few countervailing forces that might prevent them from reaching this goal. Most of the efforts to launch private schools and other movements in competition with the governmental educational effort are spotty and are not likely to offer suitable alternatives to the existing system. Teacher power is indeed an unchallengeable reality, largely because power has been placed in the hands of teachers' organizations and there's nothing around that can challenge it. Some libertarians have long realized that the educational system was headed in this direction. Writing more than 12 years ago, Leonard Read noted that the teachers were in a good position to seize control of public education:

The government educational effort is a political apparatus and behaves accordingly. The indifference of voters invites special interests to assume command. For instance, if teachers adequately organize, they can easily control the government school system and supplant the voters as the responsibility-authority fountainhead. The deputies, the superintendents, the Board of Education, and the voters become the teachers' aides, so to speak, helping primarily as taxpayers.⁴

This does not mean, however, that we are about to enter a long night of dictatorship at the hands of teaching professionals. Teacher power is bound to create its own excesses, and the same compulsions that give teachers so much leverage in controlling the educational system are dangerous weaknesses in their program. Some libertarians have always feared that teacher control of the governmental educational system will bring brainwashing and total thought control. The more probable result is that the abuses of teacher power will also tend to discredit government education. As the system comes to be more completely the fiefdom of teachers, the problem of winning public support and cooperation is bound to become acute.

We can also be certain that teachers will be unable to deliver the kind of results that are promised in all their shrill rhetoric about the quality education that is supposed to come about when teachers receive more pay and benefits. Public schools are bedeviled by many problems that are not likely to dissolve no matter how much power teachers possess. We can even predict that teacher pressure to increase expenditures for public schools will tend to demonstrate the limitations of government education. Teachers will either be forced to re-examine

⁴ Leonard E. Read, writing on "Academic Freedom," in *Essays on Liberty*, Vol. X, (Irvington, N.Y., Foundation for Economic Education, Inc., 1963), p. 370.

their programs or to falsify the results of teaching. In fact, a form of the latter practice is seen in the current policy of issuing diplomas to poorly-educated students.

Still another reaction to teacher power will be the growing disenchantment of liberal intellectuals who have heretofore favored public education. These intellectuals, despite a certain naivete about human nature, believe that educational standards should be high and many of them are becoming critical of public schools and excessive egalitarianism in education. This disenchantment is likely to result in more criticism of public education from unexpected and influential quarters.

Meanwhile, there is certain to be a small but lively market for private education of all kinds in the years ahead, unless compulsion is used to stamp it out. Private education is still alive and well

everywhere in the United States. The parochial schools and exclusive private schools are only part of it. There are also thousands of students receiving instruction from tutors, private classes, business schools, trade schools, privately-supported colleges, foundations, correspondence schools, self-improvement courses, apprenticeships . . . well, you name it. And there's still a great deal of respect for the grand education that a person can obtain simply through his own reading and conversations with others. Teachers will probably seize enough power to dominate the governmental educational apparatus and the formal schooling program. They are not likely to control the education of people who want to think for themselves. Given the conditions of our times, teacher power had to happen—but its use and abuse is likely to be a sound education for all of us. ☸

Education in America

EDUCATION in America has become a reflection of the insistence that education be a function of government, cost free to participating students, fully financed at taxpayer expense. What originated as *local* schooling, supported by taxation in the immediate community (and therefore somewhat responsive to local and parental wishes) has inexorably moved toward bureaucratic bigness—the fate of all publicly funded projects.

IDEAS ON

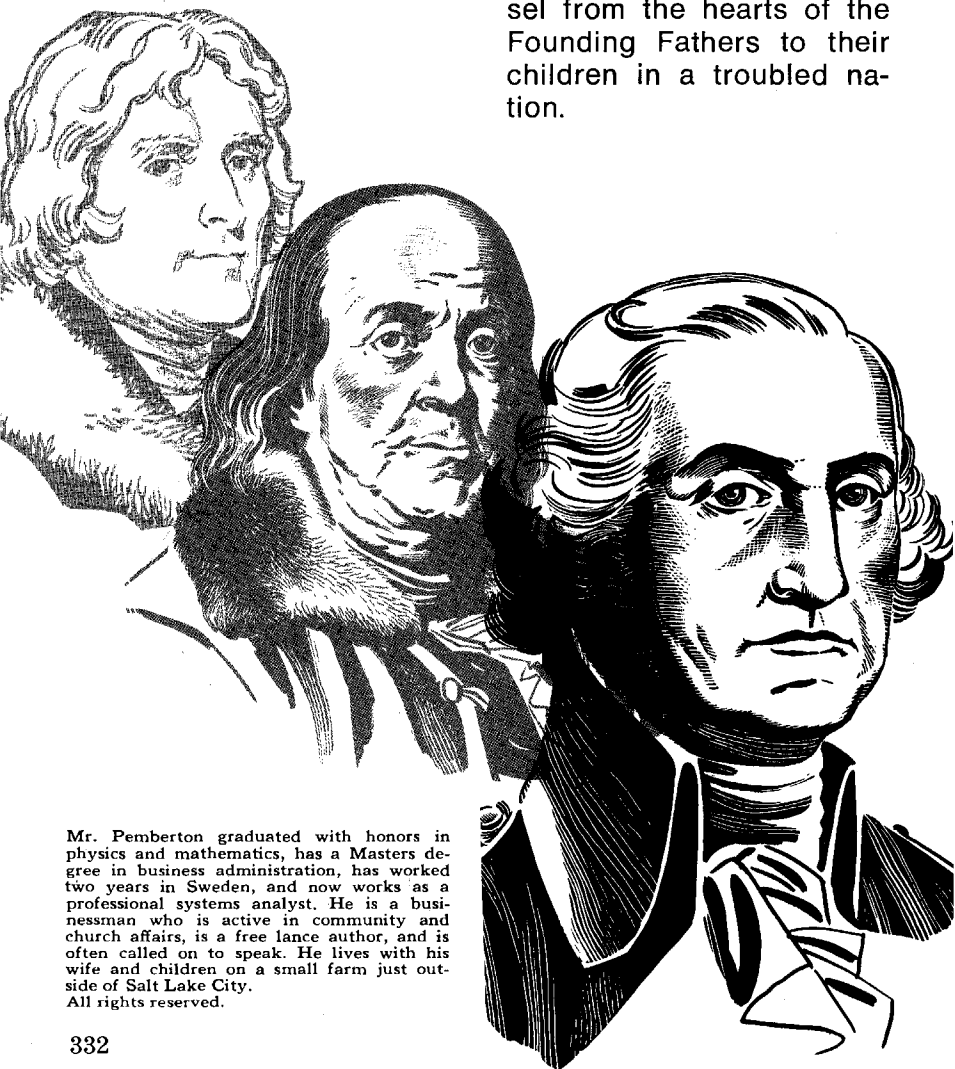


LIBERTY

A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City.

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II. On Human Rights and Government

This continues a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

WE HAD TWO ALTERNATIVES: to yield to arbitrary regulations, unreasonable taxation, and meddling in matters that rightly appertain to one's private life; or, to resist. At the outset, our resistance amounted to petitions, emissaries, and other appropriate measures; but those efforts only solicited greater oppression instead of the relief we sought. Finally, in alarm for the safety of our most fundamental rights, and resolved by King George's declaration that we must submit or conquer, we went to war.

Your condition is similar to ours; in some regards better, in others worse. You can employ your Constitutional prerogatives to rectify the abuses of your government; but, on the other hand, you do not recognize the full import of the encroachments being made

upon your rights. Human rights was a subject we were wont to discuss, and it contributed the principal motive in our fight for liberty.

The desire of my heart, in your regard, is to give you a full comprehension and a forceful conviction of both the type and source of your natural rights, for that would animate, empower, and guide you in your response to the growing intrusions of your government. In consequence of that wish I invite you to the following discussion. Please bear with me, for I mean to be brief but refuse to be superficial.

First, consider a stone. Does it have the right to occupy a part of the earth? What then of a poplar tree: has it the right to push aside the stone, to mine the ground for its sustenance, and to inhabit its portion of the world? Then reflect

upon the beaver. Has it not the right to harvest the poplar and construct a home for itself and offspring? What is the source of the obvious rights of these things? They are inherent and intrinsic in their very beings. Their rights are not some attachment or appendage, but an integral part of their very existence, placed there by a wise Providence in the instant of their creation. So it is that man, in like fashion, is endowed by his Creator with certain unalienable rights: the divine rights of man.

Please observe how the rights of the poplar superseded those of the stone, and the beaver's rights were greater than the tree's; so man infringes upon the rights of them all for his own purposes, all of which is in harmony with the order of creation. Similarly, man is subject to the rights and powers of the Almighty, his Creator. Therefore, the entire essence of the matter of men and governments is revealed in the question: which is greater, the creator or the created? It seems so simple, does it not? Yet that is the crux of the struggle for freedom in all ages; and you should remember that anyone who would put government above man seeks to invert the order of creation and is in rebellion against his Creator.

Let us not cloak the matter of

human rights in any mantle of mysticism: they do not arise from some philosophical argument, or inscrutable religious dogma; they are as real as the powers from which they spring! What precisely is a right? It is the authority or prerogative to use an inherent power or capacity. All creatures come into existence with certain powers and the necessary authority to employ them; or, to what use is a power if there be no right to exercise it?

Like the stone, the poplar, and the beaver, man is created with his characteristic abilities. He is conceived to think, feel, act, and influence people and things about him; and if he have those faculties, he must also have the right to use them. Any other condition denies him the exercise of those attributes which make him what he is, and transforms him into some lower order of creation. He is endowed by his Creator with powers to build and to destroy, and the right to use those powers according to his own free will.

But, if every man is to have free and equal use of his inherent abilities (which is what we meant by "created equal"), then the one man must be restrained from intruding upon the rights of the other; for, if one man be given the right to trample the rights of another, then the first has power over the very

soul of the second, to prevent him the free development of his potential. It is precisely at this point that the requirement for good government arises; to insure that men will be restrained from abusing their powers by inflicting their own will upon their neighbors.

You will notice that government has no rights to give to man, but can only operate in the negative role of prevention and punishment, to discourage man from the wrongful employment of the powers and rights he already possesses. But more than that, notice that when those who direct the government (whether its officers or the citizens who elect them) take upon themselves the supposed authority to use the force of government upon other citizens to wrongfully infringe upon their rights, then government is made to operate in direct opposition to its only legitimate purpose for existence: then there is oppression. To whatever degree men use government to impose their will upon their fellows, to that degree are they tyrants.

You have allowed yourselves to be taught the concept that government is a creature in its own right; that it has its own inherent rights and powers. That is common nonsense! Government is nothing without officers to run it and citizens to respect it. Strictly speak-

ing, there are no good or bad governments (some are more wisely organized than others), but only good and bad men. If your government has run afoul, it is not the fault of your government, for you will find it very difficult to discover ways to improve your Constitution in its ability to prevent government officials from misusing their authority. Nay, the error is not in the Constitution, it is in those who have abused the public trust in violation of the Constitution, and it is in those who have allowed them to continue in that abuse.

You will do well to ponder these thoughts carefully in your minds and hearts, for upon these concepts rises the plan of government which has given greater protection to the divine rights and powers of man than any other in all history. If you fail to understand these things, you will not understand your Constitution, and if you do not understand your Constitution, you will not be able to keep it.

Now go back with me a moment and notice that the foremost attribute of the rights of the stone, the poplar, and the beaver was their right to property; and what is more, if that right be denied them, they would be unable to fulfill the purpose of their existence. The stone would have no place, the

tree no nourishment, and the beaver no hope. Likewise man, in consequence of his existence, has the right to earn, own, and control property of all types. To deny him that divine right is to destroy his opportunity to realize the fulfillment of his being and to place him lower in the order of creation than the stones beneath his feet! An impossible concept? Then beware of those who seek to direct you in the use of your property!

Now consider the rights of two men in relation to each other. Can one have more rights than another by virtue of his being? We might as well ask if the one has a greater right to attain fulfillment or to pursue happiness (as we were wont to say) than the other. No, not among men; they are created equal in all their rights. As soon as we allow the one more right than another, so soon do we declare that the one should be master and the other servant. Neither can any man appoint himself ruler over another without casting himself as the embodiment of oppression.

And finally, consider two men acting in concert. Do they, by reason of their number and association have any greater right than either of them alone? No. They may form alliances, plot, and plan, but strive as they may, they cannot conjure up any greater rights

than they possessed before they were organized. The reason for this is not difficult to ascertain: societies, alliances, and governments are only abstractions, conveniences of thought and speech, and have no real, tangible existence in and of themselves. They are but words representing interrelationships established among men through the exercise of their individual powers.

If a society or government had a palpable being of itself, it too would contain its own intrinsic source of rights; but all such are merely groups of purposes, rules, actions, and persons, only the last of which possesses tangible being and its attendant rights. Therefore, no organization, regardless of the exalted or base nature of its goals, can correctly exercise any rights greater than those of its creator, man.

Listen well my children, for it is ignorance of this principle which has allowed you to sleep while your government gained so much control of your lives, and by the same token, it is by the re-establishment of this precept that you will extract yourselves from its grip.

Were men governed by angels, there would be no need for governments administered by men; but the natural man is everywhere his

own enemy and full of mischief, which necessitates an organization able to protect the inherent rights of its members from the abuse of their fellows. Thus men delegate a portion of their rights to governments in order to protect all their rights. Good government must derive its powers from the consent of the governed, for as surely as it steps beyond that authority, so surely does it partake of the whole spirit and intent of tyranny.

Therefore, government must be restricted to those activities which any one of its citizens might rightfully pursue; for if the individual have not the right, how shall the government obtain it save by creating some supposed right out of nothing? Thus the difficulty in framing a good government lies in this: that it first must be given the power to restrain its citizens from violating the rights of their fellows, and at the same time the citizens must be able to control their government lest it gain the upper hand. The purposes for which good men create governments are to protect their lives and rights from domestic and foreign dangers, and to assure them the peace and liberty in which they may reach for the heights of their noblest dreams.

We wittingly formed a limited federal government, a necessary instrument of national security,

and the people consented to endow it with authority by ratification of the Constitution. It would be disappointing enough if your government were now only huge, clumsy, and misused by ambitious men; but it has manufactured rights out of thin air and now imposes itself upon you under the pretense of assumed powers. There is one of your greatest dangers. You must regain control of that usurpative monster ere it swallows all your rights, for when it has accomplished that it will have consumed the purpose of your lives also.

I perceive that you do not fully comprehend that your government has presumed to create rights unto itself, and thereby violated yours; consequently I shall make that the topic of a future discussion. For the purposes of this treatise, I wish to turn your attention to the magnificent and satisfying rewards which may obtain in a truly free society. Let me give you a glimpse of the vision that animated us during our discouragements and led us victorious through the perils of our revolution.

One of our troubles was the belief held by some of our countrymen in the divine right of kings; although, the only difficulty with that doctrine was that it was limited to the person of the monarch,

whereas in truth, every man ought to recognize his divine right and obligation to correctly and justly administer the affairs of his own kingdom.

Every human being has a kingdom, a province which consists of all the persons and things for which he is responsible. Those within his province have likewise their individual realms of dominion; the child has his possessions and household chores; the parents have their children, the home, and their livelihood; the local alderman has his ward; and so on: and every man, as both king and subject, must respect the rights of his charges to their lives, liberty, property, and happiness. By administering with equity, charity, and humility, he may attract to himself other persons and things which would be pleased to place themselves under his influence. It is a heavenly order wherein each is allowed the free exercise of his rights and talents, and each is responsible and accountable for his own conduct. Clearly, there is the system where all can develop their character and talents to the fullest. There is the key to noble human progress.

It is especially necessary for you to understand the relationship between parent and child, as you have some difficulty in that matter. As man is the creation of, and in

subjection to the Almighty, so ought children, partially the creation of their parents, be in like subjection to them until they are of age.

The Almighty does not force his will upon you, but gives you counsel and love, and holds you accountable for your actions; let parents regard their children in like fashion. Your children have been taught to rebel against your authority and to claim immunity to the laws to which they have not assented. Has the Creator asked our assent in respect to His laws? A child has neither the discipline nor the wisdom to live without the law or to assist in its formation; but a child, for the sake of order in society and its own protection, is obliged to obey the law, for that is in harmony with the order of creation and the plan of a free society.

In such a society, each man is free to pursue those occupations to which he is best suited and which will bring him the greatest satisfactions (within the law). The indolent poor are allowed to continue in the state they have chosen, and the misfortunate poor and the aged come by their condition with honor. The rich who are wise enough to share their plenty have no cause to rebel at the thought of transferring some of their excess to

those who lack, and find in the attempt the personal rewards of compassion and charity. Thus can man lift himself and those about him. For one man to lift another, both must be free; all else is mastery and servitude, a polarity which ever tends to evil.

Now consider the full measure and meaning of true liberty, that sublime state we envisioned as we framed the Constitution, and the dream that lifted America to a higher plane than any nation has achieved before or since. Only in a society where each individual is allowed the free exercise of his rights and faculties and is held

responsible for his actions, can he have complete opportunity to approach the realization of the full capacity of his being, and fulfill the purpose of his existence. And what is that purpose? Nature answers all around that as sand is made to stone, and poplar seed to poplar tree, and young beaver to adult engineer; so man, the child of God, should strive to use all rightful means to draw to himself wisdom and noble influence, so that he may, as much as possible, bless all in his province through love, counsel, and liberty. That was our vision. Now it is yours. ☸

Next: III. On The Constitution

Magna Charta

OUR WRITER . . . tells us that formerly the right of taxation was in the King only. I should have been glad if he had pointed us to that time. We know that kings — even English kings — have lost their crowns and their heads for assuming such a right. 'Tis true this strange claim has occasioned much contention, and it always will as long as the people understand the great charter of nature upon which Magna Charta itself is founded, — No man can take another's property from him without his consent. This is the law of nature; and a violation of it is the same thing, whether it be done by one man who is called a king, or by five hundred of another denomination . . .

SAMUEL ADAMS, *Boston Gazette*, JAN. 9, 1769

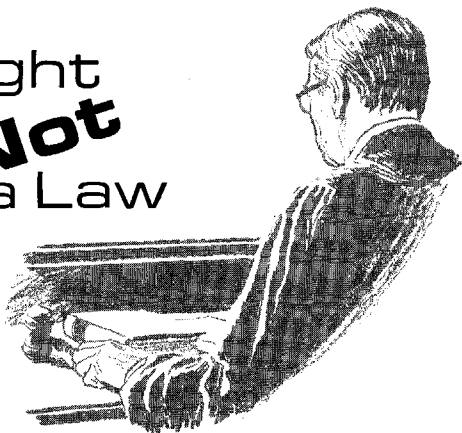
IDEAS ON



LIBERTY

There Ought **Not** to be a Law

CLARENCE B. CARSON



PREMIER GEORGES CLEMENCEAU of France is supposed to have remarked, probably out of exasperation, about Woodrow Wilson's peace settlement proposals after World War I: "That man Wilson has fourteen points when God Almighty had only ten." Clemenceau's sentiments probably have been shared by generations of students who have had the onerous task of memorizing or trying to remember Wilson's Fourteen Points. It must be admitted, however, that by comparison with the multiplicity of laws, regulations, restrictions, prescriptions, court orders, and what not that Amer-

icans live under today Wilson's points were brevity and conciseness itself. Americans live under municipal ordinances or rules set forth by county commissioners, under a vast assortment of state laws and regulations, and under the assertive umbrella of Federal laws and administrative rule making bodies.

A few years ago, a student came to me after class to ask what he had to do in order to go into business. The student was a man, possibly in his thirties, for it was an evening class, and the question was not an academic one. He and another man were thinking of forming a partnership to manufacture components for something or other. Truthfully, I did not know the answer to his question,

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty* (1973), covers the founding of the American Republic from 1760 to 1800.

but I tried to be helpful by suggesting what came to my mind. They would need a license, I said, and then they could — well — just go into business.

My innocence and ignorance were exceeded only by my audacity in attempting to answer such a question. What they needed, of course, was a lawyer, or a battery of them, a Certified Public Accountant, a number of political friends in high and low places, an inordinate amount of audacity and tenacity, and a considerable bankroll. In that state, they would need to register the name of the company and, if it was made up, advertise it as a fictitious name in the newspapers. Their location would need to be checked for compliance with zoning ordinances and pollution controls. The fire department would need to inspect the building and its contents. A bookkeeping system would have to be set up that would satisfy the various tax collectors. If patents were involved, they would need to be researched, applications made, or whatever. But why go on, for who could really say all that ought to be done before going into business?

Social Reform

For a good many years now America has been more or less under the sway of the notion that

society should be reconstructed, controlled, and directed by government. There are many sources of this notion, but there is no better way to get to it quickly than in the writings of two fledgling reformers of the early twentieth century, Walter Lippmann and Walter Weyl. Lippmann said, "We can no longer treat life as something that has trickled down to us. We have to deal with it deliberately, devise its social organization, alter its tools, formulate its method, educate and control it."¹ Weyl described how it was to be done: "To accomplish these ends the democracy will rely upon the trade-union, the association of consumers, and other industrial agencies. *It will, above all, rely upon the state.*"² That, of course, has been what was done, rely upon government, for that was his meaning.

This notion has now been implemented in hundreds, or thousands, of ways. Acts have been passed by legislatures, court orders issued, administrative rules promulgated, and vast bureaucracies created with the object of controlling the behavior of Americans. Massive efforts have been

¹ Walter Lippmann, *Drift and Mastery* (Englewood Cliffs: Prentice-Hall, 1961), p. 70.

² Walter E. Weyl, *The New Democracy* (New York: Macmillan, 1912), p. 297. Emphasis added.

made to break up what were called monopolies, to take over and control the money supply, to regulate the operation of businesses, to train the young in the new "sociality," to renovate the cities, to supplement the income of farmers, to subsidize businesses, to license, prescribe the training for, and adopt behavioral policies for occupations and professions, to support labor union organization, to change our behavior by spot announcements on radio and television, to oversee some of the media of communication, to regulate transportation, to integrate the races, to provide "free" goods and services (of the kind they "should" want and use) to indigents, to the young, to the aged, and to whoever might be in need. The state — the government — has been relied upon to pass laws that are wondrous and awesome in their variety and detail with the purported object of achieving the good society.

One might suppose — one from another planet, that is — that all these boons from the state would have inspired in the citizenry such gratitude toward government that they would hasten to obey its will and hold in utmost contempt any who were truculent toward its powers. Not so, however, for lawlessness is rampant, and contempt for those who govern appears to be

at a precarious level. The number of criminal prosecutions and civil suits is growing. The newspapers say that what they label as "white collar crime" is increasing more rapidly than any other. There is widespread opinion, informed and uninformed, that the number of people caught and prosecuted is only the exposed tip of the iceberg of lawlessness.

It is common to hear someone say, particularly when a politician is charged with some violation of the law, that what separates him from most of the rest is that he got caught. The number of policemen on the New York City force increased from a bit over 18,000 in 1950 to just under 31,000 in 1972, in Philadelphia from 4,889 to 8,183, in Chicago from 6,961 to 13,125, and in Los Angeles from 4,124 to 7,083. Some resistance to the law is open, as in rioting, obstruction of the police, and flouting of the law, but most of it is more or less covert. The more government attempts to do by law the less it achieves by way of compliance.

Support for the Law

There are many reasons why it is a mistake to rely upon government to direct and control social development, but there are two that are directly tied to law and law enforcement. One is that for

a law to succeed in its object it must be widely accepted and generally complied with voluntarily. Violations need to be exceptional, and even then it is desirable when the criminal knows or accepts the fact that what he did was wrong. (It may be that law enforcement can succeed by continual terroristic tactics, but American reformers, at least, have usually eschewed such methods.) Reformers may have accepted this notion in theory, but in practice they have sought to give their reforms the color of law whether or not there was a consensus behind them.

They have used presidential decrees when Congress or the states would not act. They have made changes by simple act of majorities in Congress rather than getting constitutional amendments. Supreme Court decisions have been used to do what Congress would not. Administrative bodies with only a tincture of popular support have put into effect a vast assortment of rules and regulations, often in defiance of restrictions written into law by Congress. They have proclaimed that court decisions were "the law of the land," when court decisions were only the law of the case. In short, reformers have frequently, if not regularly, ignored the requirement that laws to be effective need general and, at some point in their

background, consensual acceptance. It is not enough that some body be found which will proclaim them to be law; whatever is promulgated must be generally accepted as such.

Problem of Enforcement

The other fatal error arises out of the failure to understand or focus attention on what is involved in the enforcement of a law that does not have general acceptance, or, for that matter, the *enforcement* of any law (enforcement implying that there are violators). Law can be thought of in terms that make it noble and majestic. It can be visualized as a classic statue of Justice, blindfolded, on a pedestal, with balanced scales held in the hand. It can be thought of as what is going on when nine Supreme Court justices assemble within marbled splendor to contemplate some case. There are elegant phrases by which we attempt to express our respect for law: "A government of laws and not of men," "The rule of law," or even just plain "law and order." Probably, no one ever put the case for law in more exalted terms than did Thomas Paine when he declared that Americans should let the world know, "so far as we approve of monarchy, that in America *the law is king*. For as in absolute governments the king is law, so in

free countries the law *ought* to be king; and there ought to be no other."³ Nor should what follows be interpreted so as to detract from the importance of rule by law.

But there is a face of the law which rarely if ever excites admiration or beautifully phrased accolades; it is law enforcement or, to be more precise, what takes place as law is being enforced. There is good and sufficient reason for this. The enforcement of the law is a squalid, sordid, sometimes violent, often brutal, frustrating, discouraging, and brutalizing undertaking. Much of the work of doing it is by the toughest, least sensitive, and more violently disposed of those among us. It is enforced against a motley throng composed of petty thieves, cheaters, losers, violent and disenchanted people, and some who do not differ noticeably from the rest of us. We often think of law enforcement as being what the police alone do, but in fact it includes also the whole process from investigation through the last day of incarceration.

In earlier times, most phases of law enforcement took place in public, some portion of them, at least.

Hangings were once public spectacles. When corporal or other forms of summary punishment were widely used, the public witnessed much of it. Until very recently, some states used convicts for grass cutting and other kinds of clean-up work along highways. Nowadays, however, the public rarely gets more than a glimpse at what goes on in enforcement, sees someone stopped on the highways, may view a trial (but few do, and only a few can), or see prisoners being transferred from one place to another.

Laws Proliferate when Enforcement Is Hidden

The practice of passing laws to achieve all sorts of purposes has increased in almost direct proportion with the decline of public contact with the grisly aspects of enforcement. It is easy enough to pass laws, or accept its being done, for all sorts of things if we can succeed in averting our gaze from what is entailed in enforcement. Those who say that reliance upon government is reliance upon force are right, of course, but it is not simply a reliance upon nice, clean, hygienic force, it is reliance also upon distempered, petty, mean, and brutalizing force.

A book has lately come to hand which makes these points authoritatively and in appropriate detail.

³ Thomas Paine, *Common Sense and Other Political Writings*, Nelson F. Adkins, ed. (New York: Liberal Arts Press, 1953), p. 32.

The book⁴ was written by Judge Lois G. Forer of the Court of Common Pleas in Philadelphia. The Court of Common Pleas in Pennsylvania is at the same level as district courts, superior courts, and circuit courts in most other states. That is, it is the court of origination for the trial of most criminal cases and many civil suits. The judge in such a court is the fulcrum of those pressures which arise in law enforcement. The court is, to use another figure of speech, the main sieve to which most of those accused of some violation of the law must come. Those who go through the holes of the sieves, which is most of them, are either placed on probation or go to prison. Those who do not are set free.

No Time for Reform

Whether hers is a court of justice or injustice Judge Forer does not, indeed, as she describes it, cannot, know. She is too busy. There are too many cases. There is too much that there simply is not time to find out. She is inundated with cases, and back of those are many, many more that should have had an earlier hearing. On a typical day in court, she had three extradition cases, four applications for bail: one accused of rape, a

fourteen year old accused of the murder of a child in a street rumble, a heroin addict who killed three strangers, and a middle-aged man accused of sodomy, a petition for a second psychiatric examination by a lawyer for his client, an application for an extension of an extradition warrant, and, as she summarizes, "The parade of accused muggers, robbers and thieves continues."⁵ Each day, it seems, is its own slice of hell for this sensitive judge. She says:

At the end of a day in which as a judge I have taken actions affecting for good or ill the lives of perhaps fifteen or twenty litigants and their families, I am drained. . . .

Was Cottle really guilty? I will never know. Fred made bail. Will he attack someone tonight or tomorrow? One reads the morning paper with apprehension. It is safer for the judge to keep them all locked up [the accused, that is, not the newspapers]. There will be an outcry over the one prisoner released who commits a subsequent offense. Who will know or care about the scores of possibly innocent prisoners held in jail?

Here is a description from another source of how harried a courtroom may be. In this instance, it is a court located in Brooklyn and is a division of the New York City Criminal Court:

⁴ *The Death of the Law* (New York: David McKay, 1975).

⁵ *Ibid.* p. 92.

Pleas were taken. Decisions were made on whether the accused should be held for grand jury action. Bail was set. There were some brief trials. Probation reports were heard. Sentences were imposed. The courtroom was crowded, with constant flow and eddy of patrolmen, detectives, lawyers, courtroom attendants, district attorney's men, complainants, people freshly arrested, and people brought in from jail. . . . The entrance to the courtroom was a pair of swinging doors, and they banged back and forth like a corner saloon on Saturday night. Among the constitutional guarantees being violated was that of public trial. The public was there all right, but it could not witness the trial; the noise made what was going on at the bench inaudible to all but the participants. The woodwork was scarred. The plaster was peeling. It was a huge and grimy bargain basement of the law. . . .

. . . The judge worked on his feet, pacing back and forth and handing out justice right and left, probably with what was, under the circumstances, a good deal of accuracy. But the circumstances were wretched, and they made real justice impossible.⁶

But it is not only by harried judges in dingy courtrooms amid a cacophony of sounds that injustice takes place. Judge Forer maintains that the whole system of administration of justice is ringed

about and shot through with injustice. It begins with the policeman, sheriff, patrolman, detective, or however the law enforcement officer may be styled. The policeman, Judge Forer points out, "acts as spy, militia, judge and jury,"⁷ to which might be added, accuser, prosecutor, defender, and executioner. He can, and probably must, frequently look the other way when some crime is being committed, adjudging it to be too petty to bother with, too difficult to prove, or for whatever reason or unreason may lead him to ignore it. Or, he may, because of his mood or the pressures of a quota system or because his shoes hurt his feet or he had a quarrel with his wife, bring in everyone he suspects of wrongdoing, making for unevenness, hence injustice. He is equipped with gun, blackjack or nightstick, and handcuffs, and may use whatever force is deemed necessary to apprehend and subdue miscreants. Summary justice is sometimes dealt out by fist, by stick, by boot, or by gun. All of this he may do, of course, in the line of duty.

But let us stick as close as may be to the norm. Ordinarily, the law enforcement process gets underway with an arrest. No violence may ever occur in a particu-

⁶ Charles Rembar, *The End of Obscenity* (New York: Random House, 1968), pp. 213-14.

⁷ Forer, *op. cit.*, p. 180.

lar case, but from that point until the accused is finally set free compulsion is at work. The arresting officer may have seen the offense, may suspect one has been committed, may be acting on information provided by someone else, or may be serving a warrant issued by a court. In any case, a halt, and, for those unaccustomed to it, a dramatic halt, is brought to normal life. The accused is separated from family and friends, taken away from job or position and whatever else sustains him in dignity and self-esteem, brought bound, as it may be, to be searched, interrogated, photographed, fingerprinted, and locked up in jail. He has become an alien, to at least some degree, from society, and is surrounded by the paraphernalia of shame.

Everyone knows, of course, that a man is innocent until proved guilty, that a presumption of innocence, as it were, shields him from punishment and disgrace. What everyone knows, however, is in this instance simply not true. The presumption of innocence is a venerable and noble concept of Anglo-American jurisprudence, admirable and correctly highly valued. But everyone, and especially anyone contemplating getting a law passed, needs to understand that it is a concept with only a most limited application. The pun-

ishment of a man who has been arrested has already begun, whether he is guilty or innocent. There is only one time and one place in the whole extensive process of law enforcement where a presumption of innocence is supposed to prevail according to our law, and that is during the trial in a courtroom after the accused has pleaded his innocence. At all other times and places there is a presumption of guilt, most likely, and it probably could not be otherwise.

Whatever Happened to the Presumption of Innocence?

It needs to be understood, too, that most of those who come into the toils of the law never receive the benefit of a presumption of innocence. The arresting officer almost certainly believes him to be guilty. It is much easier for him to assume guilt. If he *assumed* innocence (to get away from the terminology of the law, which speaks of presumption) it would mean that he was taking away the liberty of an innocent man, that he was doing something unjust and even probably illegal. Jailers and all those who have to do with holding people in custody need to believe them guilty for like reasons.

Little enough is known about what takes place in interrogation, but it is safe to assume that if an

arrest has preceded interrogation the interrogator is likely to assume that the accused is guilty. Certainly, any interrogation proceeding under any but the most respectful and polite circumstances will have an underlying assumption. Quite often, the accused will be asked questions which place on him the burden of proving that he is innocent. Guilt is implied by any pressure which the interrogation applies.

The judge who sets bail cannot assume innocence at that point, for if he were innocent it would be improper to require any bail for him to be loosed. The most extensive injustice arising from this tacit assumption of guilt occurs, however, for those who cannot make bail. They are then held in jail, ordinarily, until a trial is held. Judge Forer speaks of six to eight months in jail prior to trial as if it were commonplace. Circuit Court Judge Richard Kelly testified in this fashion about some of the injustices of lengthy incarceration prior to trial before a committee of the United States House of Representatives. He did not assume that the jailed person might have been innocent, which may have been revealing or only indicated that his testimony was pointed in a particular direction because the committee was investigating prison conditions. He said:

Most of the people that go to jail are poor. . . . They are young, frequently they have wives and children, and if you put them in jail and you keep them there for 4 or 5 months while you are processing their case, the refrigerator is repossessed, they lose their car, they may lose their wife. . . . And when you finally turn that man loose . . . it would be a hopeless situation for a strong person, and it is just completely hopeless for a weak person.⁸

Of conditions in jail, he noted:

So there is a lot that can be done in that area about expediting the cases, because a lot of tragedy takes place in these county jails. It does in my circuit. There are sexual assaults and other types of physical assaults. There is nothing in the way of recreation or relief for these people. . . .⁹

When a grand jury is brought into play prior to the trial, there may be a modicum of presumption of innocence, but it is only a modicum. The members of the grand jury hear only one side of the evidence, that presented by the prosecutor, and he may present only so much as he judges to be most beneficial in making his case. The grand jury is called on only to

⁸ *Hearings Before the Select Committee on Crime House of Representatives*, I (Washington: U. S. Government Printing Office, 1972), 251.

⁹ *Ibid.*, p. 239.

determine whether or not there is sufficient evidence against the accused to warrant a trial; it determines neither guilt nor innocence.

Most criminal cases are never tried. Judge Forer says:

Few defendants are able to survive, financially and emotionally to utilize all the procedures which due process mandates. If any appreciable number of persons did exercise all these rights, refused to plead guilty and demanded a trial, the entire system of criminal justice would grind to a halt. Approximately 80 to 85 per cent of all accused persons plead guilty to some charge and avoid trial.¹⁰

But this by no means includes all who are accused of a crime who are never tried. Some are judged mentally incompetent or are otherwise unable to defend themselves and are not tried. Many, many others avoid trial by forfeiting fines, paying off their accuser and getting the charges dropped, or skipping bail. Indeed, the prosecutor may decide not to prosecute at some stage after arrest but before trial, and the charges will be dropped. For all these people, no presumption of innocence may have been brought to bear in any significant way.

But, it may be objected, if one has forfeited bail, paid off his accuser, skipped bail, or pleaded

guilty, he must have been guilty indeed. It does not follow, though in the eyes of the law it may be the only possible conclusion. Trials are costly, and the outcome is always uncertain. Even those who plead guilty may be innocent of the crime they plead guilty to, or of any crime for that matter.

Guilty pleas frequently result from plea bargaining. The accused agrees to plead guilty to a lesser charge, and he may hope or have been told that he will receive a suspended sentence or fine rather than the extended prison sentence that awaits him if he is tried and found guilty. It takes no great amount of sophistication to understand that a guilty plea is a favor to the prosecutor, probably to the judge, and enables the court to get on with its business. To insist upon a trial is to court the wrath of these powerful officials. Would they not be expected to "throw the book at" anyone so obstinate? Would it not be better to please the prosecutor and plead guilty when a man has trouble enough already? In any case, all plea bargaining entails great likelihood of injustice. If the man is guilty as accused but let off on a lesser charge, he has not been punished as the law requires. If he was innocent, whatever penalty he received would be too much.

There are many areas that need

¹⁰ Forer, *op. cit.*, p. 120.

investigation by those who would rely on the state to reconstruct society, but there is one area that is absolutely essential. It is the arena in which law enforcement is completed. It is prison. Those who are convicted of a crime in America today are usually punished in one or more of three ways: by fine, by being placed on probation, or by imprisonment. Imprisonment is the ultimate resort to force that is normally sanctioned in the United States today. The reliance upon government is ultimately reliance upon prisons, for all who resist significantly the decrees of government may be imprisoned.

The Stigma of Prison

Prisons are notorious places, and those who have served time in them have a stigma attached to them. The tales of horror that may be heard from them during any investigation are such that it would be appropriate that the benediction which judges have ordinarily said for those sentenced to execution should be extended to those sent to prison as well. It might go something like this: "You are sentenced to x number of years in prison. May God have mercy on your soul." There is no need here to recount the horrors, for they involve everything from having to eat dog food (as punishment) to

beatings to sexual assault to solitary confinement to denial of medical care.

Imprisonment begins with indignities, such as the search of the genital area for contraband, and ends by release with some or many rights curtailed. In between lies loss of liberty, subjection to the commands of others, economic deprivation, deprivation of normal sex, separation from society, and many experiences which are brutalizing in tendency. The use of force unredeemed by love and affection or noble purpose is brutalizing both on those who wield it and those on whom it is exercised. There is a consensus that both the guards and guarded are so affected in prison.

Imprisonment may not be unjust, but there are many injustices entailed in it today. The greatest injustice is one that is rarely, if ever, mentioned. It is the deep divisions that exist over the purpose of imprisonment, divisions that are found among voters, among legislators, among policemen, among judges, among lawyers, among wardens and guards and that afflict the prisoners themselves.

Is the purpose of imprisonment to punish? If so, does the imprisonment constitute punishment enough or should it be added to by incivilities and deprivations not

inherent to prison? Is it the purpose of imprisonment to remove dangerous persons from among us? If so, minimum security prisons are probably a sad joke, and who has certified them safe when they are let loose? Is the purpose to rehabilitate the prisoners?

Now all these may be proper purposes of imprisonment, but if injustice is to be avoided they need to be arranged in a hierarchy to which we can generally subscribe. It is unjust to have one judge punishing and another rehabilitating, one parole officer removing dangerous persons and another punishing, all for the same or like offenses. It is a noble purpose to reform evil men, but the state is committed to justice, and when it embarks on reform it commits injustice after injustice.

How this occurs is told over and over by prisoners. Probably, the most common complaint of prisoners is the inequity in sentencing. Here is testimony on the point by a prisoner at Attica in New York:

So, what happens? You come to Attica, and then you figure you will get a cellblock with somebody else who has the same crime as you, maybe, and he maybe gets 3 years and I get maybe 20. I get 10, somebody else gets 5. This disparity in sentencing. Certainly some remedy has to be found for the disparity in sentencing of the same identical crime.

Down from my cellblock there's a young lad about 25 years old, married, with two children, smoking marihuana cigarettes. . . . That man got 7 years . . . for smoking or delivering some marihuana to an undercover policeman in Jamestown, and he got 7 years for that crime, and the next guy to him got 3 years for first-degree manslaughter. The original charge was murder, and he got 3 years.¹¹

Whether the facts were as claimed in this case really does not matter here. They are recited only for impact. Everyone associated with law enforcement today will admit that the differences in sentencing exist and are common. They are the result, mainly, of differences over the purpose of prison. A man might reform himself or be reformed in prison if he thinks he is justly there, but he is unlikely to do so if he is consumed by resentment over the injustice of the sentence in the first place.

There are those who believe that one or another or all aspects of law enforcement can and should be reformed. The movement for prison reform in America is almost as old as the general system of imprisonment is alive and active today. There have been some recent efforts at modifying the bail-bond-jailing system for dealing with persons accused of commit-

¹¹ Hearings, *op. cit.*, II, 497.

ting some crime. Large expenditures of money are being made to "upgrade" policemen. There is considerable talk and writing about speedier trials. Meanwhile, however, court dockets grow longer, many prisons are more crowded than earlier, and most people accused of crime go through the same unsavory processes as before.

A Harsh Process

This brief excursion into the nether world of law enforcement has not been made, of course, for the purpose of proposing reforms. It has been rather to show that it is a nether world, which it has always been so far as the present writer is aware of any history of it. So far as prison reform goes, reformers succeeded some while back in proscribing corporal punishment in prison. Yet, examples still occur of quite brutal physical treatment. The following is from an affidavit by a prisoner at Attica:

Officer Burns then moved behind me and struck me on the left side of my head. I was then attacked by several of the officers who grabbed me by the throat, threw me down to the floor, and proceeded to kick me in the head, chest, and testicles. A stick was then jammed under my arm, and my arm was completely twisted around. . . . I was then dragged down the floor,

pulled by the manacles which were on my wrists and kicked as those officers threw me into a cell.¹²

The trouble with prisons, someone has observed, is the character of the inmates. It might be added that part of the trouble with them may be attributed to the actions of the guards and other personnel. But there is an underlying trouble with all of law enforcement, a trouble which makes it belong to the nether world whatever success may attend particular reforms which can be conceived.

The trouble arises from the use of *force*, a word which is surely not accidentally embedded in law enforcement. It is the presence of force which makes it necessary to arrest and confine people accused of crimes, or have them post bond to secure their presence in court. It is the power of the court to take life, liberty, and property which makes men dread to come before it and requires drastic measures to assure their presence, even when these measures necessarily are productive of injustices. The fear of these things naturally enough results in lying, evasion, and hiding out, and such truth as is ever obtained much of it will come by an assumption of guilt.

If men are to be held against their will, there are some inescap-

¹² *Ibid.*, 491-92.

able accompaniments: strict rules, punishments for violators, and indignities. Jails require jailers, prisons require guards, and force is in some ineradicable degree brutal. Prisons do not stay reformed; policemen tend to behave as they always have, and crime and punishment retain their seedy, unsavory, and oft times grisly character. Because, well, because the use of force is man's lowest form of activity.

Even so, law enforcement can have a high purpose. Government is necessary, and that is just another way of saying that there must be a body charged with the exclusive power of exercising force within its jurisdiction. Those who enforce the law need the respect, awe, and even sympathy of the citizenry. Theirs is a difficult, dangerous, and often demoralizing activity which inescapably involves some injustices. The high purpose of law enforcement is to minimize the use of force in society. To that end, it must establish the best approximation of justice possible, given its inherent limits.

Restrict Government to Defensive Force Only

What this means can now be put simply and directly. If government is to minimize the use of force, it must not be the *originator* of force. Government must restrict

itself to the *defensive* use of force. The origin of government's exercise of force is the law. The laws must be restricted to defense against force arising from individuals and groups. We cannot rely upon government to transform society, to reform it, remake it, or whatever. When we do, government becomes the originator of force, and, instead of minimizing force it spreads it and makes it endemic. "Social justice," as it has been called, cannot be achieved by government because the more it attempts to do the more it spreads injustices inherent in the exercise of force. Reformers might well wish to make prison more attractive, for the thrust of the general reform effort is to confine all of us within strict rules, provide punishments for violators, and heap indignities upon us.

There used to be a newspaper cartoon entitled "There ought to be a law." It dealt, as I recall, with those annoyances and aggravations which we encounter in our daily rounds. Probably, it was meant to be humorous, though it would make a good study to review the cartoons to see if many of the suggestions have not been made into law today. In any case, the monumental task confronting us today can best be described in the opposite way: "There ought *not* to be a law." Many of the ills afflict-

ing law enforcement today—the huge number of arrests, the crowded jails, the lengthy wait before trial or disposition of cases, the crowded prisons, the lawlessness and loss of respect for the law—are directly attributable to the plethora of laws on the books.

Solutions Other than Laws

That there ought not to be a law against many things is the appropriate conclusion that Judge Forer has drawn from her survey of the state of the law today. She says, in part,

... The overuse of law and legal methods has failed to solve the problems. Instead it has resulted in an endemic contempt for all law. ...

Equal justice under law is, I believe, a goal worth pursuing. It can be achieved only if the legal structure is simplified and made accessible to all people, if the courts are limited to the resolution of conflicts and disputes within their capacity to decide, and if the aim of justice to treat similarly situated individuals equally is adhered to. *The law should abandon its efforts to restructure the economic and social order and modify behavior of individuals.* The limited aim of securing equal justice is a difficult and taxing goal to attain. It is a task sufficient for any single institution. ... Equal justice cannot be even dimly approximated if law is utilized in an effort to provide all or a major part of the correctives, changes and con-

trols required by our complex and diverse society.¹³

If one may venture to supplement so eloquent a plea, its direction is this: Wherever possible, means should be sought to resolve conflicts, inhibit offenses, and deal with problems without recourse to law. Law should be the last resort, and then only on matters with which it can deal. The law is not suited, for example, to settling labor disputes, to running businesses, to laying down rules for schools, or thousands of other things. All the time spent on cases in which courts are not really competent is time taken away from those who must look to the courts for justice.

There ought not to be a law, then.

There ought not to be a law to govern matters which have their own natural order, as in economics.

There ought not to be a law when other organizations or agencies can deal more effectively with the issues involved.

There ought not to be a law in which government originates the force.

There ought not to be laws with stiff penalties for petty offenses.

There ought not to be laws attempting to reconstruct society.

¹³ Forer, *op. cit.*, pp. 335-36. Emphasis added.

There ought not to be a law fixing interest rates on loans.

There ought not to be a law prescribing box sizes for corn flakes.

There ought not to be a law compelling school attendance.

There ought not to be a law requiring employers to pay women the same as men or men the same as women for equal work.

There ought not to be an anti-trust law.

There ought not to be a minimum wage law.

There ought not to be a law pre-

scribing the distance between rungs on ladders.

There ought not to be a law compelling the bussing of children to distant schools.

There ought not to be a law compelling "contributions" to social security.

There ought not to be a law restricting the amount of political contributions.

There ought not to be a law requiring the use of metal pipes for plumbing.

There ought not to be a law. . . .



Majority Approval

LIBERALISM realizes that the rulers, who are always a minority, cannot lastingly remain in office if not supported by the consent of the majority of those ruled. Whatever the system of government may be, the foundation upon which it is built and rests is always the opinion of those ruled that to obey and to be loyal to this government better serves their own interests than insurrection and the establishment of another regime. The majority has the power to do away with an unpopular government and uses this power whenever it becomes convinced that its own welfare requires it. In the long run there is no such thing as an unpopular government. Civil war and revolution are the means by which the discontented majorities overthrow rulers and methods of government which do not suit them. For the sake of domestic peace liberalism aims at democratic government. Democracy is therefore not a revolutionary institution. On the contrary, it is the very means of preventing revolutions and civil wars. It provides a method for the peaceful adjustment of government to the will of the majority. When the men in office and their policies no longer please the majority of the nation, they will – in the next election – be eliminated and replaced by other men espousing different policies.

IDEAS ON



LIBERTY

Adam Smith

and
the

Invisible Hand



EDMUND A. OPITZ

WE CELEBRATE in 1976 the bicentennial of two significant events, the signing of the American Declaration of Independence, and the publication of *The Wealth of Nations* by Adam Smith.

Smith had made a name for himself with an earlier volume entitled *Theory of the Moral Sentiments*, published in 1759, but he is now remembered mainly for his *Wealth of Nations*, on which he labored for ten years. *The Wealth of Nations* sold briskly in the American colonies, some 2,500 copies within five years of publi-

cation, even though our people were at war. This is a remarkable fact, for there were only three million people living on these shores two centuries ago, and about one-third of these were Loyalists. In England, as in the colonies, there were two opposed political factions—Whigs and Tories. The Tories favored the King and the old regime; the Whigs worked to increase freedom in society. Adam Smith was a Whig; the men we call Founding Fathers were Whigs. There was a Whig faction in the British Parliament and many Englishmen were bound to the American cause by strong intellectual and emotional ties.

Adam Smith's book was warmly received here, not only because it was a great work of literature, but

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education, a seminar lecturer, and author of the book, *Religion and Capitalism: Allies Not Enemies*.

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also because it provided a philosophical justification for individual freedom in the areas of manufacture and trade. The colonies, of course, were largely agricultural; but of necessity there were also artisans of all sorts. There had to be carpenters and cabinet makers, bricklayers and blacksmiths, weavers and tailors, gunsmiths and bootmakers. These colonial manufacturers and farmers had been practicing economic freedom all along; simply because the Crown was too busy with other matters to interfere seriously. There were numerous laws designed to regulate trade, but the laws were difficult to enforce, and so they were ignored.

Mercantilism

The nations of Europe at this time embraced a theory of economic organization called "Mercantilism." Mercantilism was based upon the idea of national rivalry, and each nation sought to get the better of other nations by exporting merchandise in exchange for gold and silver. The goal of Mercantilism was the enhancement of national prestige by accumulating the precious metals, but the goal was not nearly so significant as the means employed to reach it. Mercantilism was the planned economy *par excellence*; the nation was trussed up in a strait jacket of

regulations just about as severe as the controls imposed today upon the people of Russia or China. The modern authoritarian state, of course, has more efficient methods of surveillance and control than did the governments of the seventeenth and eighteenth centuries, but the basic idea is similar.

Take the theory of Mercantilism and boil it down. What do you get? You get political control over what you eat. Now, if someone holds the power of decision over you as to whether you eat or starve, he's acquired considerable leverage over every aspect of your life; you do not bite the hand that feeds you! If someone controls your livelihood, you do his bidding, or people start talking about you in the past tense!

Mercantilism, in short, is the prototype of today's totalitarian state, where government — by controlling the economy — exerts a commanding influence over people in every sector of their lives.

The major theme of *The Wealth of Nations* has to do with the interaction between government and the economic order. The theory of Mercantilism held that government must control and manage the economy, else production would be chaotic and the right people would not be properly rewarded. Present-day collectivists concur; they want a national plan which taxes away

about 40 per cent of the peoples' earnings in order to redistribute these billions of tax dollars to politically selected individuals and groups.

Questions of Political Power

The actions of the redistributive state — call it the welfare state if you prefer — are political actions. From ancient times to the present, every political theorist — except the Classical Liberals — tried to frame answers for three questions.

The first question was: Who shall wield power? Whether the structure took the form of a monarchy backed by divine right or a democracy based on the so-called will of the majority, it was essential that power be wielded by the small group thought most fit to exercise rule. The ruler's job is to program our lives toward the achievement of national goals. But it was never power simply for power's sake; it was political power for the sake of the economic advantage power bestows.

So the second question is: For whose benefit shall this power be wielded? The court at Versailles is a good example of what I mean. The French nobles favored by royalty lived rather well, although they'd rather be caught dead than working. In virtue of their privileged position in the political structure, they got something for

nothing. I daresay that each of you can think of parallel instances operating today, even in our own country. Now, when someone in a society gets something for nothing through political channels, there are others in that society who are forced to accept nothing for something! And the third question, of course, is: At whose expense shall this power be wielded? Somebody must be sacrificed.

Let me repeat these three questions, for they provide an apt key to many political puzzles: Who shall wield power? For whose benefit? At whose expense? One might put this in a formula: Votes and taxes for all; subsidies and privileges for us, our friends, and whoever else happens at the moment to pack a lot of political clout.

The American system was to be based upon a different idea. It took seriously the ideas of God, the moral order, and the rights of persons. It discarded the notion of using government to arbitrarily disadvantage a selected segment of society, and instead embraced the ideal of equality before the law. Government, in this scheme, functioned somewhat like an umpire on the baseball field. The umpire does not write the rules for baseball; these have emerged and been inscribed in rule books over the years and they lay down the norms as to how the game shall be played.

If any person is on the field it is to be presumed that he has freely chosen to be there, and in his thoughtful moments he knows that the game cannot go on unless there is an impartial arbiter on the field to interpret and enforce last-resort decisions — such as ball or strike, safe or out at first. Government, similarly, enforces the previously agreed upon rules.

This is the political theory of Classical Liberalism, and it marks a radical departure from all other political theories. It declared that the end of government is justice between persons, and maximum liberty for everyone in society. "Justice is the end of government," wrote Madison in the 51st *Federalist Paper*; "it is the end of civil society."

Government Is Force

The point to be stressed is that the essential nature of government — its license to resort to force at some point — is not changed by merely altering the warrant under which government acts. Divine right or popular sovereignty — it makes no difference to this point: Government is as government does.

Governmental action is what it is, no matter what sanction might be offered to justify what it *does*. The nature of government remains the same even though its sponsorship be changed from monarchical

power to majority rule. Government always acts with power; in the last resort government uses force to back up its decrees. The government of a society is its police power, and the nature of government remains the same, even when office holders are elected by a vote of the people. And when the police power — government — is limited to keeping the peace of the community by curbing those who disturb the peace — criminals — then there is maximum liberty for peaceful citizens.

"The history of liberty," wrote Woodrow Wilson in 1912, "is the history of the limitations placed upon governmental power." The 18th century Whigs achieved a limited monarchy in England, and a constitutional republic for the thirteen colonies. This was a victory for freedom over tyranny. Such battles, however, do not stay won, and in our time many people have lost their freedom.

Twentieth century political despotism is much more extensive and severe than the monarchical rule of Smith's day, which is why *The Wealth of Nations* is still a relevant book. Smith demonstrated that a country does not need an overall national plan enforced upon people in order to achieve social harmony. This is not to say that a peaceful, orderly society comes about by accident, or as the result

of doing nothing. Certain requirements must be met if people are to live at peace with their neighbors. It is required, first of all, that there be widespread obedience to the moral commandments which forbid murder, theft, misrepresentation, and covetousness. The second requirement is for a legal system which secures equal justice before the law for every person. When these moral and legal requirements are met, then the people will be led into a system of social cooperation under the division of labor "as if by an invisible hand."

Adam Smith liked this metaphor of "an invisible hand" and used it in *Theory of the Moral Sentiments* as well as in *The Wealth of Nations*. Every person, Smith writes, employs his time, his talents, his capital, so as to direct "industry that its produce may be of the greatest value. . . . He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. . . . He intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intentions." Smith concludes this passage by adding, sardonically, "I

have never known much good done by those who affected to trade for the public good."

What is Adam Smith telling us? He is saying that if we operate within the proper moral and legal framework, employing our God-given talents to the limit of our powers, then we will find individual fulfillment directly and get the good society as an unexpected bonus.

Equality, Liberty, Justice

The Wealth of Nations is generally regarded as a work on economics, but Smith did not think of himself as an economist. Smith was a professor of Moral Philosophy at the University of Glasgow, where he lectured on ethics, rhetoric, jurisprudence, and political economy. Ask Adam Smith for a thumbnail description of the system of political economy he believed in, and he'd reply that he advocated "the liberal plan of equality, liberty and justice."

These three virtues together characterize the free society, and in fact they are but three facets of a single truth. Equality, as the term is used in the Declaration of Independence, and here by Adam Smith, means the abolition of privilege — one law for all men alike because all men are one in their essential humanity. Because all people are created equal, it is

wrong for government to play favorites and bestow advantages on some at the expense of others. The goal is "equal and exact justice for all men, of whatever state or persuasion" — to quote from Jefferson's First Inaugural. Justice is equality before the law, and this describes a society where each person may freely pursue his own goals, provided he does not infringe the equal right of all the others to pursue theirs.

You're all familiar with the division of society into a public sector and a private sector; call the former the governmental, coercive sector, if you prefer, and the latter the voluntary sector. When the governmental sector expands, the voluntary sector contracts, and vice versa. The efforts of the old-fashioned Whigs and the Classical Liberals were directed toward the goal of a government limited to maintaining the peace of the community and assuring justice and fair play among people — the umpire role in society. This expanded the voluntary sector and gave us the ideals of freedom of speech, freedom of the press, and religious liberty. And in 1776, Adam Smith provided a rationale for freedom of economic action.

One of the large questions which every society has to face and resolve is: How shall the economic rewards be allocated? Food, cloth-

ing, shelter — as well as things like automobiles, television sets, refrigerators, concerts, and trips to Europe — are in limited supply. How shall we "divvy up" the available quantity of these goods? Who gets what?

We know how it was under the old regime: those who wielded political power used it for the economic advantage of themselves and their friends, at the expense of those who lacked political power. There were Haves and Have-nots, and the Haves obtained their wealth by seizing it.

But when men are free, economic rewards are parceled out in a different manner. The free society allocates rewards in the market place; the Haves get that way by pleasing the customers, at which game some are more successful than others.

Consumer Choice

Every one of us in a free society is rewarded in the marketplace by his peers, according to the value willing buyers attach to the goods and services he offers for exchange. This marketplace assessment is made by consumers who are ignorant, venal, biased, stupid; in short, by people very much like us! This does seem to be a clumsy way of deciding how much or how little of this world's goods shall be put at this or that

man's disposal, and so people of every age look for an alternative.

There is an alternative, and it runs something like this: People are too dumb to know what is good for them, and they fall easy victims of Madison Avenue. Therefore, let's invite the wise and good to come down from Olympus to sit as a council among men, and we'll appear before them one by one, to be judged on personal merit and rewarded accordingly. Then we'll be assured that those who make a million really deserve it, and those who are paupers belong at that level; and we'll all be contented and happy. What lunacy! The genuinely wise and good would not accept such a role, and I quote the words of the highest authority declining it: "Who made me a judge over you?"

The Alternative Is Worse

The market-place decision that this man shall earn twenty-five thousand, this one ten, and so on, is not, of course, marked by supernatural wisdom; no one claims this. But it is infinitely better than the alternative, which is to recast consumers into voters, who will elect a body of politicians, who will appoint bureaucrats, who will "divvy up" the wealth by governmental legerdemain. This mad scheme backs away from the imperfect and crashes into the impossible!

There are no perfect arrangements in human affairs, but the fairest distribution of material rewards attainable by imperfect men is to let a man's customers decide how much he should earn; this method will distribute economic goods unequally, but nevertheless equitably.

Parenthetically, it should be understood that the market does not measure the true worth of a man or a woman. If it did, we would have to rate all who make a lot of money as superior beings — rock music stars, producers of porno films, publishers of dirty books, television commentators, authors of best sellers — and they're not superior. To the contrary! But such people constitute only a tiny sector of the free economy, and they are a very small price to pay for the blessings of liberty we enjoy.

In a free society, those who earn more than the national average are entitled to enjoy their possessions, for they've gained them in a system of voluntary exchange; the well-being the Haves enjoy is matched by the well-being they have bestowed upon other people — as these other people measure it. There is genuine reciprocity in the free society. But opponents of the market are blind to its built-in mutuality. The Left, therefore, will make a determined effort to instill a guilty conscience in every-

one who lives above the poverty level. They use Karl Marx's exploitation theory which alleges that the man who works for wages produces, over and above his wage, a "surplus value" which is garnisheed by his employer. To be employed — they tell us — is to be exploited, and the whole capitalist class should feel guilty for denying the working class its due!

"Surplus Value" Exposed

This naive and vicious notion was demolished even while Marx still lived, by the economist, Böhm-Bawerk — founder of the Austrian School. Böhm-Bawerk did it again in a second book, in 1896, with the result that the exploitation theory is not now promoted even by Communist theoreticians. But the "surplus value" idea does intensify feelings of envy and guilt, so it is still useful as propaganda.

The free economy sounds pretty good in theory, you might say, but what does it do for the poor? Well, it takes most of them out of that category! A free people becomes a prosperous people. To the extent that the free economy has been allowed to operate in a nation, in like measure has the free economy elevated more people further out of poverty, faster, than any other system.

It is easy to see why this is so. Poverty is a lack of certain things.

A man is poor whose supply of food, clothing, and shelter are meager; he has only one shabby suit, his diet is macaroni and cheese, and he lives in a sparsely furnished room. A man moves out of poverty only as he acquires better clothes, a more varied diet, and then expands into an apartment or a house. People are well off or less well off according as they command more or less of the things which are manufactured or grown. This is axiomatic, and it follows that poverty is overcome by increased productivity and in no other way. America is the world's most prosperous nation because America has been the most productive nation; we have more wealth because we produce more wealth.

Who has the biggest stake in the free economy? Who has most to lose if the free economy lapses into the planned state? Not the rich; the poor! The corporate executive type; the shrewd, energetic, hard-driving, far-seeing, imaginative, nimble, smart, tough executive will make a bundle under any system. In Russia he'd be a commissar. It's the not so smart, not so energetic, not so imaginative, plodder type who has the biggest stake in the free society. This description fits most of us, and there is a place for us in the free society, where we are rewarded

quite handsomely. We'd be serfs, or worse, in most other societies — if we survived liquidation!

When people are free, there is no guarantee that they'll use their freedom wisely. Freedom of speech does not assure witty conversation, eloquent preaching, or lofty utterance. Most talk, as a matter of fact, is banal and shallow and gossipy; but no one on this account suggests we put a political ban on free speech. We have freedom of the press, with the result that we are knee deep in triviality and garbage. But we support freedom of the press anyway, knowing that a governmentally controlled press would be far worse. Freedom of religion opens the door to all kinds of weird cults, as well as to exotic brands of superstition and magic; but no one advocates that we re-

peal the First Amendment and set up an American National Church!

That is what freedom is all about — putting up with things we don't like, and living with a lot of people we can barely stand! We must support the processes of freedom even when we cannot endorse every one of the products of freedom. And that goes for freedom of economic enterprise as well — as Adam Smith advised 200 years ago.

Now, neither the free economy nor its business sector can guarantee to every person full realization of his potential talents; this is a matter for individual decision. All the free society can promise is maximum and equal opportunity — and this is all the guarantee we need. ●

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phrase contains two words, and that meaning must attach to both "property" and "rights" in order to clarify the speaker/writer's postulate.

Traditionally, we attribute to property a definition related to things, corporeal or incorporeal objects existing in the real world: (1) land (real property), or (2) livestock/goods (personal property). Yet, such a simplistic definition unduly limits adequate comprehension of the nature of man, his rights and his liberties. *Property* describes objects, to be sure, but *property rights* concern the *relationship* of an individual to things in the universe. Property itself possesses no rights: can one really impute *rights* to a home-stead, or a blossom, or an automobile? By definition, a *right* consists of a pre-eminent claim of one human being to a certain state of affairs in contrast to other human beings; thus, nonhuman objects cannot possess rights by the very terms employed.⁴

The Concept of Property Rights presupposes a concept of value.⁵ Value refers to a subjective individual internal scale of preferences between alternatives. Human action forms a fundamental reality: man acts; he chooses between alternatives;⁶ he rests his choices upon (a) his perception of reality and (b) his subjective value judg-

ments or individual scale of preferences. James Madison, a diminutive man with a magnificent insight, touched upon this thought shortly after the birth of the Republic:

This term [property], in its particular application, means "that dominion which one man claims and exercises over the external things of the world, in exclusion of every other individual."

In its larger and juster meaning, it embraces everything to which a man may attach a value and have a right, and *which leaves to everyone else the like advantage.*

In the former sense, a man's land, or merchandise, or money, is called his property.

In the latter sense, a man has a property in his opinions and the free communication of them.⁷

Thus myopia produces a view of property as visible things in the outside world; truth reveals property inherent in ideas, concepts and things of the mind. The laws concerning copyright, trademarks, and trade names rest upon this tacit knowledge.

Property Rights

Once we understand the breadth and scope of property, it remains imperative to examine the other half of the equation, the concept of property rights.

To merely state that property

rights refer to the relationship of an individual to a *res* or an idea *vis-a-vis* other human actors offers scant insight into the salient nature of the doctrine under examination. Incisive inquiry demands evaluation of the depth and sweep of the relationship. Generations of law students learned to visualize rights in property as a bundle of sticks, with each succeeding conveyance, transfer or limitation depleting the original bundle by one or more branches. A California Superior Court judge aptly pointed out the two broad aspects of property rights when he noted the attributes of *dominion* and *exclusion*⁸. A mighty skinny package of limbs remains if one's dominion over an automobile, a book, or some acreage does not countenance the legal exclusion of other men from its bounds and borders. Likewise, the transitory "right" to exclude one or more individuals from a given object means little if the party performing the exclusion possesses no personal right to enjoyment of the thing in question. In the broad sense, property rights refer to the legally-sanctioned power of an individual to possess, use, own and exclusively enjoy the *res* or idea under discussion.⁹

Rights represent absolute power to seek an end. The concept of rights cannot tolerate an erosion without destruction of the concept

per se. In this sense, rights which flow from nature, or the universal truth, or reality, must be perceived as *absolute*. A right which exists in fantasy, or ephemerally, or at the whim of some other actor, does not deserve the appellation.

Consider these strict normative statements in the ambience of property rights. Suppose A owns Blackacre: we commonly announce that he possesses a property right therein. The meaning: A can exclude all trespassers from Blackacre; he can employ it to grow crops or to feed cattle; he can allow it to deteriorate into wrack and ruin, if that be his pleasure; he can open it to the world, or he can bar all others and live in the splendid seclusion of a hermit. Suppose, however, Blackacre exists in Jefferson, a state which engages a planner and embarks upon the device of land-use control and zoning. In so doing, Jefferson (the collective force of mankind assembled in Jefferson) restricts the permissible uses to which A may put Blackacre. It becomes a contradiction in terms to speak of A's property rights in Blackacre: A's "rights," now mere illusions, depend upon the whimsey of others.¹⁰

One might urge, quite reasonably, that restriction of a single aspect of one's rights in property leaves the remainder unsullied: in the foregoing example, Jefferson's

zoning ordinance might merely prohibit A from raising sugar beets on his land or from constructing an edifice more than three stories high; all other sticks in A's bundle of rights regarding Blackacre would remain extant. This argument ignores two inter-related factors: (a) the concept of fundamentals and (b) the idea of precedent. If property represents a *right*, it must remain untrammelled, secure in its entirety, else it fails to meet the definition of "right". The concept, as well as the definition, represent a fundamental, inalterable principle and, as the late Dr. F. A. Harper made manifest, fundamental principles can be breached but not compromised.¹¹

Again, contemplate the effect of precedent, the human tendency to look over one's shoulder and to pattern current conduct upon past action. Our land-use example serves us well in this endeavor, for land-use planning, commenced as simple "agreeable" zoning ordinances overtly designed to "keep out harmful and obnoxious industries", developed into a hydra-headed monster encompassing comprehensive plans which detail and manage the every individual action of a community, county, state or region. Refer to A and his Blackacre; if we grant Jefferson the power to take a single twig

from A's bundle of rights, we set a dangerous intellectual and practical precedent for future incursions into private rights; each subsequent norm, grandly cast in eloquent language, designed to promote some hallucination labeled "public interest", and calculated to further the aims and ambitions of greedy, avaricious men holding power, feeds upon each past invasion as a justification for further destruction of human rights.

The Dimension of Property Rights — Unbounded Dominion

The absolute nature of property rights discloses the salient truth that the individual human actor should possess unbounded dominion and exclusive control over property which he owns. Correct comprehension of this hypothesis compels consideration of three related issues which should serve to illuminate the basic precept.

First, some analysts suggest a rule resembling the following: each individual should enjoy a right to life, liberty and property without restriction save that he grant an equal, reciprocal right to every other human being and not employ his property in an aggressive or deceitful manner. Properly understood, this explanation reiterates the former statement. The mere fact that one uses his property as a fraudulent or aggressive

implement does not necessarily destroy his relation to that property. Property does not defraud or maim: human actors do. Hopefully, civilization has advanced beyond Anglo-Saxon times of the "bot" and "wergelt" where injured persons wreaked vengeance upon dumb beasts and inanimate objects which "caused" harm. If an individual fires a pistol and injures another, the proper remedy lies not in destroying the gunman's relationship to his weapon or the pistol itself, but rather in restricting his liberty as a means of societal protection and individual restitution. True, some systems of justice employ fines and penalties as a means of accomplishing retributive ends, thus forcibly altering human relationships to property; in this sense alone, the second definition may modify the former.

Second, the rule must be understood as containing an implied *caveat* that normative regulations pertain to living human actors, in the main. Legal philosophers have endured a long struggle over the issue of whether, and to what extent, a decedent may or should control the distribution of property. Statutes of Mortmain, the rule against perpetuities, and restraints upon testamentary alienation all express the human interest of removing the dead hand (Mort-

main) from property which the survivors believe should belong to, and serve, the living. Testators, donors, and their counsel have proved similarly artful in circumventing some, if not all, of these restrictions by use of trusts, charitable gifts, nonprofit corporations, foundations and other artificial entities which extend beyond the normal human life span. Proponents of freedom should opt for the maximum donative liberty to possessors of property and should decry attempts to impair the transmittal of goods and ideas according to the owner's quirks and values.

Third, the concept of property must envision contractual freedom upon the part of the living possessor wholly consonant with the recognized power of the testator to bequeath or transfer possessions on his demise. The postulate of unfettered dominion and unqualified authority to exclude others necessarily demands recognition of the guaranty to every man that he may give, sell, transfer, maintain, keep or destroy his property as he sees fit so long as he does not thereby harm another person enjoying a concomitant right. The free society, in final analysis, rests upon the cornerstone of contract, the voluntary and unimpeded transfer and holding of ideas, goods and services.¹²

The Meaning of Property

Property represents created value. Meaninglessness mars any reference to "property" possessing no value to any individual. Each human being evaluates tangible and intangible things upon his scale of preferences and acquires that upon which he places a subjective priority. Two attributes particularly distinguish man from other inhabitants of the earth: (1) the concept of moral choice, and (2) his power to create and assess value in objects.

Material things evince no property value apart from their relationship to one or more men. One cannot meaningfully say that a tree in a pre-human epoch possessed a value, or that some later resident of the earth enjoyed a property right in its now-nonexistent trunk, bark or roots. Oil existed in one form or another under the Arabian desert from pre-Cambrian times, yet it took on significance only with the advent of the modern industrial culture; prior to that event, man did not seek it; subsequent to that occasion, man (or some men) accorded it a place of value in the scheme of things.

Yet man's ability to assess value — to evaluate or judge the worth of things or concepts — cannot be divorced from his correlative attribute, the creation of value. Oil in Saudi Arabia represents no real

value to a citizen of Nebraska or Norway without the application of human effort and ingenuity to extract, refine, transport, and deliver a usable and useful product to one who wishes to exchange something he has acquired or created for the product. Application of human abilities creates the value attached to property.

Man can acquire property by two discrete and disparate means: (1) he can create it directly by his own efforts, or indirectly by creating something of value to another person and trading with the other, or (2) he can annex it by coercive and aggressive means. In simple language, man procures property rights by creative or by aggressive effort. No matter the mode of acquisition, property must be created by someone and valued by someone in order to fit the definition.

Indivisible Rights: Life, Liberty and Property

The draftsmen of the Declaration of Independence and the United States Constitution, like their philosophical predecessors such as John Locke, proclaimed the triumvirate of natural human rights — to life, liberty, and property — as if they formed three discontinuous virtues separated by both conceptual and actual barriers. In fact and in essence, the

"natural rights" of life, liberty and property present different aspects of the same facade, as though one viewed the identical building from three different angles.

Recur to fundamentals. Every individual possesses a right to live his life unmolested by others so long as he works no force or fraud upon his neighbors, a right to chart his destiny by the particular stars he perceives.¹³ Grant this premise and the corollaries discussed in this tract fall naturally and inevitably in place. From this fundamental axiom derives the right of each individual to free action, to liberty, since one cannot seek his own subjective ends if other men plot constraints which reduce or eliminate the full sweep of the actor's choice or pre-determine his ends.¹⁴ Life means life lived to its fullest, given the person's nature and ability, untarnished by the forceful actions of others. Living without liberty offers a poor excuse for life. In like manner, the same fundamental premise begets a right in each man to retain or transfer, on his own terms, that which he creates or produces, "property rights" in the argot, since no one can be meaningfully free to live his life in quest of his goals if he cannot employ, enjoy, barter, donate or devastate that which he has created.

One must not tolerate any limi-

tation on this basic postulate under the guise of state interest or public purpose, else the errors of miscomprehension of fundamentals and undesirable precedent, noted before, will ineluctably sully the integrity of the solemn doctrine. An advocate might disdain the power-nee-right to destroy created value, urging that the "world deserves a masterpiece" or some such tomfoolery. Neither the world at large nor any human being therein can morally stake a claim to that which another has produced. Recall the subjective nature of value and ask whether one could morally condemn Enrico Fermi if he had destroyed his notes and refused to disclose his findings which led to nuclear detonation: would "the world" be better served with or without his research? The right to property necessarily includes the right to use and dispose of those goods, services and ideas as the possessor sees fit.

This identity of rights underscores the fallacy inherent in the phrase that "human rights deserve a transcendent station when compared to property rights". Human rights *are* property rights, and property rights *are* human rights.¹⁵ All other rights become worthless if the state or some individual or group of men possess an uncontrollable and pre-emptive power over the property of the

owner.¹⁶ Property rights mean the rights of a human actor to dominion and exclusive control over ideas or objects *vis-a-vis* other men and women: no more fundamental "human" right exists than the right to use and control things and thoughts so as to manage one's life and follow one's star. Freedom of speech appears spurious where the government prohibits private ownership of all placards, sound trucks, and meeting halls; freedom of press deteriorates into an empty semantic exercise where the state monopolizes newsprint and printing presses; anti-loitering laws can nullify a proclaimed freedom of association.¹⁷ Edmund Opitz has put the matter precisely and succinctly from a slightly different perspective:

Despotism does not merely seek to control the external conduct of men; it knows that men may conform externally even while swallowing the revulsion that seethes beneath the surface. Despotism, therefore, must seek to control men's ideas and their thoughts. Once this is accomplished, then each inner-directed man will control his own conduct willy-nilly in accord with the planner's blueprint.¹⁸

Property control thus wends its inevitable tracks to thought control, and thence to personal control.

Civil liberty and a right to life

cannot exist, then, in the absence of an unabridged right to property, for one cannot be truly recognized as the skipper of his own life when he must exist at the whim and caprice of others.¹⁹ Yet another facet of the truth of indivisibility remains to be explored: the necessary interrelationship of human freedom between several individuals. In a word, my freedom depends on yours, and my property rights exist only so long as yours remain inviolate.²⁰ The invasion of a person's property, for whatever professed reason, destroys the fundamental inviolability of property generally and affords a pragmatic precedent for future coercive action.

Dean Russell aptly sums up the case for the indivisibility of liberty:

Freedom is based on ownership. If it is possible for a person to own land and machines and buildings, it is also possible for him to have freedom of press, speech, and religion. But if it is impossible for a person to buy and sell land and other resources, then it is also impossible for him to have peaceful access to any effective means of disagreeing with the decision of his government. Thus my contention is that, in the final analysis, human freedom stands or falls with the market economy of private ownership of the means of production and distribution.²¹

And Nobel Prize winner, Friedrich A. von Hayek, adds a salient postscript:

What our generation has forgotten is that the system of private property is the most important guaranty of freedom, not only for those who own property, but scarcely less for those who do not.²²

The Pursuit of Happiness

Return now to the resonant Jeffersonian phrase — the pursuit of happiness — and observe how neatly it fits with the philosophy of freedom and individual property rights discussed.

Ask first: What is happiness? No universal response obtains save in the form of tautology, and with good reason, for happiness depends solely upon the subjective values of each unique human creature. For one it may be lolling on the gentle beaches, for another working on a composition, for a third praising God, for yet another basking in the ownership of material things. Each person creates his own happiness or melancholy according to his character and that ever-present internal scale of preferences and choices between alternatives. Property may afford the means of achieving happiness, just as it may constitute the condition itself.

Note secondarily, the intentional

employment of the term "pursuit". No one can, or should attempt to, guarantee a happy issue out of the afflictions of this world. Correlative with man's frailties and finite nature lies the undeniable realization that things do go wrong, that plans come a cropper, that friendships go awry. Law, properly utilized in accordance with the philosophy of freedom, can only guarantee man the liberty to *seek* happiness, whatever his goals, so long as he does not trample upon the equivalent rights of others.

Accordingly, the phrase "life, liberty and the pursuit of happiness" truly affords mankind the opportunity to live each solitary life apart from the external bars and restraints imposed by other men, to create and distribute value in the manner and mode which harmonizes with the creative talents and purposes, and to pursue those values which carry meaning to the unique being holding the particular concept of worth. Thus, the multifaceted language revolves about a single truth: Man lives better and more nearly achieves his potential if other men leave him unhindered.

When Worlds Collide

It remains to discuss the harmony of human values and to consider the adjustment of conflicts

resulting from competing human drives.

Initially, the collision of rights is more apparent than real.²³ Proper analysis normally defines away the problem.²⁴ Consider the current miasma of land-use control. The advocates envision planning and zoning as a means to secure a pleasant environment for the citizenry, away from dust and fumes and ugly edifices. Such a reasonable desire, until viewed under the microscope of rigorous analysis. Remember the salient and valid proposition that property values, like all values, are subjective: what is good or beautiful or desirable depends wholly upon the intricacies of the individual perceiver. If each of us conjured up the form of the perfect "lot" and committed our concepts accurately to paper, a comparison would reveal *no* concatenation of forms: each one of us would provide a different perception of the idea.²⁵

Application of these fundamentals to the present question of land-use planning reveals that each and every instance of land-use planning and zoning, no matter how phrased, devolves to one simple proposition: one or more people who do not own specific land enjoy control of the political apparatus which can be employed to require other people to use (or not to use) their earned value (land,

in this instance) in some manner not desired by the owners. In short, one person or group imposes their subjective values of appropriate land use upon other persons possessing differing subjective values. One man's green belt amounts to another man's eyesore. Behind the pretty mask of "public interest" may lurk pure, unfettered dictatorship. As to the ultimate justification — "public interest" — the public has no "interest"; groups of individuals have interests. The platitude of "public interest" merely cloaks the reality of forceful deprivation of rights by those enjoying political power against those lacking such regency.

Favor the Individual

Simply stated, where a man's rights are threatened, especially by government action, this country should strike the balance in favor of individual control of individual action according to individual values.

In the further instance where an immediate solution to conflict does not seem readily apparent, disputes may be adjudicated in accordance with principles of freedom and *sans* irrational deprivation of property. The solution rests with the amazing elasticity of the common law, that ancient device of putting seemingly insolvable interpersonal rifts to an impartial

judge and community jury for decision. In the past, the common law oftentimes resided upon basic common sense occasionally flavored with statist aberrations. The passage of time has accentuated the latter ingredient.

A free society demands a recognized mechanism for decision-making as well as an accepted body of rules for finally concluding squabbles. Men committed to freedom can simply design both institutional character and narrative content by reflecting upon the definition, processes and issues of liberty. The law of riparian rights or prior appropriation, aptly modified to reflect the fundamentals of freedom, can safely, swiftly and securely protect an abutting owner from one who pollutes a stream, just as the ancient rules of trespass and nuisance, garbed in modern dress, can evaluate and settle altercations between adjoining property owners when, for example, noise, fumes, particulates or soot waft from Blackacre to Whiteacre.²⁶

Respect for free choice and adherence to the concept that each man should be accorded the right to live his life unrepressed by other men or their external hamstrings so long as he does not initiate aggression or fraud against another must undergird any system of common law.

Achievement of such a structure will lay the foundation for the pursuit of happiness envisioned by the founding fathers. 

• FOOTNOTES •

¹ Declaration of Independence of the United States of America.

² I owe recurrent gratitude to Leonard Read for this succinct, penetrating and happy phrase. See Read, Leonard E., "Justice versus Social Justice", *Who's Listening?* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York 1973) 93, et seq.

³ E.g., Constitution of the United States, Amendments V, XIV.

⁴ Poirot, Paul L., "Property Rights and Human Rights", 2 *Essays on Liberty* 79 (1954). See Bayes, William W., "What is Property?" 20 *Freeman* (No. 7) 392, 394 (July 1970).

⁵ See Foley, Ridgway K., Jr., "The Concept of Value in Ethics and Economics", 25 *Freeman* (No. 2) 115-123 (February 1975).

⁶ See Foley, Ridgway K., Jr., "Choice or Chains", 24 *Freeman* (No. 4) 199-204 (April 1974).

⁷ Madison, James, IV *Works of Madison* 478-480 (March 27, 1792); reprinted in 22 *Freeman* (No. 4) 248-250 (April 1971). See also Bayes, Note 4, *op. cit.*, at 347.

⁸ Palmer, William J., "Prophets, Jurists, and Property", 17 *Freeman* (No. 2) 92, 100 (February 1967).

⁹ Bayes, Note 4, *op. cit.*, 20 *Freeman* at 393.

¹⁰ Palmer, Note 8, *op. cit.*, 17 *Freeman* at 95.

¹¹ Harper, F. A., "Morals and Liberty", 21 *Freeman* (No. 7) 426, 430 (July 1971).

¹² The doctrine and theory of contractual rights and obligations in a free society deserves separate and thoughtful analysis, beyond the scope of this treatise.

¹³ A more ample development of this

theme appears in Foley, Ridgway K., Jr., "A Libertarian Looks at Life" (unpublished manuscript).

¹⁴ See Foley, Ridgway K., Jr., "The Rationale for Liberty", 23 *Freeman* (No. 4) 222-229 (April 1973).

¹⁵ A thorough explanation of this truth, and a clear exposition of the human rights/property rights false dichotomy, appears in Rothbard, Murray N., "Human Rights are Property Rights", 6 *Essays on Liberty* 315 (Foundation For Economic Education, Inc., Irvington-on-Hudson, New York 1959); Poirot, Paul L., "Property Rights and Human Rights", *supra*, 2 *Essays on Liberty* 79 (Foundation for Economic Education, Inc., Irvington-on-Hudson, New York 1954); Rothbard, Murray N., *For a New Liberty* (The Macmillan Company, New York, 1973) 43-46.

¹⁶ Palmer, Note 8, *op. cit.* p. 101; *Home v. Los Angeles County Flood Control District*, 25 Cal2d 384, 153 P2d 950 (1944).

¹⁷ For more detailed excursions into these subjects, see, e.g., Summers, Brian, "Economics and the Press", 23 *Freeman* (No. 9) 564-565 (Sept. 1973); Barger, Melvin D., "Let the People Own the Airwaves", 10 *Essays on Liberty* 283 (Foundation for Economic Education, Inc., 1963); Russell, Dean, "Freedom of the Press", 12 *Essays on Liberty*. 404 (Foundation for Economic Education, Inc., 1965).

¹⁸ Opitz, Edmund A., "Some Thoughts

on Censorship", 16 *Freeman* (No. 6) 56, 57 (June 1966).

¹⁹ Palmer, Note 8, *op. cit.* p. 95.

²⁰ See Foley, Ridgway K., Jr., "The Texture of Society" (unpublished manuscript); see also Bayes, Note 4, *op. cit.* at 398-400.

²¹ Russell, Note 17, *op. cit.* at 490. See also, Russell, Dean, "Freedom Follows the Free Market" 10 *Essays on Liberty* 198, 200-201 (Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. 1963) and Russell, Dean, "Basis of Liberty", 12 *Freeman* (No. 7) 9 (July 1962).

²² Hayek, Friedrich A. von, *The Road to Serfdom* (University of Chicago Press, Chicago 1964) 103-104. Of course, correctly viewed, no one exists without property, for each of us possesses his own mind and creates his own value, however slight in the eyes of others.

²³ For a full discussion, see Foley, Ridgway K., Jr., "The Chimera of Rights in Collusion" (unpublished manuscript).

²⁴ See Rothbard, *For a New Liberty*, note 15, *op. cit.*

²⁵ Rogge, Benjamin A., "No New Urban Jerusalem," 3 *Imprimis* (No. 9) 1 (September 1974).

²⁶ I do not propose to lengthen this essay unduly by development of this topic which, after all, deserves definitive and separate treatment. I have viewed one of several aspects of the question in the essay cited at Note 23, *op. cit.*

The Guaranteed Life

WHATEVER the motives behind a government-dominated economy, it can have but one result, a loss of individual liberty in thought, speech and action. A guaranteed life is not free.

A free man has a value to himself and perhaps to his time; a ward of the state is useless to himself — useful only as so many foot-pounds of energy serving those who manage to set themselves above him.

The guaranteed life turns out to be not only not free — it's not safe.

MAXWELL ANDERSON

IDEAS ON



LIBERTY

INDIVIDUAL**FREEDOM**

W. H. HUTT is a paradox. He is a man of extremely clear vision, but he is a most difficult writer. His *Individual Freedom*, which consists of selected essays edited by Svetozar Pejovich and David Klingaman (Greenwood Press, Westport, Connecticut, \$15.95), presents the case for classical liberalism in an unchallengeable way: the parts all fall into place to make for a most consistent whole. But it is a struggle to deal with such observations as "the entrenchment of the non-discriminatory principle would undoubtedly precipitate an enormous disinvestment of the capital invested in what the authors call 'organization aimed at securing differential gains by political means'." What he is saying is that if governments were to stop favoring special interests, money would flow into areas that

would be the most productive for society as a whole. It is all clear enough, but you have to work at translating technical language, sometimes for pages on end.

The reader's reward for persistence, however, is great. What one gets in these essays is a view of political economy that shows how we have gone wrong by departing from the old Adam Smith idea that government should limit itself to the defense of the realm (a military force to guard borders, a police force to handle internal law-breakers), a court system to provide justice, and the making of non-discriminatory rules under which private entrepreneurs can coordinate the economy. Add a concern for public health (the individual has a right to protection against disease spread by the unconcern of others) and you just

about have the case for a free society dominated by consumer sovereignty.

As the editors of these essays point out, Hutt is skeptical of the idea that the government is a group of people who can be entirely disciplined by the ballot box. People are selfish and short-sighted, and they will vote themselves special discriminatory privileges if they can find a way to do it. So it is axiomatic that there must be constitutional checks on special interest groups and their log-rolling political representatives. Hutt would outlaw any form of special interest legislation except for aid to the poor and disabled. But he would not extend the vote to anybody who gets special aid from government. The poor and disabled, if they have the right to legislate on their own behalf, can become a pressure group as fearsome as any.

On Being Realistic

Such an uncompromising devotion to pure classical liberalism is not considered "realistic" in this day and age. It was Hutt's lack of "realism" that caused him to become *persona non grata* in the "apartheid" society of South Africa. But when Hutt says that South Africa's problems cannot be surmounted peacefully by anything other than a return to the

classic liberalism of Locke, Hume, Tocqueville and Hayek, he is so obviously right that the "realists" should stand ashamed.

Hutt realizes that history is a ragged process, and that State-protected miscarriages of justice cannot be corrected overnight. Analyzing what went wrong in South Africa, Hutt says the perpetuation of race discrimination has been due to the use of State power and trade union collusion to preserve the status quo in the interests of an enfranchised white proletariat. The trade union leaders have insisted on a double standard of wages, with the color bar being invoked to keep blacks, "Cape Coloureds" (i.e., mestizos) and Indians from entering closed shop trade unions that have maintained their right to the better-paying occupations.

Obviously, a big majority of the South African whites believe that if there were a greater equality of social and economic status in the "beloved country," it would lead to a demand for the political equality of "one man, one vote." The immediate granting of universal suffrage would, so Hutt concedes, be a disaster. It would quickly degenerate to a condition of "one man, one vote, once." The black party, dominated by the strongest tribes, would quickly dispossess the whites, send the Indians packing to Asia

or to England, and put the Cape Coloureds on a most uncomfortable sort of probation.

A Weighted Franchise

What Hutt suggests is that the repeal of economic and social apartheid should be coupled with the transitional requirement of a "weighted franchise" to reassure minorities that their property rights would be respected. There would be "an equal right to qualify for the vote" by passing educational tests and by acquiring enough property to become responsible taxpayers. An Upper House would be entrusted with the veto and power. The eventual membership of the Upper House would be designed to bring about gradual equality of representation for each of the four South African racial groups as such.

As an added reassurance, Hutt would have the President of his classically liberal Republic chosen from the judiciary, preferably by the judiciary. A Constitution would, in Jefferson's phrase, bind both the President and the legislature by the "chains" of its classical liberal provisions. The police force and the army would be responsible to the President.

The Case of Rhodesia

In Rhodesia there has been an actual attempt to apply Hutt's

ideas of the "weighted franchise" and orderly progress toward a non-discriminatory society that would guarantee the continuing right of a rancher to his acres, and the right of mine owners to sell their chrome ore or whatever at uncoerced market prices. But the sanctions imposed on Rhodesia, says Hutt, have crushed the "pure non-racial democracy there." On paper, the so-called Whitehead Constitution for Rhodesia "had created the nearest example to a pure 'J. S. Mill democracy' that has existed anywhere since the 1870s." But with Cubans now acting as Marxist Hessians along the borders of Rhodesia, the chances for a "weighted franchise" orderly transition in that country are extremely dubious. In all probability it will end in a "one man, one vote, once" Idi Amin type of horror, and then it will be South Africa's turn to face the Marxist wolves as people in the "civilized" nations of western Europe and America sanctimoniously avert their gaze.

The more purely economic essays in this Hutt collection all stress the virtue of price flexibility affecting the various factors of production, including labor. Hutt concedes that it has been a political impossibility to restore wage flexibility as long as Keynesian governments were dominated by trade union labor parties. The

Webbs in England were privately convinced that the British trade union hierarchy was manipulated by "pigs," but they never dared say so in public. Well, "pigs" can't run things forever when an economy is drying up. Hutt, who has never had the influence he deserves, may be looking forward to a better tomorrow when the "pigs" wake up to the reality that the feed in the trough is entirely dependent on the willingness of enterprisers to renew it.

Individual Freedom: Selected Works of William H. Hutt may be ordered at \$15.95 from The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York 10533.

- **HUMAN RIGHTS AND HUMAN LIBERTIES** by Tibor R. Machan (Chicago: Nelson-Hall, 1975) 279 pp., \$11.95.

Reviewed by Anne Wortham

ENTAILED in man's very nature are his rights, argues Dr. Machan, and the nature of these rights requires liberty for their exercise. But although he possesses rights and requires freedom, man has not always known how to justify these rights and defend freedom.

Machan points out that most

people, even in the "free" world, do not know what freedom is. This is certainly true in the semi-free United States where we, "the People," have a long history of voluntarily voting for restrictions on our freedom. We have seen alleged defenders of human liberty advocate every manner of political solution, from structuring society to effect the greater good for the greatest number, to manipulating the differences among people to effect "the good of the least fortunate."

With so many suggestions before us on how to organize the human community according to what is morally good for people, we need to know what our rights are and why they are so crucial to us as individuals and to the community we have established. However, it is not enough to know what we mean by human rights; we must put them into practice in the course of our daily lives. They must assume the utmost importance to us — *personally*. It is important not only to be a morally virtuous person but also to find political solutions that make moral life possible for everyone.

Machan's basic maxim runs as follows: "Each and every person ought to have the maximum freedom of choice and action in the pursuit of his own aspirations, in the conduct of his life."

But even after accepting the principle that everyone ought to live in maximum liberty, Machan tells us, "We are far from being able to identify what this would amount to in concrete circumstances." His next level of defense is to show "that each person could be free to choose and act in the conduct of his own life without obviating the same freedom for others." At this stage of his argument Machan introduces a corollary principle, which is that "each person ought to be free to acquire things in nature" — the right to property. Thence, he provides a moral defense of property and the free economic system, capitalism, while answering the critics in the process.

Finally, in support of property rights, he concludes with a statement that is truly radical in these days of the ever-expanding welfare state and the spreading cancer of the anticapitalistic mentality: "*Acquiring valuables is good.*" This is a simple observation but few people understand it, contemporary political theorists deny it, and many hard-working, tax-paying Americans continue to apologize for it.

While Dr. Machan criticizes the existing state of affairs, he does not demand — nor does his theory require — a basic change in human nature; a change in thinking is re-

quired to provide moral guidelines for our private affairs and community life. The fault of the human community is not the human condition — i.e., human nature — it is a lack of understanding of what the human condition is, what the human community can be and ought to be.

Machan's doctrine of rights is no utopian exercise. He addresses his inquiry and his criticism to "the potential excellence of individual human beings" — *as they exist*, without omniscience, with fallibility, capable of virtues as well as vices. "A community of fully rational, absolutely just, honest, productive human beings — all of whom could not falter from constant virtue — is not one for which our legal system should be designed! That cannot even serve as a model, since the laws of such a system could not adequately deal with the plain fact of evil."

Machan, addressing this work to the "educated layman," chose not to write it in the parlance of his profession. As a professor of philosophy, he continually delivers technical papers on the most complex philosophical questions before professional thinkers in the U.S. and abroad. Indeed, it is to his credit that he is able to expound the most crucial principles of man's existence in the simple and straightforward eloquence of un-

ambiguous language laced with common sense and objectivity. Nevertheless, this material cannot be casually absorbed; one must think about what he is reading. And in so doing, he will find *Human Rights and Human Liberties* a challenging experience, sometimes difficult, but always rewarding.

- **THE CONDITIONS OF FREEDOM** by Harry Jaffa. (Baltimore: Johns Hopkins University Press, 1975) 280 pp., \$12.50.

Reviewed by Haven Bradford Gow

"What is equality?" is a question of enduring interest and importance. Professor Jaffa attempts to formulate an answer in his latest work, *The Conditions of Freedom*, a collection of probing essays.

Any inquiry into the meaning of equality must include an examination of the Declaration of Independence, Professor Jaffa believes. The Declaration begins with an appeal to "the laws of Nature and of Nature's God," and maintains that the proposition "All men are created equal" is a self-evident truth. Furthermore, all men are endowed by their Creator with certain inalienable rights, among them "Life, liberty, and the pursuit of Happiness."

In seeking to understand and explain what the Declaration

means by equality, Jaffa employs the method advocated by his mentor, the late Leo Strauss: no one should criticize a work until he has come to appreciate and understand the author's intention and perspective, and exactly what he is trying to communicate. If one wants to understand what the Founders of our nation meant by equality, one must scrutinize the Declaration of Independence until its key concepts, terms and phrases stand clear.

Throughout his discussion of the Declaration Professor Jaffa displays erudition, razor-like logic, and linguistic precision. Let us consider, for example, how he deals with the troublesome expressions, "self-evident truth" and "all men are created equal." A logical truth is a proposition in conformity with reality; it is a verbal statement that corresponds to something that exists outside the mind. A truth that is self-evident, writes Jaffa, is "one which is evident to anyone who grasps the terms of a proposition in which the truth is expressed." The truth "things equal to the same thing are equal to each other" is self-evident to any person who comprehends the meaning of "same" and "other." No one, comprehending these terms, can fail simultaneously to understand the meaning of "equal."

What the Founding Fathers

meant by equality, observes Professor Jaffa, is this: All men share a common human *nature*, an assertion that depends upon the prior recognition of nature in general, of which human nature forms an important part. The assertion that all men are created equal means that all persons are the *same* in *some* respect; it does not mean that all men are identical, or equally talented, wise, prudent, intelligent or virtuous; rather, it means that all persons possess the inherent capacity to reason, to engage in propositional speech, to comprehend symbols, and to make free choices. Being *created* equal implies the inalienable rights stressed in the Declaration and from these rights corresponding obligations may be deduced.

According to Professor Jaffa, we seek to understand man and his rights, not merely by comprehending what he *is*, but also by understanding what he is *not*. Man is neither a beast nor the God referred to by the Signers of the Declaration. The God referred to by the Signers is a Being Who carries to absolute perfection the partially existing perfections observable in human beings — such as reason, justice, mercy and charity — without the corresponding imperfections. Persons formulate the idea of such a perfect being, not merely to comprehend this Su-

preme Being, but also to understand the limits of their own humanity.

Since men are neither beasts nor gods, they should not play God with other men, nor should they treat other men as beasts. This proposition is, as Professor Jaffa points out, “the elementary ground, not only of political, but of moral obligation.” In short, “the source of the just powers of government lies in the proposition that all men are created equal.”

► **CONCEIVED IN LIBERTY**, by Murray N. Rothbard (Arlington House, 165 Huguenot Street, New Rochelle, New York 10801, 1975) Vol. 1, 518 pp., \$15; Vol. 2, 277 pp. \$12.95.

Reviewed by Brian Summers

THESE are the first two volumes of a projected five-volume history of the American people from the first English settlements to the Constitution. The first covers to 1710. The second covers 1710-1760.

There are several features that distinguish these volumes and recommend them to the reader. First, Murray Rothbard is one of the few historians who understand economic theory. Throughout his narrative he uses economics to explain the antisocial nature of statist interventions such as wage and price controls, mercantilism,

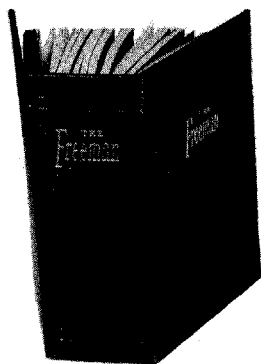
monopoly privileges, and inflation. Although Rothbard does a fine job in furnishing the reader with economic theory, it is best to approach these volumes—or any other history—with an understanding on at least the level of Henry Hazlitt's *Economics in One Lesson*. Without an understanding of economics, no one has the tools to analyze history.

Another feature distinguishing these volumes is the unabashed radical libertarianism of Dr. Rothbard. Focusing on the age-old conflict between human liberty and governmental coercion, he has no sympathy for imperialism, feudalism, slavery, conscription, censorship, or religious persecution. Although the narration is at times

flavored with emotion, the analyses of episodes such as the Salem witchhunt, Bacon's Rebellion, the Zenger trial, and the Georgia experiment are never dull and often enlightening.

Of the two volumes, this reviewer preferred the second. At times, the first volume bogged down in intricate details of colonial politics. Also, the index to the first volume is inadequate. Happily, these flaws do not appear in the second volume.

In net balance, the first two volumes of *Conceived in Liberty* are exciting, enlightening works. This reviewer eagerly awaits the third volume, covering the period 1760-1775, scheduled for publication in June 1976. 



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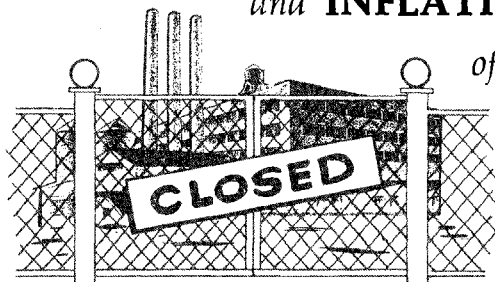
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UNEMPLOYMENT, UNIONS *and* INFLATION:



*of causation
and necessity*

SYLVESTER PETRO

AT A MEETING of the Mont Pelerin Society a few years ago, a controversy arose over the inflationary role, if any, of unions. Among the celebrated free-market economists present, all members of the Society founded by Friedrich

Hayek shortly after World War II, Milton Friedman led a group which contended that since inflation is strictly a monetary phenomenon, and since unions do not control the money or credit supply, there can be no sense in accusing the union leaders of bringing about inflation, no matter what other sins they might be guilty of. Lawrence Fertig took the other side, with an assist from the English economists present, who pointed out that unions, especially in England, are considerably more than merely worker-representatives in disputes with employers, and that they have a great deal of influence one way or another, directly or indirectly, over the monetary policies of government.

Dr. Petro is Professor of Law, Wake Forest University and is the Director of the Wake Forest Institute for Labor Policy Analysis.

This article is presented here, by permission, from a paper delivered March 20, 1976, at Arden House in Harriman, New York, at the Fourth Annual Conference of The Committee for Monetary Research and Education, Inc., P.O. Box 1630, Greenwich, Connecticut 06830. The theme of the 3-day conference was "The Many Alleged Causes of Inflation."

I contend here that Mr. Fertig and the Englishmen were correct — in fact far more correct than they themselves believed. I will show that unions not only can bring about inflation, but that they absolutely must do so in order to survive in the present context of policy and law, at least in the United States, if not everywhere in the western world.

The Role of Unions

We are hearing a great deal these days from such union leaders as George Meany and Leonard Woodcock of the vicious inhumanity of current monetary and fiscal policy, which, according to them, is dooming millions of Americans to the sterile lives which mass unemployment creates. These men and hosts of other union leaders and supporting politicians and intellectuals blame “greedy” businessmen for inflation and an “insensitive” administration and Federal Reserve Board for unemployment. Everybody is to blame, it seems, but the unions. In my opinion there is no hope of a solution of the unemployment-inflation problem till ruling opinion understands that it is brought about largely by our labor policies and the power and the predicament they have created for the big unions.

Admittedly, unions *alone* can-

not cause inflation, and if unions disbanded, inflation might still occur. Nevertheless, I will show that right here and now — current national labor policy being what it is — unions are driven by the instinct of self-preservation to join with other forces to bring about inflation and that, moreover, they rank today among the most powerful and pervasive of all the inflationary agencies in the country.

In a different setting, some other impulse may take over the inflationary role that circumstance, policy, and law presently assign to unions. For so long as we have fiat money and legal-tender laws we shall have inflation. Politicians and bureaucrats, in office or aspiring, will never be able to resist the temptations extended by the exciting possibilities inherent in what amounts to a license to engage in counterfeiting. Who could?

But while another agency may in another time provide the impetus — or flick the inflationary switch — unions at present fill the role. They constitute the pre-eminent political pressure group in the country, and all their pressures coalesce to produce conditions in which the inflationary measures so congenial to power-hungry bureaucrats and demagogic politicians become politically propitious if not mandatory.

I. Inflation Defined in Search for Its Causes

Certain aspects of the controversy concerning unions and inflation trace to unnecessary terminological difficulties and to confusion over the causation question.

Some define "inflation" as a general increase in price levels, others as any increase in the money supply, whether or not such an increase results in generally higher prices. Let us call the first usage "price-inflationism" and the second "money-inflationism."

In this paper I adopt the "money-inflationist" definition, and I do so because it advances and clarifies analysis — a plenty good reason for preferring one definition over another — while the price-inflationist usage fails to do so, or to do so as well. Thus a price-inflationist is likely to believe that he has exhausted inquiry when he discovers (if he ever does) that a necessary pre-condition to a rise in the general level of prices is an increase in the quantity of money (in the broad sense) greater than the concurrent increase in productivity. He is likely to announce that *the cause* of inflation has been located and that the cure lies simply in keeping the money machine from cranking out *excessive* increases in the money supply.

There is a fine and perhaps even appealing technical rigor to the

analysis, but it is nevertheless seriously deficient, and if one adopts the money-inflationist definition, this deficiency appears immediately. Whereas the price-inflationist may say that inflation is *caused* by an abnormal increase in the money supply, the money-inflationist says that inflation *is* an abnormal increase in the money supply. Thus, whereas the price-inflationist's causal search ends quickly, the money-inflationist's only begins with his definition. The price-inflationist stops thinking when he concludes that abnormal increases in the money supply cause prices to rise generally. The money-inflationist, on the contrary, is compelled to begin thinking at the point where the price-inflationist stops.

The money-inflationist must ask himself: what is it that induces a nation to want — or even merely to accept — a policy of deliberately tampering with the quantity and hence the objective exchange value of money (in the broad sense which includes all fiduciary media)? Surely the laws against counterfeiting bespeak a general understanding among the citizenry of the seriousness of counterfeiting as a species of theft. Consider the comments of Tom Buell, the Tory counterfeiter, in Kenneth Roberts' novel, *Oliver Wiswell*, written about the Revolutionary War from

the point of view of American loyalists. Completely contemptuous of the rebels and of the mob rule and demagoguery favored by many of them, Buell sneered at the near-worthlessness of their fiat currency and considered the dollar bills he produced on his own press in every significant respect as good as those which Congress forced people to accept as legal tender. Said Buell of the Continental forty-dollar bill:

That's all it's worth now. . . . That's all it'll ever be worth, after a few more people find out what it's worth, meaning nothing. My forty-dollar bills are just as good as Congress' forty-dollar bills, neither me nor Congress having anything to make 'em good with, so I got just as much right to issue 'em as Congress has. The rebels called themselves a government, didn't they, even though you and I and a million other Americans didn't want 'em to do it, and knew they hadn't any business to? All right: I'm a government, too, Oliver! I'm the government of New India, up on Passamaquoddy Bay! This money of mine, it's the legal currency of New India, and I raised it by taxing myself. If I was a private individual, I'd be more careful; but being as I'm a government, I'm privileged to make a God-damned fool of myself in any way I choose, especially by spending a lot more money than I've got or ever will have, and promising to do things that I ain't got a chance of doing.

Neither politicians, nor bureaucrats, nor citizens are about to accept Buell's position and allow free printing of dollar bills. While that much is obvious, its implications and the questions they raise are not. Why do we all approve of the laws prohibiting counterfeiting while the vast majority of Americans — including distinguished economists — continue to approve the activities of the Federal Reserve Board, even though, from the point of view of economic law, there is no difference between an increase in the monetary supply brought about by discreet counterfeiting and one brought about by the Federal Reserve Board. (I would go further and say there is no difference from the point of view of sound law, either, but that is another subject.)

Flicking the Switch

The explanation lies in a set of facts from an examination of which the inflationary character of our current unionism clearly emerges. Before we go into detail, however, it seems useful to say something about causation for the benefit of those who believe that only the activities of the legal monetary authority — the Federal Reserve System and its satellite banks — can cause inflation.

If, when I flick the switch, the light goes on, is it not meaningful

and, in a certain sense at least, correct to say that I have caused the light to go on? I have not been the sole and sufficient cause; there have been many others: the architect, the building-contractor, the electrician, the scientists who learned something about the natural forces which we call electrical, the natural forces themselves, and on and on to the impenetrable and inexplicable mystery which the ancients called the unmoved mover.

Yet it remains true that I have been the specific cause in the particular case. For despite their significance and the indispensable character of their contributions, the other elements in the causal chain did not produce the result; but for my willed and deliberate action the light would not have come on. I, therefore, have been *the cause that matters*; they, relative to me, have been only the *conditions* within which my causal impulse has been operative.

In the same way, unions are among the causes that matter in producing inflation. To repeat, if we were to abandon fiat-money policies, unions could not bring about inflation; but then nothing else could, either — except reinstatement of the fiat-money system. In the kind of fiat-money system we have, the Federal Re-

serve Board, the printers it employs, the paper manufacturers, and the other means by which it transmits its money-and-credit increasing policies — they all occupy the same position that the architects, electricians, natural laws, and so forth occupy in the production of light when the switch is flicked.

Let us call them *conditions* in which causes may be operative, rather than causes themselves. The term “cause” we shall reserve for teleological agents — persons who bring about certain results because those results are congruent with or necessary to their purposes.

Who Activates the Presses?

In an inquiry of the present nature, this is the only kind of causal analysis which makes any sense. We are not concerned particularly to discover laws of nature or of economics; we don't care about printing technology. What we want to do, if possible, is to eliminate inflation because it threatens the survival of society; and in order to eliminate it we know that we must fix responsibility with precision among the human actors involved — simply because that is the only area susceptible to the kind of corrective available to us. For example we should find the prob-

lem insoluble if, by some perversity, nature inflicted upon every commodity which we adopted as a medium of exchange the same disease of uncontrollable proliferation which afflicts fiat money.

Instead of stopping with the Federal Reserve Board and its quasi-counterfeiting capacities, then, we must ask: who or what turns the Federal Reserve Board on? When we have answered that question we shall have fixed responsibility for the inflation we are suffering now.

The ultimate cause — the prime mover — is, speaking comprehensively, the desire to have a booming economy, in which there are high wages, high profits, and no unemployment, combined with the belief that poverty and unemployment must be combatted by easy money, or by deficit spending which amounts to the same thing.

* * * * *

To sum up the discussion thus far: in the fiat-money system now operative in the United States, increases in the money supply may be the immediate "material cause" of inflation, *but the ultimate causes lie in those agencies whose activities bring about states of affairs which prevailing opinion believes can be cured only or best by inflationary increases in the money supply.*

II. Enter, the Unions

Unions fit into this scheme of things as the actors who do and must bring about the conditions which, in the current state of opinion, can be cured only by easy money. As the chief (though by no means unique) producers and promoters of industrial and financial stagnation and hence of unemployment and misery and poverty; as the most tireless advocates of trade-restrictionism and governmental-expansionism, especially by way of deficit-spending; and finally, as the most powerful, arrogant, and aggressive political force in the country — our trade unions are easily entitled to be called the pre-eminent teleological agents of the inflation now loose in the country. For their prime directive, the chief purpose of their actions — their own survival and aggrandizement — forces them to hit the inflationary switches constantly. In a more sensible frame of labor law and labor policy, unions would have no more power to bring about inflation than any other private agency; but as matters now stand, they are forced by their determination to survive as the beneficiaries of extensive special privilege to bring about states of affairs which produce inflationary increases in the money supply more or less directly.

In order to make the analysis

reasonably complete and convincing, I must establish (1) that unions have the power to bring about the conditions which current opinion is determined to remedy by inflationary measures, and (2) that in the current structure of law and policy unions *must* create those conditions, if they wish to survive. When these things are established we shall understand (3) why unions as political agencies engage in inflationary activities and promote inflationary policies.

Compulsory Collective Bargaining

Taken all in all, the current structure of labor law and labor policy is a vast and infernally complex machine for eliminating all competition in labor markets by promoting compulsory and monopolistic collective bargaining. The ultimate objectives are variously stated — to produce “industrial peace,” to eliminate “commerce-impairing strikes,” to equalize bargaining power between powerful employers and powerless employees, or, by “taking wages out of competition,” to get for workers higher wages and better working conditions than they are able to get by individual bargaining on free labor markets.

This is not the place for a detailed description of the many ways in which prevailing law and

policy create in unions the power to secure for their members wages and other labor returns higher than those which would prevail in free labor markets. A brief account of two of the most significant features will have to suffice as illustrations.

The first and in my opinion the most significant source of monopolistic union power derives from the virtually universal failure of governments in the United States to prevent unionists from violently excluding competitive workers. A great deal of nonsense is heard on this subject. It has been fashionable, for example, to say that “labor violence” is now a thing of the past, and that such violence as existed in the past was mainly the doing of vicious anti-union employers. Both assertions are sheer fabrications.

There is at least as much violence going on now in labor relations as there ever has been, maybe more — and this in spite of the fact that relatively few employers, having learned the sad lessons of the past, dare come to a confrontation by operating plants during strikes. If they do, you can win money betting that there will be violent attempts by the strikers to keep the plants from operating. And in the past, exactly as now, the aggressors have always been the strikers and their union lead-

ers. Consider the fate of the "liberal," pro-union, pro-collective-bargaining *Washington Post* in its recent dispute with its printers.

Such occasional employer violence as has existed has always been in the nature of self-defense, a fact which emerges from even the many biased histories of labor violence, if closely read. For the authors of such works are really saying that employers are in the wrong when they "provoke" union violence by rejecting demands for a "living wage," or when they hire private police to protect their plants against violent strike aggression.

Employers would be guilty of the aggressive kinds of violence common to unions only if they went forward violently to compel strikers to return to work. This they have never done, and have never even been accused of doing.

Monopolistic Wages

Strike violence produces monopolistic wage structures—wage rates higher than would otherwise prevail—by denying competitive workers access to the labor markets in question. It analyzes out as no different from any other exclusive franchise or monopoly grant. The same is true of the other basic and equally destructive special privilege that unions possess — this one granted them by contemporary la-

bor relations legislation: *exclusive representative status*. If a union gains the support of a majority of employees in an appropriate bargaining unit, that union becomes the exclusive bargaining representative of all employees in the unit, no matter how small and contrived the majority may be, no matter how egregiously the NLRB may rig the election, no matter how outrageously the bargaining unit may be gerrymandered.

As exclusive bargaining representative, the union is, so long as it retains such status (an important qualification, as we shall see), what may be called an intra-unit monopolist. It is the only agency that the employer may legally deal with over wages, hours, and other terms and conditions of employment. The employer may not even discuss with dissident employees in the unit any subject which comes within the legally mandatory bargaining range.

If the collective bargaining comes to a bona-fide "impasse" (a literally indefinable condition) the employer is privileged technically to offer directly to the employees the same wages and other terms and conditions which the union has rejected, but if he departs from them at all he is certain to be held guilty of an unfair practice and ordered to resume bargaining with the union. Probably other more or

less serious penalties will be imposed.

If he is guilty of no unfair practice during or after the impasse, he is privileged to lock out the unionists, and they are privileged to strike. However, if there is a strike, and if the employer attempts to keep the business going during the strike by offering striker-replacements terms of employment which the union has rejected, in 99 cases out of a hundred there will be vandalism and violence — which the police will in more cases than not be either unwilling or unable to prevent or control.

Of the numerous cases I have read about or observed first hand, I can say with confidence that in not a single one has a resisted strike been free of violence and intimidation, overt or covert. By necessary inference, the terms and conditions of employment negotiated under the regime of the exclusive representation principle, complemented by the virtual legitimization of union violence in bargaining impasses, must therefore be regarded as containing a monopoly premium. Labor costs under such a system *must* be higher than they would be in freely competitive labor markets.

Collective bargaining must not only produce a monopoly premium in the form of labor returns higher than those which would have

been forthcoming from individual bargaining. Much more importantly, from the point of view of the union leadership, the existing union members must be convinced that they have made such a monopoly gain. Otherwise they will leave the union, and the union leadership would, by virtue of the laws which gave it to them, lose their status and power.

Leaders Must Convince Members Concerning Monopoly Gains

We reach here a critical point. If they wish to retain power, union leaders must convince their members that they have been the beneficiaries of monopoly gains. But such gains carry with them as an inseparable cost that which is implicit in every significant monopoly: namely, a reduction in the production which would have occurred but for the monopoly condition. The necessary consequence of monopolistic labor returns is relative unemployment. The cost of compulsory, monopolistic collective bargaining is continuous and progressive unemployment. No union leader can stop with one monopoly gain. His members are not content to continue paying dues forever on the strength of one large increase in the past. Each union member is always asking of his leadership: "What have you done for me lately?"

Hence union leaders under current labor law and policy are driven to a never-ending career of monopolistic wage-setting. This is another way of saying that they are doomed eternally to use every political, economic, and physical measure available which will tend to (a) produce as many employment opportunities for their members as possible and (b) to eliminate as many contenders for those employment opportunities as possible. Like all monopolists, unions must be interested equally in the shape of their demand and supply curves.

Besides their vital interest in eliminating as much competitive labor as possible and expanding job opportunities to the greatest possible extent for their own members, union leaders are driven by one more unremitting goad: they must keep alive the destructive myths and superstitions upon which class-warfare thrives.

If the union leaders for one moment admitted to their members the obvious truth that employers and employees are bound together by the strongest bonds of mutual and reciprocal self-interest known to mankind — perhaps exceeding even the family bond — the party would be over as far as the union leaders were concerned. They might continue to exist in certain special cases, but as founts of the kind of glory, power, opulence, and

influence which they now enjoy, they would be ciphers.

Once employees learned that they have deeper and more permanent common interests with their employers than they do with their union leaders, unions as we now know them would be no more. Hence, the third of the ineluctable necessities which account for the inflationary activities of unions is the necessity to discredit and to undercut the business community and to deride the rights and privileges indispensable to the survival of the enterprise system.

III. Political Action of Unions

Having now examined the imperatives at work in the quest among labor leaders for survival and power, let us observe the union leaders in political action. For in doing so we shall be able to double-check the analysis thus far. If we find that their political activities fall dominantly in the categories of (1) elimination of competitive labor, (2) creation of as many jobs as possible, useless or not, for their own members, and (3) advancement of measures designed to debilitate the enterprise system, we can be fairly confident that we have been correct. Furthermore, if we find that all their activities add up to conditions in which inflationary measures are made politically irresistible, then we can be

sure that we have been correct on that score, too.

A standard economic analysis holds that unions cannot be responsible for inflation because if they push labor costs and hence prices above market levels in the sectors where they have monopoly power, the ensuing unemployment, owing to labor mobility, tends to push wages and hence prices *down* in the competitive sectors. Thus no *general* increase in wages and prices (and no "inflation" as that term is often defined) occurs. As Albert Rees put it, unionism "alters the wage structure in a way that impedes the growth of employment in sectors of the economy where productivity and income are naturally high and that leaves too much labor in low-income sectors of the economy."

All right as far as it goes, the analysis does not go far enough. The economics are sound, but the more significant political analysis is nonexistent. Unions are not content to let the unhampered market take care of the unemployment they have created. They are not content to do so because they cannot afford to do so. Experience and common-sense economics have taught them that their positions are fatally threatened whenever and wherever they leave labor markets free.

Unions cannot afford to have

vast numbers of unemployed overhanging the labor market, even if they are able to erect impenetrable monopolistic walls around the sectors of the labor market that they wish to control. The free enterprise system is too flexible, too resilient, too adaptable, too mobile. If they leave freedom anywhere, the stultified, monopolized areas will soon die, as the textile industry has died in New England only to emerge more productive than ever in the still nonunion South. The only way they can retain their monopolies, the union leaders have found, is by destroying these characteristics of the system, and hence the system itself. Never take the anti-communist, anti-fascist protestations of the union leaders and their economic advisers and apologists seriously. They may not know what kind of a system they are building, but disinterested observation should certainly be able to see how their efforts, intentionally or not, are destroying the enterprise system.

Eliminate Competition

Unions are preoccupied first and foremost to eliminate entirely from all labor markets any competition that would endanger their monopoly positions. This motivation explains the overwhelming energies they expend in promoting laws forbidding child labor and

fixing minimum wages high enough to reduce white teenage labor and virtually to nullify black teenage labor. It also explains the otherwise inexplicable union pressure for welfare payments so high that they create a permanent corps of unemployed. And there is no need to say much here about union efforts to eliminate competition from imports, for these are a way to eliminate competition from foreign workers, just as high minimum-wage laws eliminate competition from marginal domestic workers. Everyone should be able to think of other such competition-excluding political pressures by unions.

What has to be grasped here is that if unions do not in one way or another either exclude people entirely from labor markets or bribe them to quit looking for work, the enterprise system is bound to put them to work, provided the private sector is allowed to retain some of the capital it creates. One might think that unions would find it desirable to promote all political measures designed to provide ever-increasing private-sector employment: reduction of corporate taxes, elimination of capital-gains taxes, allowance of realistic accounting, removal of nonsensical and debilitating regulatory schemes, and so on. The only possible reason for their

thus far successful opposition to such obviously beneficial policies is that they cannot afford to either let the enterprise system run loose or admit that capitalists and entrepreneurs are by far the best if not indeed the only members of society who can be called uniquely consumer-servants. If they allowed the enterprise system to run loose, it would soon seal them off, leaving them in little pockets of scar tissue, and the action would move to the areas in which they lacked monopoly power.

In fact, something like that is going on right now. In spite of our determined efforts over the last generation to destroy the enterprise system, it is still producing and, closer to our purpose, it is simply going around the unions. Consider companies such as I.B.M. with no unions at all; G.E., no more than half-unionized; the construction industry, where unions are losing ground day by day; the printing industry, likewise. Consider also the flight of the textile industry to the nonunion South, already mentioned. Consider finally that even in the representation elections often rigged by the National Labor Relations Board in favor of unions, year after year at least one-half of the votes, and usually more, are against union representation.

Yes, indeed, union leaders, like

all legally sheltered monopolists, have much to fear from the unhampered market economy.

Preserve Jobs for Members

Besides the necessity of ousting as much competitive labor as possible, unions are faced with the need of preserving as many jobs for their own members as they can. If they do not, they cannot hope to keep the power-base so vital to the political influence and the economic affluence which they cherish. This inexorable drive also must be channeled along destructive ways. Their class-warfare anti-capitalism and their promises of labor returns higher than those produced by competitive labor markets prevent them from encouraging the growth of employment in constructive and productive ways. So how do they direct their awesome political influence?

While innumerable examples of destructive political action by unions are available, let us focus attention on only two of their most recent endeavors. The first is the common-situs picketing bill. Readily available facts demonstrate that the unions spent enormous sums in the form of political contributions to get the bill passed. Its obvious purpose was to preserve as many jobs as possible for unionized construction workers — jobs which the unions themselves

had helped to destroy directly by the monopolistic wage structures in construction that they have created and indirectly by the many measures they have supported which have contributed to the general debility of the economy.

Persons unfamiliar with the field might find it hard to believe that unions should be interested in pushing a bill which, but for the President's veto, was bound in the long run to hurt rather than help the construction industry. The explanation is simple. The unions are not interested in the health of the construction industry — or for that matter any other industry; despite their protestations, they are not interested in full employment. They are interested only in such employment as strengthens or preserves their power base. And that is why they pushed so hard for the common-situs picketing bill. It would have reduced private construction employment, but, and this is the only thing the union leadership cared about, it would have reinforced their monopolistic control of such employment as remained. And they would resort to further political action to soak up the unemployment attendant upon the situs picketing bill.

The six-billion-dollar public works bill, also passed overwhelmingly by a union-dominated Congress but vetoed, provides an ex-

ample of the way in which unions thus act to soak up by political means the unemployment they play a critical role in creating by the exercise of legislatively granted monopoly powers. There can be no doubt about the fact that the unions were the most powerful and persistent lobbyists for this measure, for again available records attest to the influence they exerted. And again there can be no question but that the unions pushed for this bill because it promised to relieve some of the unemployment among union members that the unions have themselves created.

Promote Inflationary Measures

The six-billion-dollar public-works bill is extremely significant to our present inquiry. Besides showing how unions are compelled somehow to compensate for the unemployment they create, if they are to preserve their power base, it shows also how the unions are compelled to compensate by inflationary measures, not by measures which would at once combat inflation and contribute to the health of the economy.

Observe the political trap. On the one hand, unions cannot possibly push for measures which would encourage the growth of private capital without exposing the myth by which they survive —

the myth, that is, that workers and employers are natural antagonists, that the "trickle-down" theory of universal prosperity is a cruel hoax. On the other hand, they cannot push for public-works and other governmental spending programs financed only by taxation, because in order to keep their bamboozled members, already overtaxed as they are, they must resist higher taxation of the "middle class," and they know that the rich, no matter what union demagogues say on the subject, are already taxed to the limit.

Albert Shanker, president of the American Federation of Teachers, documented this point in a recent news release in which he expressed "strong support" for a bill in Congress which would provide emergency aid to local school districts facing severe budget crises¹. Everybody knows that the teachers' unions are mainly responsible for the budgetary crises of the schools. Everybody also knows that local taxation has about reached the limit and that everywhere local communities are voting down bond referenda designed to produce public-school financing. In these conditions, Shanker had no alternative but to support legislation which would provide federal-

¹ American Federation of Teachers, News Release, Feb. 3, 1976.

government financing of the local public-school deficits.

And where is the federal government to get the funds with which to finance all the unemployment which the unions are compelled to create if they wish to retain power? Let us review the ground we have covered, adopting the point of view of a union leader who is naturally concerned to preserve the economic and political powers which have accrued to him:

- a. He has a monopoly position from which he derives satisfying economic affluence and heady political influence.

- b. This monopoly position absolutely depends upon a conviction among the workers he represents that they derive greater returns from collective bargaining than they would from individual bargaining.

- c. Such a conviction can be preserved only by persuading workers (i) that employers and free labor markets are their natural antagonists and (ii) that militant unionism is the only possible means of achieving higher than market wages.

- d. Higher-than-market wages cannot possibly be gained without creating significant unemployment.

- e. The workers unemployed by monopolistic wage structures cannot be left free to overhang the market, for if they are it will be impossible for unions to produce monopolistic wage settlements. In short, the union leaders must strive endlessly to immobilize the competitive or potentially competitive workers, and they must do this by governmental subsidies and proscriptions, not by measures which encourage the growth of private capital.

- f. Thus unions must push endlessly for minimum wage laws, tariffs, ever-increasing unemployment compensation, high and early pensions, profligate welfare programs, and all other conceivable devices for keeping potentially competitive workers out of labor markets.

- g. At the same time, they must find some way to maximize the employment of the number of members they need in order to preserve a credible economic and political power base.

- h. Since state, local, and federal tax sources are now for all practical purposes exhausted, only one source of funding remains: federal deficit-spending financed by inflationary increases in the money supply.

IV. A Case in Point: The Humphrey-Hawkins Bill

I believe I have made my point: unions not only do but must cause inflation; indeed, in the current structure of labor law and policy they are absolutely constrained to do so if they wish to survive.

It will be useful, I believe, to conclude with a discussion of a union-backed measure which ties the unions even more closely to the inflationary process. I refer to the Humphrey-Hawkins Full Employment Bill. A recent story in *The New York Times* about this bill shows how it provides us with a perfect paradigm. *The Times*² said that:

Representatives of three centers of influence in the Democratic Party — the A.F.L.-C.I.O., the Congressional Black Caucus, and Senator Hubert H. Humphrey of Minnesota — have been quietly negotiating for weeks in an effort to draft legislation that would commit the Government to create a job for everyone who wants to work.

The obvious purpose of the bill, as it seems to me, is to rid the unions forever of any fear that they will be held responsible for the unemployment they create. An equally obvious purpose, though not yet completely worked out, is to eliminate any possibility that

the Federal Reserve Board will ever pursue deflationary policies, or even merely anti-inflationary policies. As *The Times* story has it, the bill:

would augment the Employment Act of 1946 . . . by requiring the President to propose and Congress to pass, each year, specific numerical goals for employment, economic growth, and changes in the price level . . .

The subjects to be covered by the annual economic policy resolution would include the monetary policy to be followed by the Federal Reserve System.

There you have it. The Federal Reserve Board has been called an engine of inflation. Because of union sponsorship of the Humphrey-Hawkins Bill, *The Times* story suggests that there is no hope of getting the A.F.L.-C.I.O. "to agree to any provisions . . . that appear to be imposing restrictions on the ability of unions to seek higher wages for their members." So if the Federal Reserve Board is an engine of inflation, we know who the engineer will be. And this should put an end to debate over the causation issue.

One of the more repugnant features of these unlovely times is that the union leaders who have succeeded in selling so many intellectuals a bill of goods are in their petty pursuit of affluence and influ-

² *New York Times*, p. 1, Feb. 16, 1976.

ence getting away with measures which not only abuse simple workmen but also are likely to destroy the economy. A particularly ugly touch is added to this repulsive picture by the cooperation of the Black Congressional Caucus. There can be no doubt that the big monopolistic unions have been the worst enemy that American blacks

as a whole have had since 1865. If the Humphrey-Hawkins Bill is passed and enforced, the condition of American blacks is likely to be even worse than it was before 1865. They are likely to become permanent wards of the State, and it won't make things any better that we'll all be in the same position. ☸

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No Eggs, No Omelet

IDEAS ON



LIBERTY

IN ORDER for me to eat an omelet, some chickens have to lay some eggs. If there are no eggs, there can be no omelet . . . and I might have to be satisfied with cereal. That might hurt my feelings, but that can't be helped. Sooner or later, reality has a way of asserting itself. In our complex economic system, it frequently happens later . . . but it happens, nonetheless. Those who claim that they have a right to be non-productive because others are non-productive, too, are ignoring the basic fact that everything that is consumed must be produced by somebody. And anything that expands the number of non-producers, or the amount they consume, puts an extra burden on the producers. It can't be any other way.

From an editorial of April 5, 1976, by TOM ELKINS,
Manager, KNUI Radio, Kahului, Hawaii



ROBERT G. ANDERSON

"Consumption is the sole end and purpose of all production." Adam Smith pretty well said it all with that statement two hundred years ago in *The Wealth of Nations*.

Unfortunately, this basic economic truth has been all but lost in today's world. The public press and political rhetoric today focus attention on creating employment. The plight of the unemployed and the presumed inability to obtain employment have become the overwhelming concerns of our society.

This concentration upon job creation has tended to conceal the ultimate end toward which a job is directed. Full employment has become an end in itself and society is assumed to have attained its final goal if all are employed. The

prevailing economic wisdom holds that the purpose of production is to create jobs; but, in reality, we produce in order to enjoy the fruits of production.

While it may indeed be true that work can build character and is valuable for that purpose, this does not negate the economic necessity that the job be productive. In a free society, as Adam Smith observed, we produce in order that we may consume. Job creation, which generates greater production grows out of the desire for greater consumption.

The pursuit of full employment as a political goal is in total conflict with the ideal of a society of free individuals. The political goal of "job creation" not only involves the use of force, but will assure a waste of scarce resources by massive misallocation within the labor market.

Mr. Anderson is Executive Secretary and Director of Seminars of The Foundation for Economic Education.

In a free society the desire to consume more will generate productive work. The creation of "jobs" by political action, however, will hamper productive effort by siphoning scarce resources away from the market into the public sector.

In an unhampered market society all individuals seeking productive jobs can find employment. With unrestricted competition among employers, and a freely adjusting wage rate, there would be employment for all who wished it. Each individual, guided by his own self-interest, would maximize his productive work in an effort to achieve his goal of greater consumption. The jobs so created are the basic means by which individuals acting voluntarily and peacefully can attain a higher level of consumption.

Tragically, our society today does not enjoy the benefits of such freedom in the economic sector. Government intervention over many years has generated massive distortion and permanent unemployment within large sectors of the labor market. Union cartels, protected by various laws, effectively exclude competing labor; minimum wage laws bar low-productivity workers; welfare legislation encourages people not to work; and government-generated

inflation in the pursuit of "full employment" creates inevitable economic recessions. These forces, and many others, have established a continuing corps of unemployed, or worse yet, the so-called "unemployables."

Rather than examine the political causes of unemployment, and the resulting loss of consumption generated by such unemployment, all political attention is focused on unemployment itself. Again, it is a case of government attacking the adverse effects of its earlier actions rather than ceasing the interferences that have caused the problem. Ironically, the remedy continues to center on the effect rather than the cause of government-created unemployment. The problem thus is being aggravated by such attempts to solve it.

The political answer seems so simple: The way to eliminate unemployment is to make the state "an employer of last resort." After all, socialist societies have no unemployment problem. The socialist system assures every individual a "job." Why not borrow another of the socialist "virtues" in order to "solve" one of our major economic dilemmas?

But that is to lose sight of the problem: We do not seek jobs for their own sake; the end we seek is improved consumption. Unless work will generate greater produc-

tion of those goods individuals wish to consume, it is wasted effort and should be avoided. Work is a great consumer of resources, (we wear out) and employment is beneficial *only* if it yields a return greater than the value of the resources expended.

The failure to understand this economic truth has led to such policies as "featherbedding," shortened hours of work, restrictive work rules, attacks on automation, and the like. The false belief that there exists only a given quantity of work, and that more jobs can be created only by dividing this work among more people, has led to the adoption of such programs.

In reality, there can never be a shortage of work. As long as individuals possess wants, the demand for their fulfillment will always be present. The employment of labor is a never-ending race to satisfy more and more of man's wants. The creation of jobs is a natural consequence of the insatiable human desire to attain an ever higher level of material well-being — and there is no other way that can be achieved.

This improvement in well-being depends upon more productive work. The objective of every job is "to get more goods out of the woods in a shorter period of

time!" This is the only way man has ever been able to improve his material circumstances. In a free market society it is the combining of labor with capital (better tools) in a social division of labor that has brought about this result. Labor, employing an ever-increasing quantity of capital, generates a higher and higher productivity, with its ultimate benefit in a higher level of consumption for the worker.

Abandonment of these economic facts of life in favor of job creation by the state can lead only to a decline in prosperity. Job creation demands economic resources to sustain such employment. As long as the productivity on the job exceeds the resources consumed in employment, a growth in prosperity is assured. A freely functioning market, guided by consumer-directed signals of profit and loss will employ productive resources most efficiently. Without such market direction, the return from labor devoted to a job can never be known.

Government, as the "employer of last resort," has no resources of its own to create jobs. All too often overlooked is the fact that "government funds" are a figment of political rhetoric. Governments do not create the resources they consume, but redistribute instead the resources of others. Before govern-

ments can provide resources to anyone, they must first withdraw such resources from private ownership and control—tax them away from someone.

The notion that government can be “an employer of last resort” denies this truth by implying that government possesses in itself the resources for job creation. What in fact must occur, if government is to be an employer, is an even greater growth in the political redistributive process in our society. More victims must be plundered of their resources in order to support an ever-growing throng of government wards.

The resources surrendered by productive individuals to sustain the government's role as “an employer of last resort” impoverishes even further the productive citizen. These lost resources, which would have been privately channeled back into the market through increased consumption or productive savings, are instead transferred to the new corps of government beneficiaries.

The political transfer of these resources does indeed create jobs in the government sector. What it does not create is an improvement in the economic well-being of the citizenry. In fact, it creates precisely the opposite effect.

The ever-increasing burden of

government on the private productive sector discourages future productive effort. The government seizure of private resources prevents the employment of these same resources in a job-creating market role. The further impoverishment of productive individuals retards even further the market's ability to increase productive employment. Future productivity and well-being suffer from the lost resources that are redistributed by government to its new job corps.

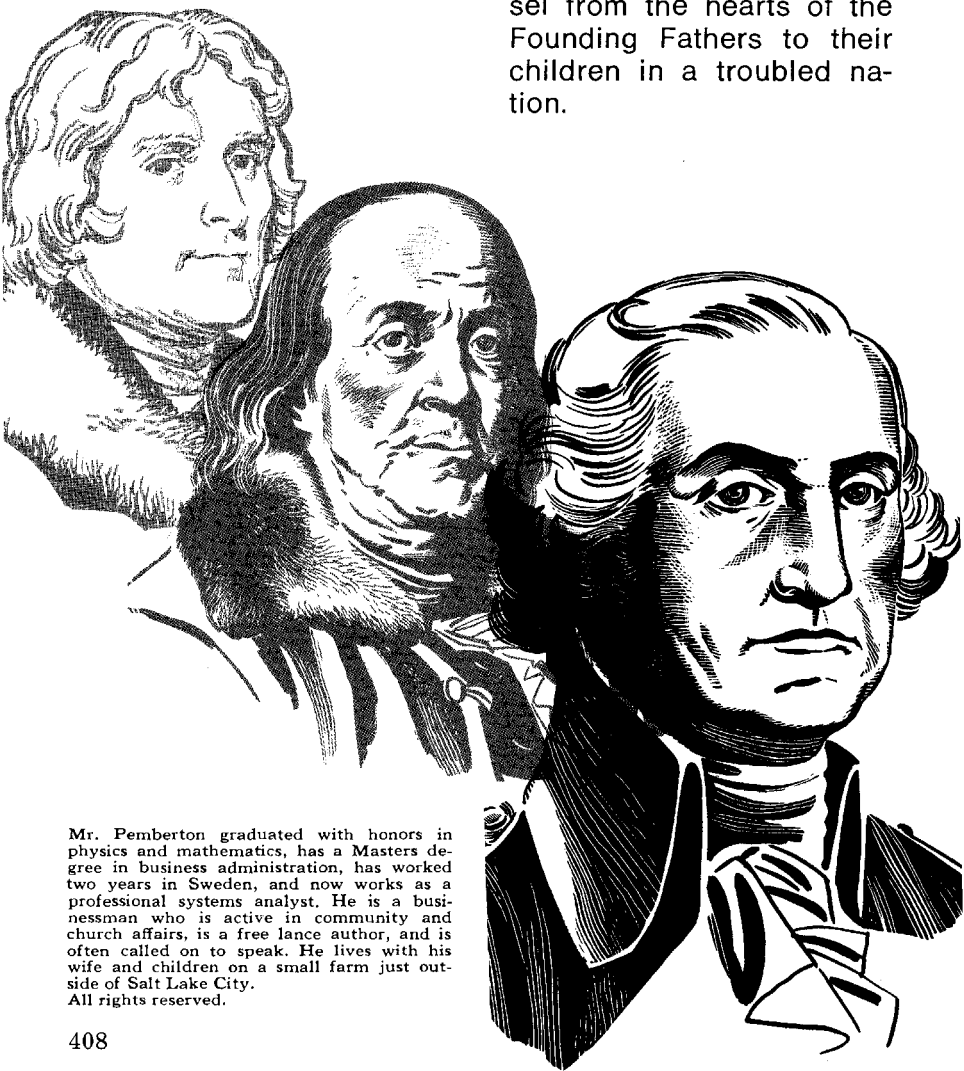
If the new government job corps could generate greater productivity than is consumed in resources, there would be no reason for its creation. The market much earlier would have created such jobs, since it would have been in the self-interest of all to have done so. To use government as “an employer of last resort” is an open admission that job productivity must be less than the resources consumed in such employment.

When the goal of government is to become the “employer of last resort,” when consumption is no longer the sole end of production, when the job becomes an end in itself rather than a means to an end, then the prosperity of the society will surely be adversely affected. What we get will not be greater abundance through the creation of productive real jobs—but instead a real *con* job! 

A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City.

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III. On The Constitution

This continues a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

THERE ARE THOSE among you who heap fault upon your heads, and declare you derelict for your shallow knowledge of the basis and workings of your government. While it is true that you evidence a dangerous lack of understanding of those most significant principles of your own prosperity and political security, yet I shall not judge you, for I know not but that I myself might have had the same fault had I been born in your day. Had we enjoyed the peace and wealth you have now even in all your troubles, we may have slumbered as well as you. Then too, our condition was such that our choices were painfully clear; when we received the report that King George had said, "The die is cast, the colonies must submit or triumph", we recognized that as a clear declaration of war.

In your day, those who would draw honor and power to themselves have confused your minds with conflicting reports, inconsis-

ent principles, and deliberate deception; all of which imbues you with a feeling of hopelessness and indifference. Nay, while I must admit your apathy, yet there is cause for it; which makes a declaration of guilt an uncertain pronouncement.

One matter is clear however: should you remain in your present condition; filled with discontent and disdain for your government, yet surrounded by the information and facilities needed to reform and restore it; and then go on about your lives with a half-hearted hope that things will somehow improve; then another time will reveal your guilt, and it will be said that you, with a little work could have discovered the technique of restoring a good, old government to its former brilliance, but you were too lazy to have the honor.

You have much reason to be discouraged, even frightened; but you have more to be confident. You are

surrounded by troubles and problems, but your most crucial illness is the easiest to cure, and while it is virtually hidden from you, I see it before I recognize any other. You are ignorant!

You know neither the source nor the substance of your rights, but you know they are being violated. You do not know the proper bounds of your government's operation, but you know it has gone beyond them. You do not know the foundation of a stable currency, but you know yours is floating out of your hands. You do not know the rules of free enterprise, but you know your businesses are being crippled. You do not know the correct principles of foreign trade and alliances, but you know you have been made the fool in your foreign affairs. You do not know the Constitution, but you know that when it was followed diligently, it rewarded you abundantly with peace and prosperity.

Yes, you are ignorant, and while it is understandable, yet the day of reasonable excuse is gone, for you are aware of your danger. It is the nature and extent of your trouble and the way out of it that still escapes you; but you will find to your delight, that only a little effort is required to rid yourselves of the ill effects of that deficiency which now dampens your spirits and clouds your minds. Only a

little effort for such wonderful rewards! How a tiny lamp dispels a great darkness!

There is a feeling generally among you that the workings of government are extremely complicated and the guidance of it must be left to those who are well educated in the science of politics. That is a consequence of the vanity of those who would like you to worship their political wisdom, for they love to impress you with their vast intelligence, yet if they were but half so wise as they pretend, you would have no need to hear from me. The full truth of the matter is that the basic principles of liberty and free enterprise are simple; but these political pretenders have manipulated them so much, that they, more than anything else, have confused the issues, bewildered themselves, and entangled all of you in their shortsighted expediency programs.

We knew, even as you do today, what it was that we did not want in our government. We had had our fill and more of oppression on the one hand and anarchy on the other. The Almighty had thus trained us in the evils of both extremes through our experience with the tyranny of the Crown and the turmoil of the Articles of Confederation.

Oh, those were dark days! The colonies had struggled as partners

and a real sense of unity had emerged from our common effort to secure our liberty, but in a few short years we were writing to one another in the discouraged tones of forlorn patriots who had discovered to their dismay and alarm that the nation was not at all prepared for its new freedom and that too little government was as despairing an evil as too much.

In those dismal days between the routing of the British and the launching of the Constitution, amidst a disastrous inflation and frightening civil turmoil, some of us assembled in Philadelphia in convention. As we were only getting under way, one of the delegates said that measures to alleviate existing conditions and repairs to current laws would be more acceptable to the people than any thoroughgoing actions. At that, the President of the Convention, Mr. Washington, arose and declared earnestly, "If, to please the people, we offer what we ourselves disapprove, how can we afterward defend our work? Let us raise a standard to which the wise and the honest can repair; the event is in the hand of God." Thus he crystallized our desire to build a new government upon liberty and strength, and sent us on the long, toilsome task of creating a new national charter.

We determined to form a government which would at once be able to discharge its necessary functions, but which, even under the hands of ambitious and self-seeking men, would be virtually unable to encroach upon the native rights of the citizens. That we were successful is evidenced by the fact that it has required nearly a century for men of precisely that stamp to twist and violate that Constitution to bring you to your present condition of rising alarm. But I find still deeper satisfaction in the knowledge that in spite of the awesome control now wielded by your government, yet you have in the Constitution all the tools you require to bring it carefully down to its proper size and function, for that was one of our goals. We sought for a golden mean between anarchy and oppression, for contrivances which would give government its requisite authority, yet place fixed and enduring bounds upon the activities that men would seek to have it perform for their own selfish benefit.

It was toward that objective we strove in the miserable heat of the summer of 1786. For more than a month we expounded upon one principle after another with some contention and seeming little progress. Then, near the end of June, in the midst of a hotly contended issue, our eldest statesman made a

speech which both shamed and inspired us.

Mr. Franklin said, "The small progress we have made after four or five weeks is, me thinks a melancholy proof of the imperfections of Human understanding. We indeed seem to feel our own want of political wisdom, since we have been running about in search of it in this situation, groping as it were in the dark to find political truth. How has it happened sir, that we have not hitherto once thought of humbly applying to the Father of Light to illuminate our understanding? I have lived, sir, a long time, and the longer I live, the more convincing proofs I see of this truth, that God governs in the affairs of men. And if a sparrow cannot fall to the ground without His notice, is it probable that an empire can rise without His aid?"

Mr. Franklin proposed that a reverend be retained as chaplain for the Convention, but his motion could not pass as we had no funds. Nevertheless, the occasion served to bring us up short, and to cause us to recognize and to remember our dependence upon the Almighty. Had He not guided and inspired our generals? Was it not He who answered our prayers with the hurricane which demolished the French fleet in Boston harbor before the war had even begun?

Had not every step by which we had advanced been distinguished by some token of providential agency? How soon we forget!

From the day of Mr. Franklin's observation forward, we were led to an understanding of the mechanisms necessary to the preservation of liberty under the effective but limited federal plan. In order to thwart the designs of self-seeking men, we set up three branches of government, each equal in power but separate in authority and function, and each with certain limited but effective sanctions upon the other two.

We reserved most of the powers of government to the states, thus dividing those powers and placing them as close as possible to the inspection and control of the people, for history had abundantly shown that centralization of power and tyranny were but different titles for the same monster. There was no question but that the plan was somewhat inefficient. We desired that, for we were well aware that the most efficient government is despotism. The deficiencies of decentralized government (which are not so extensive as your Tories would have you believe) is but a small price for the people to pay for control of their government.

It has been reported among you that we founded your government

upon the emergencies of our day, and that our work was the conclusion of manifold compromises. While it is true that each of us brought our personal objectives and opinions to the Convention, we found that we agreed that most of those goals were not only worthy but necessary to the security of the nation.

There was great unity in our purpose; our compromise was between too much and too little government. The lengthy deliberations were not the result of disunity, but a meticulous searching for correct principles among governments from the most ancient to our own time. When we had finished our work a wonderful feeling of harmony and peace came over us; we knew we had been instruments in bringing a miracle into being.

Another head which deserves attention is the story that "the Constitution was designed for an eighteenth century agrarian society." That is a myth I now take pleasure to debunk!

The Constitution is based on three timeless truths. First, it is founded on the fact that it is necessary in a society, that the citizen must either control himself by his own moral self-discipline, or he must be restrained so that he cannot abuse his freedom. Second, it

is the nature of man to seek recognition, then influence, and then power in his relationships to his fellows. Third, it is the nature of man to work untiringly for himself when he is confident in the usefulness of his effort. Those are the footings of the Constitution and there is nothing there that is either eighteenth century or agrarian! To say that we designed the national charter for an agricultural economy is to display a palpable desire to deceive (or a profound ignorance), for you will notice that those who promulgate that fable would replace constitutional principles with laws which would give them great authority over you. Thus do their words reveal their motives.

Nay, we founded the Constitution upon an exquisite recognition of one great decisive reality; human nature: a recognition of the dual disposition of man: his propensity for good and his capacity for evil. Our first and foremost consideration was to place the forces of human nature in a framework which would cause those forces to lift man, to protect and release his conscience, his will, his talents, and his noble desires, and at the same time would discourage and punish him in his vices. That this mechanism was successful is written in the glories of your history. I do not claim perfection for

it, but I will justly assert that it is the most nearly perfect system for the elevation of man that has ever existed among governments.¹

But let me explain those three footings of the Constitution a little more, for now we are at the very basis of good government.

First, it was abundantly clear to us that if the time should come when the citizens would turn from morality and good religion, they would also turn from freedom; for if man is to be free, he must control himself lest his society circumscribe his freedom to protect itself from his abuse. It was therefore our desire that religion should be thoroughly protected and even encouraged. That does not mean that we wanted any particular religious philosophy to have the advantage over another, but that the citizens' rights to complete liberty

of private and public belief and practice should in no way be infringed; for if those rights be trammelled by government, then it establishes the state philosophy of irreligion, which must signal the beginning of the demoralization of the people and the accompanying loss of liberty. I shall discuss this matter in greater detail when we examine the Bill of Rights. It will suffice to say here that we intended, through careful protection of religion, to secure the only enduring basis for freedom: individual morality and self-control.

Secondly, we set up the plan of government so that its powers were restricted, separated, and dispersed throughout the states in order to defeat the tendency of men to consolidate power and ordain themselves rulers over the people. Then we applied the checks and balances to set each branch of government as a watchman over the other two, and gave each certain prerogatives so as to place the ambition of self-aggrandizing men in opposition to the ambition of other similar men. Thus we placed human nature in control of human nature, and gave the states and the people the final determination, by ballot, of which men would be allowed to bring their natures into the government.

Finally, we recognized that man is most inclined to produce an

¹ This mechanism is rather like a ratchet and pawl wherein upward movement is completely free and downward movement is stopped by the pawl. The Constitution has thus resulted in the citizens lifting their society to unprecedented heights. Your upward progress has lately been seriously impeded, however, by the stifling effects of too much government (which discourages personal initiative in the citizens), and by the "liberation" of the baseness of man which even now is disengaging the pawl and allowing your civilization to slide, nearly unhindered, back down to the meanness and anarchy which resembles the uncultured, uneducated, and undisciplined tribes of primitive societies.

abundance when his property rights are held inviolate. Man, by nature, will strive with great energy and innovation to improve himself, his circumstances, and his relationship to his neighbors, so long as he has confidence that he will be allowed to enjoy the fruits of his labors. But as soon as he loses that assurance, so soon will he begin to do as little as may scarcely suffice him. Our study of history testified that excessive taxation and regulation, an infringement of property rights, was ever the cause of slackening productivity, while the freest economies were the greatest source of plenty.

There you have founding principles of the most successful government on the records of civilizations, and they, in turn, are based upon that most crucial reality: human nature. That is the groundwork of the Republic; but in spite of all our careful effort, we knew that it was not sufficient to merely launch the ship of state correctly, it needed to be tended by an alert, informed, and jealous citizenry. But history, like nature, travels in cycles; both freedom and oppression contain the seeds of their own destruction. Our success has brought the security which put you to sleep.

Now, basking in the dimming brilliance of the lights of liberty,

you have been neither vigilant nor informed, and only recently have you begun to realize the correctness of your rising jealousy for your rights. Let those feelings of jealousy well up within you and cause you to alert yourselves to your true condition.

Your executives have taken upon themselves to form foreign alliances and make domestic regulations without proper authority. They have violated your most fundamental law. Your judiciary has ignored the amending process and altered the meaning and intent of the Constitution they were sworn to defend. They have betrayed your most fundamental law. Your congress has been watchful, yet not of the encroachments of the other two branches, but for opportunity to gain influence by purchasing your favor with your own money. They have ignored your most fundamental law. And you — you seek for a remedy while it stares you in the face! You have lost the vision of your most fundamental law. Let me show you.

You call the national charter “the Constitution of the United States,” and that simple phrase contains both the totality of your plight and the seeds of your salvation; for in those six words you reveal your feeling that both you and your law are subject to your government. You are not the slave

of government at all, but because you think so, you may as well be! Nay! The Constitution is *your* servant and the master of your government. It is not the Constitution of the United States, it is the Constitution of *the people*, and *for* the United States! It is not only the law by which you are governed, it is the law by which you may govern your government! It is not the law by which high-handed politicians may impose their collective will upon you, it is for you to impose it upon them! It does not belong to the government, it belongs to you! It is yours! It is yours to enforce upon your government. It is yours to read to those self-wise do-gooders; and if you will hold it high in your hand, they will quail and flee before it like the cowardly knaves they are, while those who are your true friends will rejoice in your new commitment. And so may you divide the government goats from the statesmen sheep; but beware of the cunning deceit of those who pretend to serve you while they betray your trust. Civil government has always suffered the intrusions of self-seeking men, and while they may not always be detected, they may at least be controlled. And that is part of the miracle of the Constitution.

Yes, you bear a multiplicity of problems: usurpations, alterations,

violations, centralizations, plundering of the rich, corruption of the poor, inequities in the courts, irresponsible economic policies, disastrous foreign stratagems, and on and on. It is overwhelming, bewildering, and discouraging; a disease seeming beyond remedy. It is clear that the individual citizen has no hope of discovering all the errors, to say nothing of forming and applying corrections. What can one man do?

Ah! There are miracles in the Constitution! There is wisdom in the Republic! It is not necessary that you understand all the intricacies of your regulatory agencies, your welfare bureaucracies, and all the legal vagaries. Only four things are required of you, and although each of them demands deliberate effort, they are easily within your reach and crucial to your political salvation:

- 1) See that you are a blessing to your society; furnish your own livelihood; associate only with that which is noble and uplifting; obey the law; give your government no excuse to make new laws or to infringe your rights.

- 2) Study the Constitution until you know its fundamentals in the spirit we intended; we were careful to an extreme, you will not be disappointed.

- 3) Seek out and elect wise,

successful, honest, and most of all, humble men for officers; your system fails you because your politicians seek office, but the offices are yours to fill; therefore, you must seek out the men you desire to serve you.

- 4) Watch your public servants, encourage them, counsel them, see that they understand the Constitution and keep the oath of their offices; when they show themselves approved, honor and trust them; above all, be charitable with them especially now while their burden is heavy. Only a part of them deserve your disdain.

You have every reason to take heart. The basics of good government are not difficult at all. We managed to acquire them in our day, and although we were the most educated men of our time, our knowledge was vastly inferior to yours (we only looked on the moon). Once you have gotten a comprehension of the fundamentals of free government, you will have a standard to which you may hold any of the proposals of your day and ascertain whether you ought to support or oppose them.

So simple it is! Have faith; act; and you will soon behold the miracle! Can you see that the Constitution we formed by the light of the divine lamps of liberty can save both you and itself? Is that not a

miracle? It is a magnificent thing, our ship of state; but you must tend the rudder and mend the sails.

There are voices in the land even now which expand upon the vices of your government in order to defame the Constitution. The words go forth from those who fancy themselves worthy to rule you that you must drastically change it or even replace it if you are to survive the crises of your time. With what will you replace it? Our nation is still far and away the freest under heaven. Have you forgotten the source of so great a liberty? To whom will you turn for an improvement upon the inspiration of Almighty God? Do you know your own history?

When the government was held within its proper bounds by the chains of the Constitution our nation was the fulfillment of the vision of liberty that dwelt in the hearts of freedom-loving people in every quarter of the globe. Will you now continue your course from such freedom back to oppression? Will you cast aside that instrument which has given greater liberty to the hearts and hands of more of the children of God than any combination of times and governments you may please to conceive? A supreme act of folly at best; and a fall into the pits of

despotism at worst! Nay! Away with that!

The nation has already come from under the hands of a tyrannical aristocracy into the light of liberty, and now drifts again into the clouds of oppression. Then listen together! Let the cry go up! Restore the Constitution! Restore the free exercise of the rights of the people! Reverse the drift! Put down again the anchor of liberty and fasten to it the ship of state by the chains of the Constitution! Let every man learn his duty and perform it with diligence!

Is there a cause more just, a goal more worthy, a need more dear, or a pastime more sweet than this; to bind up the wounds of the national charter, to reassert the natural rights of man, and to

secure the blessings of liberty to yourselves and your posterity? You — my Sons of Liberty; ponder it in your hearts, speak of it in your gatherings, and pray for it in your secret chambers! Let the cry go forth throughout the land and echo across a world groaning and starving under the crush of tyrants: restore the rights of man!

Oh hear the voice of your Fathers! Rise up my people and lift up your heads! Come out of darkness into the rightful day of your glory. Secure and cherish the liberty wherewith we made you free! You are free; for we declared you free and bought your liberty with our blood! 

Next: IV. On The Bill of Rights

Enduring Principles

OUT OF THE WEB of conflicts and contests of those years emerge the principles of liberty. They are, we may believe, enduring principles, not something invented by a generation of outstanding men. Indeed, the principles of liberty could probably be rediscovered by any man who would put his mind to the matter for long enough. But that is not necessary; they have long since been clearly discerned and written out. What distinguishes the Founders is that they were able to incorporate them into the fundamental laws of the land.

IDEAS ON



LIBERTY

CLARENCE CARSON, from the book, *The Rebirth of Liberty*
See inside front cover of this issue.



There Is an American Idea

AS THE WORLD HUMS with the rising clamor of confusing opinion and propaganda, ever more positively, skillfully, dominantly presented, it is imperative that you and I understand clearly the significance of our citizenship and the American idea upon which it is firmly based.

For there is an American idea.

It came with the Pilgrim Fathers and the William Tells of many races, who found homes here.

It took as its emblem the freedom of the eagle and the independence of the pioneer.

It overleapt the hurdles that had blocked human progress in many other lands for centuries.

It blew through the sordid runways of outworn civilizations with the cleanness of mountain winds.

It amazed the world with the

rich outpourings of its untrammelled spirit.

It made men cry: "Give me liberty or give me death."

It dedicated itself in strength, humility, and tolerance, to the care of the needy and sick in this land and in all others.

It brought forth a beneficent downpouring of free thought, free speech, a free press, and a free pulpit.

It proclaimed the dignity of labor and the right to the profits of personal effort.

It erected the little white church and synagogue in 250,000 communities.

It created a nation of men with free bodies, free minds, free opinions, and free souls.

It brought forth in only 200 years, the greatest wealth and the highest standard of living any people in history have ever known.

That is the American idea.

History is the story of man's struggle for liberty. Perhaps we need that reminder more than any

Dr. Prochnow is former President of the First National Bank of Chicago and Deputy Under Secretary of State. Author of numerous books and articles, he also has spoken at hundreds of meetings in the United States and abroad.

other today. We need to be reminded that there has always been a struggle for liberty. In whatever period of history you may muse, the battle for liberty — political, economic, physical, intellectual, artistic, moral — is going on. Upon a free body, a free mind, free opinions, and a free soul have hinged most of man's achievements. Only with the reasonable attainment of freedom has man been able to reach after the finer and gentler things, the motifs and objectives of life, and the final objective — truth.

"We hold these truths to be self-evident," reads the Declaration of Independence,

"... that all men are created equal.

"... that they are endowed by their Creator with certain inalienable rights,

"... that among these are life, liberty, and the pursuit of happiness."

Here are the great privileges of American citizenship — a free, independent citizen's stake in the nation. These are his equality, and his inalienable right to life, liberty, and the pursuit of happiness.

And these are dearly bought privileges that have come down through the decades. Far back in the 1770's man was literally earning his bread by the sweat of his brow. Working hours were double

those of today. The wilderness had to be tamed with the bare hands, and its forests grubbed out by the roots. Almost everyone was poor. Hunger and storm were more punitive than our imagination can picture. Malaria, smallpox, and all the tyranny of the bacterial world were still enthroned. The business cycle was as restless then as now. But those early citizens placed independence, liberty, equality at the top of the list of the privileges of citizenship, and in the balance they placed their lives, fortunes, and honor.

Equally as important as the privileges of citizenship are the hard-won rights and weapons by which life, family, and property are defended. There are the privileges not only of equality before the courts, free speech, and a free press, but also the privilege to convert time and ability into earnings honestly won in fair competition by giving value received — the right to have and to hold these earnings in any proper form, free from piracy of any kind. The right to assemble peaceably and petition the government for the redress of grievances. The right of habeas corpus. The sanctity of family and home. The freedom to worship as conscience, and conscience alone, dictates. The right to vote regardless of race, color, or sex. These are great privileges which have

become so habitual that they are often overlooked. But nothing else is more precious.

No country up to the settlement of America ever conceived of the privileges of citizenship in the generous measure we have come to know them here. The idea that individual liberty is an inalienable right of every human being had barely come to sunrise. The energies of all mankind, for all the centuries, were occupied with the stern realities of political despotism. The privileges were invariably enjoyed by the favored few. With the colonization of America came a new note—a new citizenship in the world—the beginning of freedom, with all its manifold blessings, for the common man. Out of the dream of liberty have come seemingly exhaustless privileges—equal rights to justice within the law, freedom of the pulpit, a beneficent downpouring of free thought, free speech, and a free press.

But the continuance of these privileges of citizenship is predicated upon the discharge by each of us of definite responsibilities. Make no mistake about that. The men who laid the foundations of America had no thought in their minds that the priceless privileges of citizenship could be earned and retained except through the valiant discharge of the responsibil-

ities associated with that citizenship. Men have had to struggle and to die to gain the liberty which is the bulwark of American citizenship, and they have had to be on guard to retain what they have won.

If a citizen demands wise government, he must recognize that wise government is the product of an intelligent citizenry, and nothing else.

If a citizen demands that crime be in the cell and not in the saddle, he must support honest law enforcement without any personal reservations whatsoever.

If a citizen demands unfair advantages for his industry, union, or geographical section, he must remember that the price of class and sectional selfishness is national destruction.

If a citizen demands sound fiscal policies, he must realize that every dollar which a government expends must eventually be repaid by the toil of its citizens in the creation of wealth.

If a citizen demands that his country protect him, he must cooperate unselfishly in giving his time and money to maintain the institutions which afford that protection.

If a citizen demands freedom of worship for himself, he must be tolerant of all creeds.

If a citizen demands freedom of

speech, he must not encourage its suppression in those who disagree with him, nor must he use it maliciously to destroy the governmental and other institutional framework of freedom.

If a citizen demands a paternalistic government to assume responsibilities which he himself rightfully should discharge, he must not forget that a nation's strength comes largely from each citizen standing on his own feet, and that the paths of benevolent despotism and personal decadence lead eventually to the destruction of the privileges of free citizens.

If a citizen demands of his fellow citizens that they work increasingly for a great nation by developing communities in which men may have pride, let him as a citizen, grateful for the privileges which are his, dedicate himself in a spirit of humility to those responsibilities.

When the viewpoint that the privileges of citizenship are inseparable from its responsibilities begins to prevail everywhere in America, the unreal days that have harassed this generation may be forgotten, and time may become enriched beyond our present vision.

Then America may continue in the future, as in the past, to become increasingly the land of our pride. It will excel in the detail and

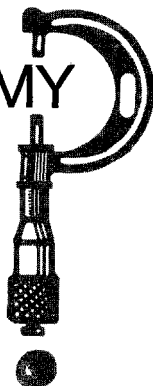
in the sum of those essentials which measure a nation's true greatness. It may set time's farthest sea-mark in freedom for the individual. It may explore new frontiers in the achievement of quick and genuine justice; it may reach new breadths of opportunity, take new strides in the intelligence and farsightedness with which its citizens, fully aware of their privileges and responsibilities, blend self-interest and community interest. It may reduce burdensome and costly complications of government, attain new records in the present distribution of the desirable things of life, and in the future protection of the resources of nature and knowledge as a heritage to posterity.

If, as citizens, we but take these as our objectives, all this can be — and shall be — our America.

Then with an appreciation over the world of what American citizenship implies, there will be created an epic opportunity for America in strength, humility, and tolerance to be of worldwide service. The road America has pioneered may then become a broad highway for the swifter advancement of the peoples of less fortunate nations. This is the vision for us and our children's children. This is American citizenship — thankful for its privileges — faithful to its responsibilities. 

WHAT IS ECONOMY

CLARENCE B. CARSON



THE DRAMATIZATION of the early years of Helen Keller brings to our attention in a memorable way what a marvelous thing it is to be able to use words to communicate with others. Miss Keller was deaf and blind almost from birth. Whether she would ever be able to speak was a secondary question at first, for there was no known technique for even making her aware of the existence of words. The play centers around the struggle of her teacher to break through this barrier to communication. There is

an electric moment in the play when Helen recognizes and pronounces her first word. It is the moment toward which the concentrated energies of the actors, and the audience, have been bent. On reflection, we realize what a boon to us is this ability to use words.

Unfortunately, words can not only be used to communicate clearly and directly but also to distort, obscure, obfuscate, and confuse whatever the subject may be. Sometimes our failure to communicate is the result of loose and sloppy use of the language. At other times, however, the channels of communication get clogged because words are cut loose from their original meanings and wander around in new surroundings. When this happens, whatever is

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty: The Founding of the American Republic 1760-1800* is now available in a 350-page attractive Bicentennial paperback @ \$3.00 from The Foundation for Economic Education, Irvington-on-Hudson, N.Y. 10533.

communicated may be quite different from what it appears to be.

Something like this has happened in our use of "economy" and of terms related to and derived from it. The result is distortion of the language, the breakdown of communication, and something much more serious: extension of the power of government and curtailment of liberty. The distortions are produced mainly by the use of modifiers of "economy" and "economics," modifiers which wrench the root words away from their meanings and put them in alien contexts.

For example, many textbooks today divide their discussion between "macro-economics" and "micro-economics." Micro-economics deals with economics at the level of the individual or firm. Macro-economics is supposed to deal with economy at the level of nations. Macro-economics deals in terms of such indices as gross national product, national income, employment and unemployment figures, wholesale price index, and so forth. These and other such indices are supposed to tell us how well "the economy" is performing.

Then, "economy" itself is modified in a great variety of ways. We speak of a free economy, a planned economy, a controlled economy, a capitalist economy, a socialist economy, and of a mixed economy.

We talk about "the" economy, and sometimes "an" economy. There are supposedly national economies: an American economy, a German economy, a Japanese economy, and a Russian economy, to mention a few.

"Economy" is also referred to figuratively, in language drawn from macro-economics, no doubt. Thus, there is talk of stimulating the economy, of a depressed economy, of prosperity, of heating up the economy and of cooling it off. Our literature is full of analyses, ranging from brief columns in newspapers to lengthy scholarly tomes in libraries, using such phraseology.

"Helper" Words

The basic reason for adding modifiers to words is to gain precision in usage and to clarify the meaning. Modifiers are sometimes referred to as "helper" words in the lower grades in school. They can only help, however, when the meaning of the word is clear in the first place. For example, we can say *round* hibbett, *flat* hibbett, *square* hibbett, *rectangular* hibbett, *oblong* hibbett and modify it in whatever way we choose; yet, if we did not know what a hibbett was when we began we would know little more when we had finished modifying it. The same goes for a word like economy.

There is great likelihood, too, that if the word does not have some fixed meaning the adding of modifiers will lead those who use it to suppose that there is substance to what they have brought into being by their modifiers. Is there substance to macro-economics, to planned economy, to American economy, to stimulating the economy, to an economy? There may well be; people use these terms and phrases as if they were talking about something, but the way to find out is to strip away the modifiers and explore the concept itself.

What, then, is economy? Not, be it noted, what is *an* economy, *the* economy, or economy modified in any way. Simply, what is economy? Before that is clear all modifications are obstructions to understanding.

Economy, says one dictionary, is "thrifty management, frugality in the expenditure or consumption of money, materials, etc." Another says that it is "The management, regulation, and government of a household; especially, the management of the pecuniary concerns of a household. . . . A frugal and judicious use of money, etc.; that management which expends money to advantage and incurs no waste. . . ." The meaning of economy may be further clarified by the definition of "economical," a

word derived from it. "Economical implies prudent planning in the disposition of resources so as to avoid unnecessary waste or expense." To "economize" is "to manage economically; use sparingly or frugally." A more formal definition would be: Economy is the careful and frugal use of land, labor, and capital (e. g., resources, energy and ingenuity, and productive devices) so as to realize the greatest return of goods and services from them.

Man's Wants Exceed His Means

The necessity for economy arises from the nature of man and the conditions of life on planet Earth. Man's wants are such that there is no way they can be completely filled by goods and services. His wants are limited only by his imagination, which is another way of saying that they are infinite. But the means of supplying them are certainly limited, limited by the available resources, limited because the supply of energy and ingenuity is limited, limited because productive devices are in short supply. Man's wants are infinite; the means of supplying them are scarce. Economy is the means for supplying the most pressing wants by careful husbandry in the employment of the elements that go into providing for them.

There are only a very limited number of ways by which man can supply his wants for goods or services. He must either provide them for himself (in the manner of a Robinson Crusoe) or acquire them from others. He can acquire them from others by exchange (which includes gifts) or force (which includes fraud). But the use of force cannot be fitted into the definition of economy because there is no relation between the land, labor, and capital employed in thievery and the goods and services acquired. Furthermore, the victim of force or fraud is left without incentive to repeat the performance. It must seem to him that his productive effort and resources were wasted, that he might better devote them to defense or counterforce. Such a course is a departure from the concept of economy. In fact, then, there are only two economical ways to acquire goods and services: by production and trade.

The practice of economy is normal for man. He is inclined to be economical, to spend as little as he can to gain as much of what he wants as he can. To these ends, he saves, conserves, invents, and devises all sorts of ways to increase his supply of goods and services more efficiently. It is true that men are sometimes wasteful and destructive, but if this is anything

more than a temporary aberration, they will be found to be incompetent to engage in production and trade. The normal bent to economy produces the array of modes and devices which constitute an economy in any locale.

The Nature of An Economy

It is correct, then, to refer to *an* economy. An economy consists of the interaction among all the means by which goods and services are provided and traded at any time and place. It consists of the specialization of labor, financial institutions, assembly lines, factories, mines, labor saving devices, markets and whatever goes into the production and distribution of goods. It could embrace the whole world, or it could be, as it sometimes has been, restricted to a small isolated community of people who have no relations with the rest of the world.

Most other commonly used modifications are, however, superfluous, dubious, or erroneous. It is difficult to see, for example, how you could have a *mixed* economy. On the face of it, a mixed economy would be one in which some resources are frugally employed and others wastefully, or something of the sort. Such a condition could exist, but the wasteful use of resources would not be economy at all. It would be something else.

Actually, those who speak of mixed economies are referring to situations where government owns or controls some of the means of production and distribution of goods and the remainder are privately owned and controlled. That is mixed ownership, not a mixed economy.

Nor does it make much sense to refer to a *depressed economy*. Undoubtedly, an economy can be disrupted, with all sorts of untoward consequences. The people, afflicted by these disruptions, can be depressed, sometimes deeply and for quite a while. In a figurative sense, of course, an economy could be depressed, that is, contracted, or not expanding. But that would only signify that it had become economical for men to employ their capital in other ways than expanding production. The focus of attention, in that case, would need to be on the cause of this rather than upon economy. The depressed is much more worthy of attention than is the depressed. If a man's chest is depressed because a log is lying on it, the indicated action is to remove the log, not to pump up his chest. Talk of depressed economies has set the stage for pressing down on the log and pumping up the chest, so to speak.

There are a considerable number of ways of talking about the econ-

omy which propose to deal with it as if it were a thing. There is talk of adjusting the economy, of heating it up, cooling it off, stimulating it, and so forth. Although these are clearly figurative uses, they are not made correct by being of this character. An economy is not a thing. It is not analogous to a man, say, or a machine. What economy is may be made to stand out by a little discussion of the close analogy between man and his machines and comparing them with economy.

Of Man and Machines

There are striking similarities between man and the machines he creates, the automobile, say. Man has a circulation system; he takes in food, water, and air. The automobile has a system which utilizes fuel, water, and air. Man has an elimination system; the automobile has an exhaust system. Man has a heart which acts to pump fluids throughout the body; the automobile has gasoline and water pumps and an air intake system. Man gets sick; the automobile breaks down. Man can have surgery performed on him; the automobile can have parts replaced. Man dies; the automobile wears out. Both man and the automobile can heat up, cool off, have check-ups, have things adjusted, so to speak, and benefit from outside

intervention of experts. Economy has none of these things nor does any of these things. It is simply the means by which man efficiently supplies his wants. It has no working parts nor organs, can neither wear out nor benefit from surgery.

It follows, then, that if there is even a modicum of meaning to all this talk it is derived from something other than economy. There is something other, of course. That something other is government and its moral and ethical underpinnings. The stage has already been partially set for the discussion of the role of government. It has been noted that the use of force is not economical. Force is anathema to economy, it should be added.

The practice of economy is normal for man. It enables him to survive and sometimes prosper in a world where he must earn his living by the sweat of his brow. He makes progress by devising techniques and tools which reduce the amount of sweat necessary to producing a given amount. But there is a nether side to all of this. Man, or at least, some men, are not above concocting schemes whereby they can live off the labor of others by using force or fraud. Force is not economical, but it can be applied so as to make it quite profitable to the user. It is to prevent, punish, and reduce the amount of force being used that

governments legitimately exist. To that end, governments attempt to monopolize the use of force in their jurisdictions. Government is necessary, then, to the practice of economy as well as to safety and security in all other aspects of life.

Government Shifts the Problem

The existence of government does not, of course, solve the problem force poses for economy. So far as government is effective in preventing private thievery, it shifts the problem to a different plane. The contest—and it is a continual one—then becomes one of who shall control government and how government shall be used. There is the possibility, nay, the strong probability, that those who control the government will use its force to appropriate the goods produced by others so that they may live in ease and with little labor. If moral and ethical pressures work against this, we may expect ever more subtle justifications for doing what is proscribed.

At any rate, every actual economy is, so to speak, a political economy. It is economy as it can be practiced within the governmental framework that prevails. At the least, government will affect economy by taxation and spending. At the most, government may involve itself in virtually every aspect of economic activity.

There is now before us a partial explanation for the use of language that on the face of it is mystifying. It does make a kind of sense to refer to an American economy, or French economy, or British economy, or economy modified by whatever nation is under discussion. Such terms could mean economy as it can be practiced given the governmental framework in that nation. Even so, the terminology is misleading and places the emphasis on the wrong thing. Economy does not differ from place to place—it is everywhere the same, though products and techniques may differ—the difference is in the government. We have only a partial explanation as yet, however; a fuller explanation requires probing deeper. The probe takes us directly into the domain of economics.

Economics is an analytical and theoretical science. One of the reasons is already before us. The subject matter of economics—economy—does not exist outside the framework of government, which alters, distorts, and rearranges it. It is as if a chemist knew water only as it exists in such compounds as milk, and had to abstract it in theory only. There is another reason, one that has nothing to do with government. Economy cannot be experienced through the senses. What we see is human action, as

Ludwig von Mises so aptly named his masterpiece on economics, human action prompted by inner motives which elude all efforts at objectification. Economy can be deduced from the human action but only at the level of theory which admits that the heart has reasons of its own.

The Glory, Illusion and Shame

The glory, the illusion, and the shame of economics stem from its theoretical character. The glory is the precise, harmonious, and elaborate structures that can be and have been made to explain economy. The illusion is that all this could actually be, if—if there were no government, if there were no private property, if there were no capitalists, or whatever. The shame of economics is that it is possible to contrive all sorts of theories and contend for their rightness against all others.

More important for the matter at hand, the study of economics probably has little or no practical value so far as the practice of economy is concerned. There is every reason to believe that man is economical by nature and inclination. Economics is no more written to induce people to be economical than books on astronomy are written to persuade the stars to stay in their orbits. True, economics might be studied just as astron-

omy is, for the pleasure derived from the contemplation of harmonious arrangements. It might be, possibly sometimes is, but it is inherently less interesting than astronomy. One can, after all, see the stars, even see them much more closely by the use of a telescope. But the most powerful microscope will not enable us to see economy. Nor is there any good reason to suppose that it requires any considerable theoretical background in order to practice economy. Some of the most effective practitioners of economy known to the present writer have been devoid of such learning.

Economics is about economy, on the surface and usually, but its purpose and importance lies elsewhere. It is about economy but its object is political. True, an economics that would be academic would be possible and may have been written on occasion, but it would be something out of the ordinary. Many schools of economics have arisen over the years, but they all tend to fall into one or the other of two categories: they either explain why government should not intervene in the economy or why it should. They do not even have to say they are doing this to do it, but they sometimes do. What is written will have an implicit political policy.

That this has been the case can

be shown by a brief examination of the history of economic thought. It can be brief because economics is a late comer as a field of study or academic discipline. There is little enough on the subject before the seventeenth century. In the seventeenth and early eighteenth century a sort of pseudoscience of economics took shape. The theory that was advanced is now known as mercantilism. It consisted of a melange of arguments about how a monarch might enrich himself and augment the power and wealth of the nation by the aggressive use of government power. It was what today is called macro-economics, if it was economics at all.

Adam Smith's Introduction to Micro-Economics

Adam Smith's *Wealth of Nations* was written most pointedly to refute mercantilist theories. He advanced a natural law-natural order explanation of economy and held that government intervention was detrimental and disruptive of economic activity. Though the title suggests that he was discussing wealth at the national level, he was in fact expounding mainly what is today called micro-economics. To put it more precisely, he maintained that the best way to enhance the wealth of a nation, of all nations, for that matter, was

for each individual to pursue his own interest, undisturbed by the political authorities. In support of his position, Smith advanced some important economic theories and appealed to the historical record in support of them. But the thrust of his argument was political, toward the removal of political obstructions to economic practices.

Classical economics grew out of Smith's work. Economics took on its abstract character and began to be a theoretical science. It was not long, however, before some of the strains in classical economics were being removed from their context and being made into arguments for government intervention and even revolution. Karl Marx even employed economic analysis to posit a scientific explanation of the revolutions to come in the future. Reformism got new life with the publication of Henry George's *Progress and Poverty*. Many economists turned more and more to finding what were supposed to be flaws in economy which would need to be corrected by government action. In the twentieth century, this reformist bent is frequently ascribed to the works of John Maynard Keynes, but in fact Keynes did not invent intervention nor even the notion of using fiscal policy and monetary measures as a means of intervention, though he did provide a pon-

derous gloss for them in his massive work.

Austrian School Contributions

Meanwhile, however, the Austrian school of economics had emerged. The main effort of this school has been to refute socialist theories, particularly Marxist, and to plug what they took to be holes in classical economics occasioned by the fact that it did not take sufficiently into account the subjective character of decision making. Economics had become an increasingly complex, controverted, and abstract, even abstruse, subject.

Something else had happened, too. As economics took shape as a discipline in the nineteenth century, it was called political economy. The great advantage of this name was that it correctly identified what was at issue in the study, namely, the place and role of government in the economy. Even so, a successful movement occurred to call the discipline economics. Whether those who succeeded in doing this hoped to divorce it from its political orientation or to remove the onus of calling attention to it does not much matter. The fact is that economics is as politically oriented as political economy ever was. Moreover, the attempt to keep politics out of sight or beneath the surface has resulted in

misnaming what is really being discussed. Thus, all these modifiers of economy are used which do not refer to economy at all but to the political context within which people live.

There is no such thing as a macro-economy, then. Macro-economics is a subterfuge of those who are talking about government, not economy, who are advancing government regulation, control, and planning beneath the cover of statistics. Their formulations — gross national product, national income, figures on employment, and such like — are simply aggregates to influence political policy. Nor is there any such thing as micro-economics. Economy is the same for any unit, whether that unit be an individual or an organization. Economics is a theoretical study of the workings of economy. Once it proceeds beyond theory into the actual world at any time and place, it ceases to be economics and becomes political economy. That is, it becomes a study of economy as it can be practiced in a given political situation. It becomes, then, *not* a study of *economy*, as such, *but a study of the effects of government action*.

It is of critical importance that this be understood. So long as interventionists can succeed in using the words as they are being used today, they succeed in drawing

our attention away from the real subject and focusing on an imaginary and illusive one. They take our eyes away from government, too, and turn them on the business community. By so doing, they make it appear that the economy is somehow at fault for whatever is wrong, and that government must come to the rescue. If, for example, unemployment is announced as being at nine per cent, then the trouble is supposed to be with the economy. But if we keep clearly in mind what economy is — the careful and frugal use of land, labor, and capital so as to realize the greatest return of goods and services — it will be clear that the fault does not and cannot lie with economy. Economy can only result in providing the most goods and services that are most urgently wanted. The fault must lie with government, then, either in its failure to protect property, or in its interventionist measures, or both.

"Corrective" Interventions

By focusing attention on the economy, interventionists justify and initiate a host of "corrective" measures. They attempt to use government as if it were chief surgeon or master mechanic to the economy. Much as the physician prescribes drugs, injections, surgery, the wearing of corrective

braces, changes in diet, the altering of habits, or whatever, much as the mechanic advises the installation of a new muffler, the replacement of the water pump, a tune-up for the ignition system, the tightening of the fanbelt, the flushing of the radiator, or what not, just so, the interventionists propose deficit spending, the lowering of the Federal Reserve discount rate, subsidies for housing, a new road program to stimulate the economy, a tax bonus, regulation of industry, consumer protection measures, and so on, and on, and on. Indeed, interventionists treat the economy as if it were a terminally ill patient requiring every sort of conceivable remedy just to keep it going. In point of fact, economy can no more need adjustments than does the multiplication table. It no more needs stimulating than does the solar system. How well economy is functioning can no more be determined by statistics than the performance of a man's heart can be determined by weighing the amount of blood being pumped through it. By misnaming what they are talking about, interventionists create an illusion that they are ministering to economy when they are really using force on people.

Given the terminology that is now in use, people pose questions such as these: "How is the econ-

omy doing?" "Is the economy improving or getting worse?" "How long will it be before the economy is prosperous again?" An appropriate answer might go something like this:

Economy is as well as could be expected, all things considered. In fact, economy is perfect. People everywhere are practicing it in their affairs. Businesses are producing as much as they can as inexpensively as they can. Producers are moving their supplies to the points of greatest demand. Land, labor, and capital are being efficiently employed to provide a vast array of goods at the best prices possible. Workers are set to work on those projects which our information tells us are most likely to yield the results that people want. Economy, then, is doing well. The trouble is with government. Government inhibits, prohibits, obstructs, alters, and intervenes in all our efforts at economy. It confiscates a considerable amount of what can be produced to pay its own workers or to redistribute it as it sees fit. It interferes with prices so as to make it difficult to know what should be produced. It even makes it economical for some individuals to act in ways that are harmful to economy in general. Economy is well, but government is in bad shape.

The Proper Questions

There are questions, then, that can be asked which will yield answers about the state of the economy. They are not, however, questions about economy; they are questions about the government. They can be posed in such ways as the following. How open is the market to all comers? What laws, rules, regulations, and restrictions hamper entry to the market? How readily can a drug be introduced, a construction project be begun, a new factory opened, or changes be made in a product? Can prices change to reflect changing conditions, or are they fixed by government decree or made difficult to alter by government involvement? Can wages be determined by mutual agreement between employer and employee? What portion of the fruits of his labor, his earnings, can a man keep? How private is property? Must its use depend upon the approval of a host of government agencies? What portion of the cost of production goes into providing evidence of compliance with government regulations? Does government subsidize some operations and penalize others? Are there privileged groups and organizations who are enabled by government to evade some of the requirements of economy? The answers to these and like questions tell us what we need

to know about the state of the economy.

Statistics are even useful once we are clear what it is they can tell us. They cannot tell us how efficiently economy is operating. They can tell us something about the impact of government on the economy. For example, when England, in the early nineteenth century, struck away its restrictions on trade, it began a dramatic move toward economic ascendancy in the world. When it began once again to impose restraints ever more vigorously in the twentieth century, it began its precipitate decline. Statistics give precision to these results of government policy. Economy was the same in England as anywhere else, but government policy changed.

The Means of Communication

Language is indeed a marvelous contrivance. It enables us to express ourselves, to communicate with others, to be social beings. But if words are not used with care and kept to commonly accepted meanings which bear a close relation to accepted reality, the channels of communication are clogged and words become clanging symbols to divide us from one another and sever our ties with society. Those very words which it is so difficult for anyone deaf and blind to grasp become instruments

for deafening and blinding us to reality.

Language is also, however, subtle and tenacious, resistant to change and unavailable to be shaped just as we might desire. It holds its course or responds to needs in ways that analysis fails to divulge. It may well be that the present writer has proscribed usages which have good and sufficient reason for being there. It was not my purpose, however, so much to alter the way we talk about economy as to get us to talk

about government when that is the subject we should have in mind.

Economy does not stand in need of much public attention; government requires a great deal more than we might suppose it should just to keep it in its place. It may be redundant to refer to a free economy, for can economy be anything but free, but limited government is a necessary condition for free men, and the practice of economy by free men is the necessary condition for prosperity. ☸

Freedom and Morality

IT SEEMS TO ME one of the great merits of a free society that material reward is *not* dependent on whether the majority of our fellows like or esteem us personally. This means that, so long as we keep within the accepted rules, moral pressure can be brought on us only through the esteem of those whom we ourselves respect and not through the allocation of material reward by a social authority. It is of the essence of a free society that we should be materially rewarded not for doing what others order us to do, but for giving them what they want. Our conduct ought certainly to be guided by our desire for their esteem. But we are free because the success of our daily efforts does not depend on whether particular people like us, or our principles, or our religion, or our manners, and because *we* can decide whether the material reward others are prepared to pay for our services makes it worth-while for us to render them.

F. A. HAYEK, "*The Moral Element in Free Enterprise*"

IDEAS ON



LIBERTY

Private Coinage



in America

BRIAN SUMMERS

AMERICA has never had a free market in money. From 1933 to 1975, Americans could not legally own gold. Since 1933, contracts payable in gold or indexed to the price of gold have been illegal, although the restored right to own gold may soon lead to new legal challenges. Since 1864, the private coining of money has been illegal. And since colonial days, we have had legal tender laws designed to force the acceptance of coins and bills minted by the government.

Despite the absence of a completely free market, there have been times when Americans have privately minted money, and buyers and sellers have willingly used this money. Let us survey the his-

tory of American private coinage, for this history lends support to the practicality of free market money, with private minters supplying the monetary needs of the market, and the government protecting people from fraud and coercion.

One of the first private coiners was John Higley, a blacksmith in Granby, Connecticut, who minted copper coins in 1737 and 1739. Higley let the market determine the value of his coins, on which he imprinted "I am good copper/Value me as you please." No one was forced to accept Higley's coins, in contrast with our federal government's policy of printing on its paper money, "This note is legal tender for all debts, public and private."

Mr. Summers is a member of the staff of The Foundation for Economic Education.

The eminent numismatist Edgar H. Adams attested to the quality of Higley's coins: "In fact so pure was the metal contained in these pieces that they were much sought by goldsmiths of the period for the purposes of alloy, and the coins seem to have been in pretty general use until 1792, the time of the opening of the United States mint."¹

Both Silver and Gold

Silver was also coined by private minters. In 1783 I. Chalmers of Annapolis, Maryland minted silver shillings, sixpences, and three-pences that were described by Henry Chapman as "very creditable."² But the favorite metal of private minters was gold.

Joseph Coffin reports on the first privately coined gold: "During this period of our history (1830-1861) many private gold coins were struck in various sections of the United States. The first of such gold coins was issued in 1830 by Templeton Reid, an assayer at the gold mines of Lumpkin County, Georgia, the same county in which the Dahlonega mint [a Federal mint] was located. The Templeton Reid coins were issued in three

denominations (\$2.50, \$5, and \$10) at Reid's private mint. The gold was of the best quality, and later many of the coins were melted because they were worth more as bullion than the face value of the coins."³

Templeton Reid successfully competed with the Dahlonega Federal mint. Another mintmaster who thrived in the face of Federal competition was Christopher Bechtler of Rutherfordton, North Carolina.

Bechtler, his sons, and nephew arrived in Rutherfordton in 1830, having emigrated from the Grand Duchy of Baden. From 1831 to 1847 they coined gold in three denominations (\$1, \$2.50, \$5) despite competition from the nearby Federal mint established in 1837 in Charlotte.

Clarence Griffin reports on the public's acceptance of the Bechtler coins which, like all privately minted coins, were not legal tender: "Bechtler coins were accepted and passed at face value in all of western North Carolina, South Carolina, western Tennessee, Kentucky and portions of Virginia. One of the country's oldest citizens once told the writer that he was 16 years old before he ever saw any other coin than the Bechtlers. The

¹ Edgar H. Adams, "Higley Coppers 'Granby Coinage,'" *The Numismatist*, August 1908.

² Henry Chapman, "The Colonial Coins Prior to July 4, 1776," *The Numismatist*, February 1948.

³ Joseph Coffin, *The Complete Book of Coin Collecting* (Coward, McCann & Geoghegan, New York, 1973) p. 108.

coins filled a long-felt need for specie and continued to circulate long after the discontinuance of the mint in 1847. At the outbreak of the War between the States the new Confederacy began issuing currency, but did not put out any specie. Bechtler coins, especially in this locality, were carefully hoarded, and many contracts and agreements of the sixties specified Bechtler gold coins as a consideration rather than the Confederate States currency or the scant supply of Federal specie.

"Despite the fact that these coins bore no device emblematic of a national character, or any official guaranty of their purity, they were unhesitatingly accepted by all. In the proper sense of the word they were only 'tokens' and when offered at the government mints were worth less than the face value, as the government deducted the seigniorage and assay fees for reminting. Yet these coins were passed over the counters of the stores, where they received the same consideration as if they were made by the United States Government. They were carried by traders into Kentucky and South Carolina, and many homeseekers going westward during the great immigration period of 1850-1870 carried their Bechtler coins with them. Many circulated more freely than did government specie, and it has

not been so many years since the local banks accepted them at face value.

"Today Bechtler coins sell at enormous prices. Numismatists quote them from \$5 to \$100 and more."⁴

Honesty the Best Policy

G. W. Featherstonhaugh, who visited Bechtler in 1837, gave the following account of his visit: "Christopher Bechtler's maxim was that honesty was the best policy and that maxim appeared to govern his conduct. I was never so pleased with observing transactions of business as those I saw at his house during the time I was there. Several country people came with rough gold to be left for coinage. He weighed it before them and entered it in his book, where there was marginal room for noting the subsequent assay. To others he delivered the coin he had struck. The most perfect confidence prevailed between them, and the transactions were conducted with quite as much simplicity as those at a country grist mill, where the miller deducts the toll for the grist he has manufactured."⁵

Christopher Bechtler coined over three million dollars in gold. But his operation was dwarfed by the

⁴ Clarence Griffin, "The Story of the Bechtler Gold Coinage," *The Numismatist*, September 1929.

⁵ *Ibid.*

private mints that sprang up after the discovery of gold in California in 1848. At least 15 private mints coined gold in California during 1849-1855. The bullion content of some of these coins was less than their face value, so these coins were rejected by the market and soon passed out of circulation. However, the coins of Moffat & Co., Kellogg & Co., and Wass, Molitor & Co. enjoyed the confidence of the community and were readily accepted.

The January 8, 1852 issue of the *San Francisco Herald* contains the following comments on the Wass, Molitor & Co. mint: "The very serious inconveniences to which the people of California have been subjected through the want of a [Federal] mint, and the stream of unwieldy slugs that have issued from the United States Assay Office have imperatively called for an increase of small coin. The well known and highly respectable firm of Wass, Molitor & Co. have come forward in this emergency, and are now issuing a coin of the value of \$5 to supply the necessities of trade.

"The mechanical execution of the coin issued by these gentlemen certainly reflects the highest credit upon their skill. It is a beautiful specimen of art, far superior in finish to anything of the kind ever gotten up in California.

"But the most important point to the public is its fineness and weight, as upon these two qualities combined must depend its value. In this particular it will be found highly satisfactory, and at once secure the confidence of the community. It has a uniform standard of .880, and contains no other alloy than that of silver, which is found naturally combined with gold. The weight of each of the \$5 pieces, which are the only ones at present issued, is 131.9 grains.

"The standard fineness of the United States Five Dollar piece is .900, weight 127 grains. It is therefore 20/1000 finer than Wass, Molitor & Co.'s pieces, but this is more than counterbalanced by the latter's being 4.9 grains heavier, so that the new Five Dollar gold piece is in reality worth five dollars and four cents, a sufficient excess to pay the expense of recoinage at the United States Mint without cost to the depositor.

"The reason Messrs. Wass, Molitor & Co. have adopted the standard of .880 is because this is about the average fineness of California gold, and further because the cost of refining California gold to the United States standard is exceedingly heavy, and the necessary chemicals cannot be obtained in this country. But it will be remembered that the difference is more than made up by the in-

creased weight of 4.9 grains, which every one can try for himself on a pair of scales. These coins will be redeemed on presentation in funds received at the Custom House and banks. The high reputation for honor and integrity enjoyed by Count Wass and his associates in this enterprise is an additional guaranty that every representation made by them will be strictly complied with. The public will be glad to have a coin in which they can feel confidence, and which can't depreciate in their hands. The leading bankers, too, sustain and encourage this issue, and will receive it on deposit."⁶

The End of an Era

One of the last private mints was Clark, Gruber & Co. Carl Watner writes: "Between 1860 and 1862 the firm of Clark, Gruber & Co. was engaged in the manufacture of their own coins from their mint in the city of Denver. Here

again, the demand for a circulating medium was satisfied by private means before the government was able to act. The Clark, Gruber coins were of high quality and always either met or exceeded the gold bullion value of similar United States coins. In a period of less than two years this firm minted approximately three million dollars' worth of coin. Their mint promised to outdo the government's own production, and to get rid of them, the government bought them out in 1863 for \$25,000."⁷

In 1864 the private coining of money was banned by an Act of Congress. Today the prohibition against private coinage, the doubtful legality of gold contracts, and legal tender laws assure the federal government a legal monopoly over money, and prevent buyers and sellers from freely choosing mutually acceptable media of exchange.



⁶ Edgar H. Adams, *Private Gold Coinage of California* (Edgar H. Adams, Brooklyn, N.Y., 1913) pp. 79-80.

⁷ Carl Watner, "California Gold: 1849-65," *Reason*, January 1976, pp. 27-28.

Universal Money

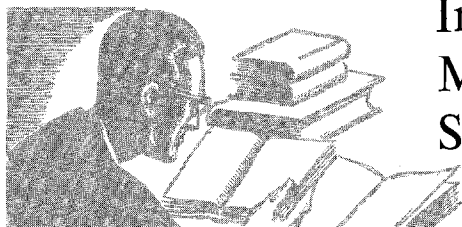
IDEAS ON



LIBERTY

FOR SOME 2500 YEARS small pieces of gold and silver, called coins, constituted universal money. It survived two millennia in spite of countless attempts by hosts of governments to manipulate it or replace it with their own media.

The Conservative Intellectual Movement Since 1945



IT TOOK FIFTY YEARS for the Fabian Society to conquer Britain for socialism. In the beginning the Fabian Society was a tiny debating forum for George Bernard Shaw, not yet a famous playwright, and Sidney and Beatrice Webb, who preached something called "the inevitability of gradualism." This peculiarly British slow-motion approach to socialism stirred Lenin, then living in exile in Switzerland, to sardonic laughter. "A good man fallen among Fabians," he remarked of George Bernard Shaw.

In America, Frank Chodorov didn't laugh. Frank, a devoted follower of Albert Jay Nock, used to drop into the office of the *Freeman* magazine back in 1950. When he wasn't talking about Nock's *Our Enemy, the State*, Frank's favorite topic was Fabian "gradualism,"

which he proposed to turn against the socialists. He regarded our *Freeman* as one beginning libertarian gradualist rivulet. He had had his own little magazine, *analysis* (spelled with a small "a"), but that wasn't enough. He proposed setting up an Intercollegiate Society of Individualists to battle the swarming collectivists for the control of the American campus.

Looking about him for a president for his fledgling ISI, Frank fastened upon a young Yale graduate named William Buckley, who had been reading *analysis* and who had asked me, as a *Freeman* editor and fellow Yale alumnus, to write an introduction to his remarkably precocious *God and Man at Yale*. Meanwhile, as Frank looked about for more gradualist rivulets, Leonard Read had already started The Foundation for Economic Educa-

tion and some forty American and European scholars, led by Friedrich Hayek of *The Road to Serfdom* fame, had met in the Swiss Alps to form The Mont Pelerin Society.

Chodorov, the fighting optimist, surveyed the whole scene with a satisfaction that few of us could feel at the time. Individualist gradualism, he was convinced, could take the play away from the modern "liberals," who then dominated practically every newspaper, magazine, university and publishing company in America.

Chodorov died a long time ago. Had he lived, even he might be astounded by the success of libertarian and conservative gradualism in America since he first began talking about using the Fabian formula against the Fabians. The whole magnificent success story has been set down in vibrant detail by George H. Nash, a young Harvard Ph.D., in a teeming book, *The Conservative Intellectual Movement in America Since 1945* (Basic Books, \$20). Nash would have pleased Chodorov down to the ground, for he has Chodorov's own feeling that it is the movement of ideas, not the posturing of the politicians, that determines the outcome of events in the real world.

With an incredible patience Nash has picked up virtually every one of the rivulets that Chodorov used

to talk about. In his careful construction, which combines the chronological approach with a skillful use of flash-backs, Nash shows how the rivulets have combined to form a rushing river that, at the moment of his book's publication, promises great changes at the polls. It will probably take a few more years for the anti-Fabian gradualism extolled by Chodorov to beat back the socialists, but no reader of Nash's book can legitimately doubt that the anti-Fabian gradualists are going to win.

For an Effective Coalition

What did it take to make a really effective movement that could unite the von Mises Austrian school economists, the Chodorov anti-Statists, the Russell Kirk anti-ideology Burkean conservatives, the anti-Communists, the believers in a Christianized West, the defenders of the "higher law," and the pragmatic "neo-conservatives" such as Irving Kristol who have seen that collectivist panaceas just don't work? How, with such potentially "fissionable" material, could there ever have been a fusion?

Mr. Nash has two theories to explain a remarkable phenomenon. The first theory owes much to Benjamin Franklin, who, in the days when Americans were defying King George III, said we must all

hang together or we'll all hang separately. The drive of the Communists to take over the world, by a combination of internal subversion and external power threats, creates a fear that acts as a strong cement for conservatives and libertarians of all shades of belief. But fusion would never have become articulate if it hadn't been for the remarkable personality of Frank Meyer, an ex-Communist who died as a convert to the Catholic faith.

Nash has correctly perceived that Frank Meyer, from his "Principles and Heresies" pulpit in Bill Buckley's *National Review*, worked miracles of persuasion on many a doubter that libertarians and Burkean traditionalists, agnostics and Christian believers, classical economists and ex-Communists with little grounding in economics, could ever get together. Frank, with his belief that the end of government is the protection of individual liberty, did not contest the idea that the end of man at liberty is the pursuit of virtue. He convinced many of us that the choice between good and evil is meaningless if it is not the product of free will. So he brought libertarians and traditionalists to accept the idea that government must be limited, and the economic system must be set free, in order to provide a setting where men could freely

promote their own ideas of virtue without being coerced into a meaningless official morality by Big Brother.

Long Live the Differences

Nash clearly perceives that to define conservatism in dogmatic terms would be to kill it. There is no definition that could put a blanket cover over James Burnham, the anatomist of "liberal" suicide and student of geopolitical reality, and Murray Rothbard, who thinks questions of foreign policy are totally negligible. It is enough that conservatives and libertarians of all shades of thought agree in distrusting the "social engineering" approach to changing the social order. It is enough that the followers of Ludwig von Mises and Friedrich Hayek, some of whom prefer to call themselves Whigs or old-fashioned liberals, and the neo-conservatives of the Kristol "public interest" school, who are still Deweyan "instrumentalists" at heart, can share a preference for a free economy for their own different reasons.

Nash goes fully into controversies that had conservatives deeply divided at times. There was the McCarthy controversy, for example. There was the argument over the "natural rights" conception of freedom versus virtue and duty. The names connected with the ar-

guments are legion, but Nash manages to do justice to practically everyone in the movement, from Walter Berns and Brent Bozell and Willmoore Kendall on the "virtue-duty" side of the argument to Milton Friedman, whose interests are largely secular and who would use what Henry Hazlitt thinks of as "tinkering" devices to make government interference in education and the marketplace more responsible to pluralistic preferences. The personalities blend neatly into the flow of the narrative. Practically anybody who was connected in any way with the conservative revival will say, on finishing Nash's book, that "all of this I saw, and part of this I was."

There are, however, a couple of omissions. Nash ignores Rose Wilder Lane, whose *The Discovery of Freedom* must have had as much effect in turning socialists into libertarians as Albert Jay Nock. Among the early anti-Communists he forgets Benjamin Stolberg and John Dos Passos, who were still very much on the scene in the Fifties. But it would be fly-specking to hold a few omissions against George Nash. He has carried off a Gargantuan enterprise with a flourish and aplomb that have never once disturbed his magnificently precise sense of order.

► **SIMPLE & DIRECT: A Rhetoric for Writers** by Jacques Barzun (New York, Harper & Row, 1975) 205 pp., \$10.00.

Reviewed by Edmund A. Opitz

ANYONE can learn to write decent prose; good writers are made, not born. Some, obviously, have a greater natural aptitude than others, but even the immensely gifted Jacques Barzun has to rewrite. The elegant prose we admire in his books did not flow from his pen in that form, as he reveals here. A page of the first draft of this book is reproduced: words crossed out, new words inserted, a phrase deleted, a sentence added. Additional corrections, we are told, were made in two successive typescripts and in the galleys. Obviously, most of us are lazy, and so we con ourselves into believing that good writers are born with a silver pen in hand. The truth is that good writers work twice as hard as mediocre writers and more intelligently. It is helpful, I understand, to be a genius!

You're no genius, let us say, but you are normally endowed and your I.Q. is over a hundred. Will hard work make a writer of you? No, only hard work of the right kind, work appropriate to the end you have in mind. Your goal is to write prose which is "reasonably clear and straightforward," and this

means that you must become "self-conscious and analytical about words." The correct word should be used in a proper context (consult the dictionary!); the metaphor should be apt; syntax, rhythm, and diction should suit the occasion; the tone should be right.

"I want to lay it down as an axiom," Barzun writes, "that the best tone is the tone called plain, unaffected, unadorned. It does not talk down or jazz up; it assumes the equality of all readers likely to approach the given subject; it informs or argues without apologizing for its task; it does not try to dazzle or cajole the indifferent; it takes no posture of coziness or sophistication. It is the most difficult of all tones, and also the most adaptable. When you can write plain you can trust yourself in special effects."

Simple & Direct is witty and amusing. Barzun has culled some gorgeous specimens of bad prose from his wide reading, and in some cases adds a comment. He quotes a writer who has not thought about his imagery: "The air was clear and cool but not cold and its freshness was like wine in the nostrils." To which Barzun rejoins: "It's bad enough to inhale smoke!" But *Simple & Direct* is also an exercise book, and the reader who wants to get full benefit from it should go through it with pen and

pad. In the major divisions of the book he'll learn about Diction, Linking, Tone and Tune, Meaning, Composition, and Revision; and he'll be sensitized to the major sins against the canons. Next, he'll work his way through the exercises, emerging at the far end with a pretty fair notion of what it takes to be a writer.

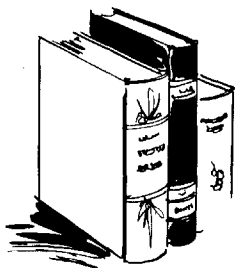
The book also contains half-a-dozen brief essays as examples of good writing. To which I'd like to add some suggestions, beginning with the books of Jacques Barzun himself. Fifteen titles are in print, an armful of books which surely represents one of the major intellectual and literary accomplishments of our time — and a model of good writing as well.

And of course there's Albert Jay Nock, acknowledged as a master prose stylist even by those who reject his opinions. Nock is so quotable that there's a temptation to shirk the chore of saying it in your own way. Resist this temptation, for Nock's manner of saying things is his own. But any reader who stays with him will have his own thinking whetted, and the influence of Nock's way with words will subtly invade the deep layers of his mind. This, of course, is the virtue of great works of literature. I once asked the nature writer, Henry Beston, how he came by his beautiful style. "I steeped myself

in the King James Version of the Bible," he replied. The splendor of Elizabethan English came to full flower in this "noblest monument of English prose."

Well, now, you've worked your way through *Simple & Direct*, giving yourself a two-semester course in Writing and Composition. You know how to say it, and you begin to have an inkling of what you want to say. This latter now needs attention. Having something to say requires a well-nourished mind. The mind must be continuously restocked by observation, conversation, and reading which, taken together, constitute research. Research is hard work, but there's a right way to go about it, and it's set forth in a book crammed with fascinating pieces of information, *The Modern Researcher*, by Barzun and Graff.

The upshot is that anyone who puts his mind to it can write, but there are easier things to do, like swimming the English Channel!



► **FREE MARKETS OR FAMINE** (318 pp.) (revised edition) and **POLITICS VERSUS PROSPERITY** (358 pp.) by Dr. V. Orval Watts, co-author and editor, and 21 other distinguished scholars. (Pendell Publishing Co., P.O. Box 1666, Midland, Michigan 48640), \$9.00 each.

Reviewed by Howard E. Kershner

DR. WATTS is Burrows T. Lundy Professor of The Philosophy of Business, Campbell College, North Carolina, and Director of Economic Education for Northwood Institute. He obtained his doctorate in Economics and History at Harvard University and has a long and distinguished career as a teacher of economics at Wellesley, Carleton, Claremont, Pepperdine, and Northwood.

The first edition of *Free Markets or Famine* was tops, and the revised edition is even better. Nine chapters are by the master himself. Among the authors of one or more of the other chapters are the renowned Austrian school economist Ludwig von Mises, Hans F. Sennholz, Edward P. Coleson, Sylvester Petro, Dean Russell and Murray N. Rothbard.

The book proves the thesis that the only time an economy of abundance has appeared in the world was after the coming of the free market economy. The authors do

not specifically say it, but this reviewer maintains that the moral principles succinctly stated in the Ten Commandments were essential to the success of the market economy as taught by Adam Smith and others of the classical school. Smith wrote at a time when these principles were believed and largely practiced by Western society. Without them, it is doubtful if the free market economy ever would have developed its marvelous capacity to produce abundantly.

Famine and hard times were common before the coming of the free market, and this reviewer, at least, believes that they will return if and when the free market and its Judeo-Christian religious input no longer determine the conduct and loyalty of a majority of the people.

This book ought to be read by all who want to understand the science of economics. Likewise the companion volume *Politics vs. Prosperity*. Dr. Watts writes three chapters for this book. Most of the co-authors of *Free Markets or Famine*, and a number of other distinguished scholars and writers, have also written one or more chapters for it. This book also has a strong moral emphasis. Certain imperfections and evils appear from time to time in a free society, but these are soon corrected by

obsolescence, an increasingly rapid factor of change, the inability of sons to wield the accumulated power of their fathers, and the growth of moral perception and consciousness.

Those who propose to cure the defects of free enterprise by state intervention, up to and including the authoritarian state, do not reckon with the fact that when evil people are clothed with power they have a much greater capacity to injure their fellows. In a free economy, change is rapid. But, in a state-managed economy, it is almost impossible short of bloody revolution. Social ills stem from freedom denied, and the only remedy is an expansion of genuine liberty.

► THE ECONOMIC POINT OF VIEW by Israel M. Kirzner (D. Van Nostrand, 1960; Sheed & Ward, 6700 Squibb Road, Mission, Kansas 66202, 1976) 216 pages plus index, \$4.95 softcover. This book also is available from The Foundation for Economic Education, Irvington-on-Hudson, N.Y. 10533.

Reviewed by Brian Summers

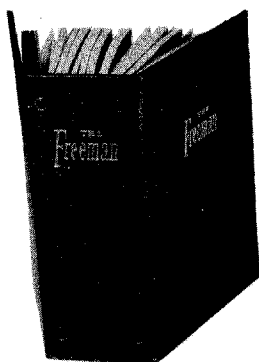
AT A TIME when mathematical economists are frantically juggling reams of statistics, wondering why the Consumer Price Index and Unemployment Index don't come out right, Israel Kirzner reminds us

that economics is properly viewed as a science of human action, with statistics useful only as history.

Although Dr. Kirzner writes on an abstract level, his analysis has profound policy implications. Consider, for example, the problem of inflation. The government increases the quantity of money, and people react. Among the consequences are redistributions of wealth, phantom profits, capital consumption, malinvestments, business failures, unemployment, and almost incidentally, a rising Consumer Price Index. Mathematical economists, unfortunately, tend to ignore how people react to increases in the quantity of money, and viewing the economy as a mechanism, concentrate on manipulating the Consumer Price Index.

In 1971-1974 the manipulations took the form of price controls. That price controls are people controls, that people react to controls over their lives, and that these reactions have economic consequences (such as shortages), were largely ignored by the mathematical economists.

The Economic Point of View is not for beginners. It is a scholarly history of the development of economic thought which will be best understood by those familiar with Austrian economics, particularly the economics of Professor Kirzner's teacher, Ludwig von Mises. For those willing to accept the challenge of a profound analysis of the science of economics and the history of economic thought, this brilliant work has much to offer. (M)



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WILLIAM H. PETERSON

U.S. Defense and the Multinational Corporation



I DRAW MY SERMON from the gospel according to Ludwig von Mises in his *Human Action* (1949) in which it is written: "Capitalism is a scheme for peaceful nations," and according to Alexis de Tocqueville in his *Democracy in America* (1835) in which it is written:

There are at the present time two great nations in the world which seem to tend toward the same end, although they started from different points; I allude to the Russians and the Americans. . . . All other nations seem to have reached their natural limits, and only to be charged with the maintenance of their power; but these are still in the act of growth: all the others are stopped or continue to advance with extreme difficulty; these are proceeding with ease and with celerity along a path to which the

human eye can assign no term. The American struggles against the natural obstacles which oppose him; the adversaries of the Russian are men; the former combats the wilderness and savage life; the latter, civilization with all its weapons and its arts: the conquests of the one are therefore gained by the plowshare; those of the other, by the sword. The Anglo-American relies upon personal interest to accomplish his ends, and gives free scope to the unguided exertions and common sense of the citizens; the Russian centers all the authority of society in a single arm: the principal instrument of the former is freedom; of the latter, servitude. Their starting-point is different and their courses are not the same; yet each of them seems to be marked out by the will of Heaven to sway the destinies of half the globe.

Dr. Peterson is Burrows T. Lundy Professor of the Philosophy of Business at Campbell College, North Carolina.

This paper is taken from remarks at Boise State University, Boise, Idaho, March 27, 1976.

Talk about prescience, talk about a grand theme for a paper—this play on the economic underpinning of war and peace is it.

Let's explore, then, two timely issues raised by this gospel according to Mises and Tocqueville.

The first is economic. It relates to efficiency and productivity and hence to world prosperity. It is the question of free trade in goods, technology and capital vs. government interventionism in general and protectionism in particular—particularly as protectionism impinges on the multinational corporation.

The second yet closely related issue is more political and ties more directly into overall U.S. defense strategy. It stems from the old axiom that troops move when goods stop crossing borders. It relates to the mutual national advantages that flow from free trade in goods and capital—advantages which greatly contribute to relaxation of political and military tensions. IBM catches this idea beautifully in its motto: "World Peace Through World Trade."

Voluntarism vs. Controls

As is clear by now, I put a lot of stock in the old-fashioned ideas of private property, free enterprise, sanctity of contract, and limited government. I also put a lot of stock in the idea that government, however necessary for order in society, is, in the final analysis, organized force. Try not paying your taxes and you'll see what I mean. Multina-

tional corporations, on the other hand, are strictly voluntary organizations. Nobody is twisting your arm to buy a Chevy, a Mazda, 10 gallons of Shell, a Sony color TV or any other product from the MNC's.

But were not such ideas the bequest of our Founding Fathers? Sad to relate in this bicentennial year, this bequest has run afoul of government interventionism. By way of definition, interventionism is the market-meddling and privacy-invading methods of the so-called middle-way, welfare-state, mixed economies of North America, Western Europe and Japan.

These economies—need I remind you?—come replete with double-digit inflation, massive unemployment, mind-boggling taxes, much social friction and lots of nosy bureaucrats, themselves full of contradictory and self-defeating rules and regulations.

Such messy repercussions are even more evident in the Third World. And now the MNC's are really catching hell, thanks in part to the bribery problem which I will treat in a moment. With the overwhelming support of Third World countries, the United Nations General Assembly has just passed a so-called Charter of Economic Rights and Duties of States. The Charter says that if a nation nationalize an MNC, any differ-

ences on compensation shall be reconciled "under domestic law of the nationalizing country" and "by its tribunals." Rather one-sided, don't you think?

Similarly, a "Code of Conduct" proposed by the Organization for Economic Cooperation and Development would put tight restraints on MNC's, but, strangely, not on government-owned corporations or private national firms. In addition, the OECD Code would require MNC's to reveal confidential commercial and financial data on their operations and taxes, country by country—a revelation hardly conducive to a climate of investment.

Here at home the MNC's are fending off a push to remove their present right to defer income taxes on foreign earnings until they are repatriated. Since no foreign countries tax overseas earnings until remitted home, American companies would be at quite a disadvantage with their foreign competitors. Moreover, our MNC's have found it necessary to persuade, so far successfully, the House Ways and Means Committee not to terminate their present foreign tax credit, which allows them to deduct foreign income taxes from their U.S. tax liability. If the foreign tax credit were eliminated, U.S. MNC's would be subjected to double taxation, with the effective tax bite on foreign profits of U.S. firms increas-

ing from 48 percent to about 73 percent. Such a blow, I submit, would gravely set back world development—and world peace.

All these attacks and harassments against the MNC's serve to undermine our basic defense on geopolitical strategy of harmonious relations among all countries. All of which divert our attention from the strict rule of life that to consume we must first produce. Why, then, do we Americans harass our prime producers, the MNC's, and at the same time devote so much attention to foreign aid and domestic welfare programs which merely shift shrinking purchasing power from one group to another?

Aid Programs Backfire

I believe history demonstrates that foreign aid and domestic welfare usually boomerang against their intended beneficiaries, setting back economic development abroad and causing social friction at home. I believe we of the West, so critical of the Third World, merit the admonition of the gospel according to Matthew: "Thou hypocrites, first cast the beam out of thine own eye."

All of which robs the will—and ability—behind national defense. In the U.S., for example, domestic spending by government has outstripped defense spending. Defense spending fell from 14.3 percent of GNP in 1952 to 7.2 percent in 1972.

Meanwhile, domestic spending, including welfare programs, climbed from 12.2 percent of GNP in 1952 to 25.7 percent in 1972. All with those adverse repercussions I mentioned earlier.

Indeed, in this light, I have a book manuscript in preparation which has as its central postulate: *Every government intervention into peaceful private activity tends to make things worse rather than better.*

The hero of the book is the Consumer—the Forgotten Man in our society, despite the so-called Consumer Movement. He gets the short end of the stick from interventionism. He is the one who has to pay the bill for all the economic inefficiency and political instability wrought by the interventionists. He is the one who in the end has to pay all the wages, taxes, energy costs, interest payments of the MNC's and all the other costs of doing business in general. Including the manifold inefficiencies wrought by interventionism. Verily, there is no such thing as a free lunch.

But in a free society the Consumer is also the Boss. He is in charge. The entrepreneurs may think that they control production, that they are at the helm and steer the ship. Now listen to Mises on the entrepreneurs:

A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the

captain's orders. The captain is the consumer. Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him.

So if you hear me defend the multinational corporation against buttinsky government officials, please don't think of me as a mouthpiece for the global companies. In a sense, I don't give a hang about these companies; my concern is with the Forgotten Man. I believe his prime shield against the slings and arrows of life is free enterprise, global or otherwise. I don't believe in the "open political warfare"—to use the phrase of Jacques Maisonrouge, chairman of the IBM World Trade Corporation—that has characterized relations between the nation-states and the MNC's in recent years and months.

Defense Strategy

Enough of philosophy. We'll come back to the multi-national corporation. For now let us explore a bit further our second issue on the geopolitics of U.S. defense strategy.

Ponder: The major industrial economies of the West, including

Japan, are long on capital and technology; the Third World is long on materials and manpower. Trade and investment, international harmony and good will, should flow between the two great areas. The Third World should leap ahead. Or, as the President's Materials Policy (Paley) Commission observed way back in 1951:

The less developed countries have the materials. The industrial nations have the capital and the technical and management skills. These facts suggest the possibility of a new era of advancement for the world, which is dazzling in its promise.

But apparently the Third World just didn't get around to reading the Paley Report. For the report had no sooner been issued when a wave of expropriations and nationalizations enveloped foreign investments in the developing countries around the globe.

In 1951, for example, Iran seized the assets of the Anglo-Iranian Oil Company. In 1952 the United Nations approved UN Resolution 626 which asserted the sovereign rights of the developing countries but somehow fell short of noting the rights of the hardly dispensable foreign investors who had poured investment funds into those very same countries. Also in 1952 Bolivia nationalized foreign-owned tin mines. In 1953 Guatemala took over 250,000 acres of banana lands from

the United Fruit Company, offering some \$600,000 in Guatemala bonds as compensation for the property which had cost the company about \$25 million. In 1956 Egypt took over the physical assets of the Universal Company of the Maritime Suez Canal, precipitating an immediate war with Britain, France and Israel.

Nationalizations, expropriations and wars have accelerated in the 1960's and 1970's. A recent UN study notes that nationalizations by the developing nations have doubled from an average of 45 a year during the 1960's to an average of 93 a year so far in the 1970's.

So I pause for some reflection and ask, How did the Paley Commission "promise" come to be broken?

In raising this question, I call attention to a raft of success stories in the Third World—Brazil, South Korea, Taiwan, Hong Kong, Malaysia, Thailand, Singapore, the Philippines and the Ivory Coast, to name the ones that come to mind. So I think it is plain that the Third World, if it does not go overboard on interventionism, is not somehow doomed to poverty and stagnation.

The Exploitation Theory

Still the Third World answers the question by rattling the saber and charging the West with exploitation—the old Marxist idea of capital exploiting labor, the bourgeoisie oppressing the

proletariat, the rich grinding down the poor.

Here, for example, is Mexico's President Luis Echeverría before the UN General Assembly baldly accusing the rich industrialized nations of ignoring the needs of the poor developing countries, adding:

To postulate that the traffic of merchandise and products should be confined only to the industrial islands of affluence would not only lead in the short and medium term to an explosion in the Third World, but also to urban violence and suicide in the very nations that believe it possible to isolate themselves.

But how unreal can such a postulation be? Maybe President Echeverría hasn't been checking Mexico's highways and byways recently for signs of massive multinational corporate investment to the extent of billions of dollars and at least hundreds of thousands of jobs.

I think of such MNC's, virtually all on a joint venture basis with Mexican partners, as Sears, Woolworth's, Walgreen's, Procter & Gamble, Kellogg's, J. Walter Thompson, Pepsico, Ford, Volkswagen, General Motors, Sony, Panasonic, Eastman Kodak, Honeywell, Motorola, Texas Instruments, General Foods, General Mills, Miles Laboratories, Du Pont, Firestone, Goodyear, Cummins Engine, Philips' Lamp, Sunbeam, and scores more.

Just to detail the vast effort of Sears in Mexico in developing splendid retailing services and local supporting manufacturing industries to the tune of thousands upon thousands of jobs would involve more time than I can spare at the moment. Suffice to say, Sears and a host of other MNC's have worked mightily to develop Mexico. The Mexican consumer knows this, even if President Echeverría doesn't.

Even stronger on the exploitation line has been General Idi Amin, ruler of Uganda and president of the forty-six member Organization of African Unity. He calls on the General Assembly to expel Israel from the UN and bring about "the extinction of Israel as a state." He goes on to blacken U.S. MNC's as Zionist, saying:

The United States of America has been colonized by the Zionists who hold all the tools of development and power. They own virtually all the banking institutions, the major manufacturing and processing industries and the major means of communication; and they have so infiltrated the CIA that they are posing a great threat to nations and people which may be opposed to the atrocious Zionist movement. They have turned the CIA into a murder squad to eliminate any form of just resistance anywhere in the world.

Plainly, animosity and vituperation pepper communications between the West and the Third World. Plainly, developing or host

countries are loading still more restrictions on the MNC's and hence on the consumer everywhere, and especially on their own Forgotten Men.

Restrictions on Trade

Listen to a list of such restrictions compiled by Professor Jack N. Behrman, a specialist on international trade and investment at the University of North Carolina:

- (a) Foreign investment should not displace nationally-owned investment of a similar sort.
- (b) Foreign investment should be complementary to nationally-owned investment, supporting the development of the latter.
- (c) Foreign-owned affiliates should not be wholly-owned by the foreigner, but a majority of shares should be held by local nationals.
- (d) Extractive investments should occur only in unexploited areas of the host economy.
- (e) Maximum effort should be made to export from the foreign-owned affiliate.
- (f) Preferences should be given to the hiring of local personnel, and minority groups should not be discriminated against.
- (g) Local technicians should be trained and put in high-level positions.
- (h) Support should be given for local technical and educational centers.
- (i) Imports of materials and semi-finished goods for processing by the affiliates should be reduced to a minimum.
- (j) The foreign investor should make a maximum contribution to the balance of payments of the host country.
- (k) The foreign investor or licensor should not employ restrictive business practices (some twenty or more specific practices are prohibited).
- (l) Foreign investors should not acquire existing companies in the host country.
- (m) The foreign investor should reduce local borrowing to a minimum.
- (n) The foreign investor should not attempt to avoid or evade taxes in the host country.
- (o) The foreign investor should seek to re-invest a maximum percentage of earnings in the host country.

However reasonable any of these restrictions may sound in today's interventionistic world, almost every one is still a restriction—an intervention and hence a possible bar to investment. Thus do "host" countries come to frighten away good jobs for their workers and benefits for their consumers. Good work!

These fine efforts to gum up multinational trade and investment get a marvelous assist from the UN General Assembly, which just overwhelmingly passed the aforementioned Charter of Economic Rights and Duties of States. The Charter has been scrutinized by the U.S. Council of the International Chamber of Commerce. Says the Council:

This Charter, among other things, encourages nationalization of foreign property and the likely substitution of state corporations for foreign-owned private enterprise. It sets forth the notion of reparations for alleged colonial or neo-colonial coercions of the past.... The Charter endorses expropriation without compensation. It rejects international adjudication of economic disputes between a host government and a foreign investor. And much more, in effect the overwhelming majority of UN members voted to apply their own doctrines to the detriment of the United States and the industrialized West, even though such an unbalanced attitude seems likely to jeopardize their own objectives for economic growth.

But imagine a smart Third World country switching off the Third World Blues, actually courting the multinational corporations and advertising in *Fortune*, *The Wall Street Journal*, *The New York Times* and *The Washington Post* as follows:

Attention: Yankee traders, Western banks, Japanese firms, European companies.

Consider Lower Slobovia as your investment haven. Low wages. High productivity. Encouragement of the work ethic. Profit repatriation. Low taxes. Private property and sanctity of contract completely respected. Guarantees against nationalization and expropriation, with adjudication pledged by the World Court in the Hague and with indemnity funds pledged in Switzerland.

Can anybody doubt how quickly Lower Slobovia would rocket

upward in a "take-off," how investment money would flood the country, how Lower Slobovians would flock to work, how they would soon build up their country and turn out goods and services at an ever faster pace, how Lower Slobovia would shine as the brightest star in the Third World?

This is not to say the MNC's would simply touch Lower Slobovia with a wand and, presto, Cinderella is transformed into a beautiful princess. The MNC's can be quite a catalyst but in the end it is the Lower Slobovians themselves—and Third Worlders generally—who must establish the will and the way to develop.

And that way is, in a phrase, free trade and all that goes with it, including that delightful phrase of Adam Smith on private incentives, the Invisible Hand.

Never underestimate these latent incentives ready to spring forth in the Third World with a pool of local savings, a pool of willing workers and, perhaps most surprising of all, a pool of native entrepreneurs.

Listen, for example, to Sir W. Arthur Lewis, the West Indian ex-Princeton professor who is one of the world's outstanding economists. He has found no lack of enterprise in the Third World nor of—and these are his words:

willingness to exploit opportunities. The will to do business and make money

shows up in the hordes of traders; and in the rapidity with which small entrepreneurs take up small business opportunities as soon as the opportunities are opened up—motor transport, cinemas, building and contracting, small flour mills, printers, softdrinks—there is no shortage of small business types in underdeveloped countries. The shortage is of men who can build and run a large modern factory or mine or ship.

But the Third World, as we noted, is given to backbiting the multinational corporations, to cutting off its own nose to spite its face. Ludwig von Mises has commented how many poor countries of the world have avoided modern capitalism at their peril. He wrote:

What they need most is entrepreneurs and capitalists. As their own foolish policies have deprived these nations of the further enjoyment of the assistance imported foreign capital hitherto gave them, they must embark upon domestic capital accumulation. They must go through all the stages through which the evolution of Western industrialism had to pass. They must start with comparatively low wage rates and long hours of work. But, deluded by the doctrines prevailing in present-day Western Europe and North America, their statesmen think that they can proceed in a different way. They encourage labor-union pressure, and alleged prolabor legislation. Their interventionist radicalism nips in the bud all attempts to create domestic industries. Their stubborn dogmatism spells the

doom of the Indian and Chinese coolies, the Mexican peons, and millions of other peoples, desperately struggling on the verge of starvation.

Hear, hear. Professor Mises deserves applause for calling attention to the "doctrines prevailing in present-day Europe and North America." In 1975, for example, well after the debacle of wage-price controls in America from 1971 to 1974, and after a similar history of failure of "incomes policies" in Britain and elsewhere, Canada, Norway and Iran slapped on wage-price controls, justifying the observation of Santayana that those who don't know history are condemned to repeat it.

Washington Intervenes

The government in Washington itself is none too pure in the application of the wisdom of Adam Smith and David Ricardo. Recently, for example, at the behest of the United Automobile Workers, Washington took investigative action against foreign cars selling in the United States at prices below those charged in their home markets. So, through the deliciously-named International Trade Commission, Washington looks into UAW complaints that Datsuns, Toyotas, Fiats, Volkswagens and the like have been dumped on American shores in violation of the Anti-Dumping Act of 1921.

But our Forgotten Man never

complains about dumping, about prices being "too low." He is simply, well, forgotten. As he is when the United States insists on American-made ships manned by U.S. citizens for its coastal shipping. Similarly with U.S. quotas on woolen, cotton and synthetic textiles imported from abroad. Or with brand-new quotas now being worked out with Europe, Canada and Japan for an annual quota of 146,000 tons of foreign specialty steels. Or with U.S. restrictions on the importation of brooms and sugar. And until the energy crisis, with now-repealed quotas against foreign oil (likely giving a lesson on restrictionism to the Organization of Petroleum Exporting Countries). And now Senators Humphrey and Javits push for "national economic planning"—a marvelous object lesson for the Third World and yet another pot-hole in the road to world peace.

As luck would have it, Western Europe, Japan and other enlightened countries also have their peccadilloes in violation of free trade and international amity.

Sweden, for example, is sour on foreign dairy products, oils, fats, grains, meat, apples, electrical equipment and animal feeds ... Norway frowns on imports of electrical equipment and dairy products ... Italy erects barriers against foreign cigarettes, refrigerators, electric transmission

towers, ski lifts and wire mesh ... France battles against foreign movies, cars, oil products, electrical goods, and wine from Italy ... Canada fights its consumers by restricting imports of foreign grain, canned goods and American whiskey ... Australia protects its dairy farmers by allowing its Forgotten Man to consume margarine only if it is colored pink.

Retaliatory Measures

So who is exploiting whom? No wonder the MNC is having a hard time. No wonder peace is having a hard time. Protectionism and retaliation seem to be the basic ground rules for world commerce—and inadvertently for world friction. The hypocritical West charges OPEC with exploitation. OPEC returns the charge.

The Third World charges that the MNC's exploit their economies. The AFL-CIO similarly charges that the MNC's exploit American labor, mainly by shifting manufacturing to such places as Mexico, Korea and Taiwan. According to the AFL-CIO some 500,000 U.S. jobs were so exported in just the second half of the 1960's.

But Western MNC's frequently had no choice but to move production abroad, either because of foreclosed protected foreign markets or because of domestic markets being threatened by sharp foreign com-

petitors. As Reginald H. Jones, chairman of General Electric put it: "As the last company in the U.S. to give up the manufacture of radios, we know exactly how tough the foreign competition has been."

Also, while it is true the U.S. economy has given up jobs involved in production of such things as radios, bicycles and shoes, the fact is that we have thereby gained jobs for our export industries, including computers, jet planes and agricultural products.

Indeed, I agree with the Commerce Department study by Professor Robert S. Stobaugh of the Harvard Business School that on balance overseas operations of U.S. MNC's have increased domestic employment by some 700,000 jobs as well as increasing a net inflow of some \$7 billion a year in the nation's balance of payments.

But all the talk on jobs gained and lost through trade still misses the point. That point was well set forth by David Ricardo in his law of comparative advantage. And that advantage belongs to the truly exploited character in the drama of the MNC's under fire, our old friend, the Forgotten Man—the Consumer.

Smith a Consumer Advocate in The Wealth of Nations

Recall that Adam Smith was a consumer advocate long before that phrase became the fashion. He saw

the consumer as the key beneficiary in his laissez-faire system. This was the master oversight of the mercantilists, the interventionists of George III's day. As Smith observed:

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

In short, the law of supply and demand and the law of comparative advantage have yet to be repealed. The MNC is the prime vehicle for the implementation of these laws, and hence the benefactor of the developing world. But note the snide intellectual treatment of MNC's in *Global Reach* (1974) by Richard J. Barnet and Ronald E. Müller and *The Sovereign State of ITT* (1973) by Anthony Sampson.

Mr. Sampson's title and idea may have been inspired by a book published in 1971 by a Harvard Business School professor. The book: *Sovereignty at Bay*. The author: Raymond Vernon. Professor Vernon holds that "sovereign states are feeling naked." He maintains that the MNC's vast financial reserves,

huge size, and extensive technology push the nation-states into a feeling of frustration and possible aggression, certainly against the MNC's.

Intellectuals Barnet and Müller contend that "the structural transformation of the world economy through the globalization of Big Business is undermining the power of the nation-state to maintain economic and political stability within its territory." Accordingly the authors seek the long arm of the law to maintain social justice. In their seeking, they are aided and abetted by the boiling bribery problem.

I agree that on occasion businessmen have tricked, bribed and otherwise committed nefarious acts against the peoples and governments of the Third World. I say fie on such businessmen but note that they constitute but a minority, some black sheep whose presence, like germs, can rarely be 100 percent eradicated.

I deplore such vermin, yet believe that by and large business comes under the cleansing action of competition and the long-run principle of Cicero: "Whatever is profitable must also be honest, and whatever is honest must also be profitable."

Moreover, I agree with former Assistant Treasury Secretary Murray Weidenbaum, now an economist at Washington University in St. Louis, that most of the bribery is

rooted in intervention. And how! Dispensers of government—repeat, *government*—favors, whether an investment license, access to foreign exchange, a government contract, an airline route, or whatever, frequently get to surreptitiously auction their favors to the highest bidders. Also, often the more apt word is not bribery but extortion.

In other words, were there no intervention, there would be no favors and hence no opportunity to extort or encourage bribes. To rid Latin America, the Middle East, Asia and Africa of "payola" via moralistic condemnation, via elaborate codes of ethics, via confessions of *mea culpa*, is an idle dream. These lands are rooted in generations of interventionism. Wipe out intervention, and then—and only then—will you wipe out bribery.

Ponder again: One hundred years ago the economic disparity between the West and what would have been the Third World countries was even greater than the disparity today. One hundred years ago, you see, the world was at peace. One hundred years ago, the world lived under free trade, the gold standard, and relatively free migration of peoples. The nineteenth century, relatively speaking, was a peaceful century; the twentieth century, so far, has been a century of total war and cold war.

The Rise of the State

The difference lies in the shifted role of the state. Then it was limited; now it is unlimited. Then it was laissez-faire; now it is interventionistic. As Mises noted in his *Human Action*:

Under laissez faire peaceful coexistence of a multitude of sovereign nations is possible. Under government control of business it is impossible. The tragic error of President Wilson was that he ignored this essential point. Modern total war has nothing in common with the limited war of the old dynasties. It is a war against trade and migration barriers, a war of the comparatively overpopulated countries against the comparatively underpopulated. It is a war to abolish those institutions which prevent the emergence of a tendency toward an equalization of wage rates all over the world. It is a war of the farmers tilling poor soil against those governments which bar them from access to much more fertile soil lying fallow. It is, in short, a war of wage earners and farmers who describe themselves as underprivileged "have-nots" against the wage earners and farmers of other nations whom they consider privileged "haves."

Evidence of interventionism and aggressive nationalism leading to war or near-war is, sadly, easy to come by these days. Some 12,000 Soviet-equipped Cuban troops have just helped successfully wage "a war of liberation" in Angola. Another communist-angeled state,

Mozambique, is now menacing Rhodesia.

Even tiny nations get to tweak Western noses. The other day, for example, Panama's ruler, General Omar Torrijos, said his country "will have to resort to the violent stage" if peaceful efforts to recover the Canal Zone from the U.S. fail. The violent stage? Ay, that's the rub...

It is useless to ban the Bomb. What we must ban is the ideology of war, which means the ideology of government omnipotence, of aggressive nationalism, of intervention run riot.

We must, I think, rediscover the gospel according to Tocqueville and Mises. We must return to the philosophy of laissez faire and the market economy. We must see the wisdom of Daniel Patrick Moynihan's observation that the MNC is a shining example of the "enormous recent achievements" in international relations, that "combining modern management with liberal trade policies, it is arguably the most creative international institution of the twentieth century."

I agree. The multinational corporation is far and away the greatest force for world development and, as implied by IBM, for world peace.

Meanwhile, let's remember Tocqueville's point on the Russian sword and keep our powder dry. ☸



Rights Are Freedoms, Not Powers

THE WORD "RIGHT," used as a noun, means, my dictionary tells me, a "just, or lawful claim." Claim on what? On whatever I want and can lawfully have.

I have a right to life, that is, a just claim on life. I have a right to liberty, a just claim to be free. I have a right to property, a just claim on land, goods, or other wealth.

My right is not life, liberty, property, but rather my proper and just claim upon these things. The distinction is important. It was understood by our revolutionary forefathers but is widely misunderstood today.

The misunderstanding lies in identifying the right with that

which one has a right to, that is, a claim upon. Thus, people say, "Everyone has a right to an adequate diet," when they mean that everyone can properly take an adequate diet out of the common larder, by taxing or by voting his group a public subsidy. The fact is that no one can properly do this.

Jefferson, who asserted in the Declaration that all men have "certain unalienable rights," would have been disturbed if told that the government must provide food, clothing, and shelter to everyone because to have these is their right. One has a right to seek an adequate diet but not to compel his fellowmen to give it to him.

"Unalienable" describes that which cannot be alienated or separated from. An unalienable right is a natural right with which people

are born and which cannot be taken away.

The opportunity to seek life, liberty and happiness is what Jefferson presumably was thinking of. When he listed life as one of the unalienable rights, he was thinking of the right to seek life and seek it more abundantly. He knew full well that life, liberty and happiness cannot be guaranteed to everybody, or indeed to anybody. We do not live in that kind of world. But we are born seekers, and no one can rightfully forbid our search.

The rights that are specified in the first ten amendments of the Constitution are freedoms, or opportunities. They are not achievements. For example, to grant religious freedom, as does the first amendment, does not make people religious! Rather, it forbids others (Congress) to interfere with people in practicing the religion of their choice.

Likewise, speech, press, assembly, and petition are not prescribed. The amendment simply makes them available to people to practice without interference.

These fundamental rights, which Patrick Henry, George Mason, and others insisted must be added to the Constitution, are negative in that they specify certain opportunities which government must not deny or tamper with but which must be left

open to the people. All true rights are of this nature. They are freedoms from interference. They state what people shall not be prevented from doing.

The jurist, Thomas McIntire Cooley, saw a right as "that which the law secures to its possessor by requiring others to respect it and to abstain from its violation."

Underlying all other rights is the right to own property. This is a "just or lawful claim" on land, man-made wealth, or labor potential. Why must people have such a claim? They must have it if they are to use and control these things in such a way as to produce a livelihood. The right to life would be of little value if it were not accompanied by the right to exploit the material environment in a way to sustain life. This is the property right.

James Wilson, member of the Continental Congress and a signer of the Declaration of Independence, said:

"The right of private property is founded in the nature of men and things. . . . Exclusive property multiplies the produce of the earth. Who would cultivate the soil and sow the grain if he had no special interest in the harvest? Who would rear and tend the flocks and herds if they could be taken from him by anyone who should come to demand them? . . . What belongs to no one is wasted by everyone. What belongs

to one man in particular is the object of his economy and care. Exclusive property prevents disorder and promotes peace."

Again, the right of property certainly does not mean that one can rightfully take the property of others against their will. It merely means that people can seek property, produce it, buy it, inherit it, and that no one, neither their neighbors nor their government, shall forbid them or shall abridge the right.

We hear much talk of the right to a job. This does not mean that society (the government) must provide a job for every worker. It means that anyone may offer his services in the labor market, looking for a job, seeking to qualify, and deciding for himself whether or not to accept a job offer.

This right, too, is based on the property idea. One's labor potential is his own personal property, and he is free to use it, sell it, improve it, or even waste it. If forbidden to do so, as by the government under a minimum wage law, or by a union taking advantage of special privileges granted by labor laws, he has lost a fundamental human right.

The government of the city of Detroit has made a rule that all policemen hired by the city must reside within the city's limits. Some

policemen are contesting this, holding that they have a right to live where they please.

They do. But the city also has a right to choose its employees. As an employer, it has a property right in the money it pays the policemen as wages. It can specify any qualifications it wishes in those to whom it pays these wages. The applicant who does not approve the qualifications is free to apply elsewhere. To force any employer to hire some particular worker is to abridge that employer's right of property.

A "Coalition of Independent College and University Students" has been formed to lobby for increased Federal aid for students. "We believe," says Robert Kaplan, its head, "that no student should be denied the choice of a particular college or university solely for financial reasons." This appears to mean that every student should have the right to go to Harvard, the government paying his tuition.

Here again we encounter the assumption that a right is not a mere freedom to do a certain thing but is the privilege of compelling others to implement the doing of it. If this were true, a right would not be a freedom but a power. The Coalition wants not merely freedom of the student to apply to the college of his choice, which he already has, but power to force

others to pay the student's cost of going to such college.

Farmers sometimes aver that they have a right to receive prices that yield cost of production plus a profit. No one has a right to get any particular price for a product. What he has a right to is freedom to sell for whatever the market will pay, to search for a better market, to store and sell later if he wishes, to quit producing one crop and to produce another.

Employment, education, health,

security—each, we are told is the “right” of every American. This is considered the unanswerable argument, the clincher that will tell the lawmaker how he must vote.

It would have been ridiculous for the Pilgrims, just landed on Cape Cod, to assert these desirable things as their rights. In fact, their rights were exactly the same as ours. Theirs were freedoms to seek and to establish, if they could, these good ways of life. And so are ours. 

The Right to Be Wrong

THE RIGHT TO BE WRONG in matters of religious belief must be accorded, otherwise we produce hypocrites instead of persons with an enlightened belief that is fully their own. If the truth be mighty and God all-powerful, His children need not fear that disaster will follow freedom of thought.

FRANCOIS DE FENELON. *Archbishop of Cambrai (1651-1715)*

IDEAS ON



LIBERTY

The Pursuit of Happiness

LET THESE TRUTHS be indelibly impressed on our minds—that we cannot be happy without being free—that we cannot be free without being secure in our property—that we cannot be secure in our property if without our consent others may as by right take it away.

JOHN DICKINSON. *Letters from a Farmer in Pennsylvania to the Inhabitants of the British Colonies (1768)*

Where the Monetarists Go Wrong

HENRY HAZLITT

IRVING FISHER



IN THE LAST DECADE OR TWO there has grown up in this country, principally under the leadership of Professor Milton Friedman, a school calling itself the Monetarists. The leaders sometimes sum up their doctrine in the phrase: "Money matters," and even sometimes in the phrase: "Money matters most."

They believe, broadly speaking, that the "level" of prices of commodities and services tends to vary directly and proportionately with the outstanding quantity of money and credit—that if the quantity of money (comprehensively defined) is

increased 10 per cent, the prices of commodities will increase 10 per cent; that if the quantity of money is doubled, prices will double, and so on. (This of course is on the assumption that the quantity of goods remains unchanged. If this is increased also, the rise in prices due to a greater supply of money will be correspondingly less.)

This is called the Quantity Theory of Money. It is not new, but very old. It has been traced by some economic historians as far back as the French economist Jean Bodin in 1566, and by others to the Italian Davanzati in 1588. In its modern form it was most elaborately presented by the American Irving Fisher in *The Purchasing Power of Money* (1911) and in later books.

The monetarists have added some refinements to this theory, but prin-

Henry Hazlitt, noted economist, author, editor, reviewer and columnist, is well known to readers of the *New York Times*, *Newsweek*, *The Freeman*, *Barron's*, *Human Events* and many others. Best known of his books are *Economics in One Lesson*, *The Failure of the "New Economics"*, *The Foundations of Morality*, and *What You Should Know About Inflation*.

cipally they have devoted themselves to giving it detailed statistical support, and drawing much different conclusions than did Fisher himself regarding an appropriate monetary policy.

When Fisher began writing, the gold standard was still dominant in practice. He proposed to keep it, but with a radical modification. He would have varied its gold content according to the variations of an official price index, so that the dollar should represent, instead of a constant quantity of gold, a constant quantity of purchasing power. Milton Friedman rejects the gold standard altogether. He would substitute for it a law prescribing a precise quantitative issuance of irredeemable paper money:

"My choice at the moment would be a legislated rule instructing the monetary authority to achieve a specified rate of growth in the stock of money. For this purpose, I would define the stock of money as including currency outside commercial banks plus all deposits of commercial banks. I would specify that the Reserve System shall see to it that the total stock of money so defined rises month by month, and indeed, so far as possible, day by day, at an annual rate of X per cent, where X is some number between 3 and 5. The precise definition of money adopted, or the precise rate of growth chosen, makes far less difference than the

definite choice of a particular definition and a particular rate of growth."¹

It is with considerable reluctance that I criticize the monetarists, because, though I consider their proposed monetary policy unfeasible, they are after all much more nearly right in their assumptions and prescriptions than the majority of present academic economists. The simplistic form of the quantity theory of money that they hold is not tenable; but they are overwhelmingly right in insisting on how much "money matters," and they are right in insisting that in most circumstances, and over the long run, it is the quantity of money that is most influential in determining the purchasing power of the monetary unit. Other things being equal, the more dollars that are issued, the smaller becomes the value of each individual dollar. So at the moment the monetarists are more effective opponents of further inflation than the great bulk of politicians and even putative economists who still fail to recognize this basic truth.

I must add that I also regret that I take issue on this important question with Milton Friedman, with most of whose great contributions to economics, and especially to the

¹ *Capitalism and Freedom* (University of Chicago Press, 1962), p. 54.

defense of the free market, I have long been in full and admiring agreement. I hope that no reader of this article will get the impression that I fail to appreciate the extent to which Dr. Friedman's lucidity, persuasiveness and penetration have put us all in his debt.

Let us begin by examining what is wrong with "the" quantity theory of money—which might rather be called the strict or mechanical quantity theory of money. It rests on greatly oversimplified assumptions. As formulated by Davanzati in 1588, the total existing stock of money must always buy the total existing stock of goods—no more, no less. So if you double the stock of money, and the supply of goods remains the same, you must double the average level of prices. Each monetary unit must then buy only half as much as before. As formulated by its modern exponents, the assumptions underlying the strict quantity theory of money are not much advanced from this. As "money is only wanted to buy goods and services," they argue, this proportional relationship must hold.

But this is not what happens. The truth in the quantity theory is that changes in the quantity of money are a very important factor in determining the exchange-value of a given unit of money. This is merely to say that what is true of other goods is true of money also. The

market value of money, like the market value of goods in general, is determined by supply and demand. But it is determined at all times by *subjective* valuations, and not by purely objective, quantitative, or mechanical relationships.

Three Stages of Inflation

In a typical inflation we may roughly distinguish three stages. In the first stage prices do not rise nearly as fast as the quantity of money is being increased. For one thing, if there has been some slack in the economy, purchases made with the new money may mainly stimulate increased production. (This is the point so emphasized and overemphasized by Keynes. It can happen, however, only in the early stages of an inflation, and only in special circumstances.)

Apart from this possible early stimulative effect of an inflation, most people at first do not realize that an inflation of the currency has taken place. Some prices have risen, but many people, comparing them with the prices to which they have become accustomed, assume that these new prices are too high, and will soon fall back to "normal." They hold off buying, and increase their cash holdings. As a result, prices do not at first rise as much as the quantity of money has been increased.

If the inflation is slow and has

occasional stops, prices tend to catch up with the rate of increase in the money supply, and for a while there may be a result much like what the strict quantity theory of money would predict, in which prices tend to rise roughly in proportion to the increase in the money stock.

But if the inflation (meaning the increase in the quantity of money) continues, and particularly if it accelerates, people begin to fear that it is a deliberate governmental policy, that it will go on indefinitely, and that prices will continue to soar. So they hasten to spend their money while it still has some value—i.e., before prices rise still further. The result is that prices begin to rise far faster than the quantity of money has been increased, and finally far faster than it even can be increased.

So we have the paradoxical result that, in a hyperinflation, when the government is grinding out new currency units at an astronomical rate, prices rise so fast that the existing quantity of money is not sufficient for the volume of transactions, and we have mounting complaints of a “scarcity” of money.² In

the final stage of the German inflation of 1923, for example, the entire stock of paper money, though with a stamped value billions of times higher, had a gold exchange-value of only one-sixtieth of what it had before the inflation started. Of course the paper mark finally became utterly valueless, as had the French assignats in 1796 and the American Continental currency in 1781.

It is for this reason that all inflation must finally have a stop. But the point I am stressing here is that the strict quantity theory of money is not true (though it may appear to be true under certain circumstances and for limited periods). So far as quantity is concerned, it is the *expected future* quantity of money, rather than the immediately existing quantity, that determines the exchange value of the monetary unit.

Quality Affects Value

The value of money, however, is determined not merely by its quantity—even its expected future quantity—but also by its quality. Currency issued by a shaky government, for example, will not have as much value, other things being equal, as currency issued by a strong “legitimate” government of long standing.

In recent years we have witnessed much more familiar illustrations of

² See, e.g., on the French assignats, Andrew Dickson White, *Fiat Money Inflation in France* (Irvington-on-Hudson, New York: Foundation for Economic Education, 1959), p. 83 and *passim*, and on the German inflation of 1923, Costantino Bresciani-Turroni, *The Economics of Inflation* (London: George Allen & Unwin, 1931), pp. 80-1.

the effect of qualitative deterioration in the monetary unit. Scores of nations have repeatedly announced "devaluations" of their currency. Prices have begun to rise in those countries the very next day, before there has been any chance to increase the quantity of money any further.

Still more striking is what has happened when nations on a gold standard have announced their abandonment of it. The United States went off the gold standard in March of 1933. By 1934, the average of wholesale prices had increased 14 per cent over 1933, and by 1937, 31 per cent. The U.S. formally abandoned gold convertibility again in August, 1971. Wholesale prices had actually *fallen* by 2 per cent from August of the year before; but by August of the year later they increased by 4.35 per cent. With all gold discipline removed, wholesale prices rose more than 13 per cent between 1972 and 1973, and more than 34 per cent between 1972 and 1974.

One of the most striking illustrations of the importance of the *quality* of the currency occurred in the Philippines at the late stage of World War II. The forces under General Douglas MacArthur had effected a landing at Leyte in the last week of October, 1944. From then on, they achieved an almost uninterrupted series of successes. A

wild "inflation" broke out in the capital city of Manila. In November and December, 1944, prices in Manila rose to dizzy heights. Why? There was no increase in the money stock. But the inhabitants knew that as soon as the American forces were completely successful their Japanese-issued pesos would be worthless. So they hastened to get rid of them for whatever real goods they could get.³

Quantity Theory of Money

What has helped to keep the strict mathematical quantity theory of money alive, in spite of experiences of the kind just cited, is the famous Irving Fisher equation: $MV = PT$. In this M stands for the quantity of money, V for its "velocity of circulation," P for "the average price level" of goods and services, and T for the "volume of trade," or the quantity of goods and services against which money is exchanged.

So when the quantity of money remains unchanged, for example, and prices start to soar (or any similar discrepancy occurs) the quantity theorists are not at all disconcerted. They are provided in advance with an easy alibi: the "velocity of circulation" of money

³I have never seen a reference to this striking event in any textbook on money. See e.g., *The New York Times* Jan. 30, 1945.

must have changed enough to account for the apparent discrepancy. True, this requires them sometimes to assume some remarkable things. I pointed out a few pages back that in the final stage of the German inflation of 1919-1923 the entire stock of paper money had a gold value only one-sixtieth that of the far smaller nominal money stock before the inflation began. This would require us to assume that the average "velocity of circulation" had increased in the meanwhile sixty times.

This is not possible. The concept of the "velocity of circulation" of money, as held by the quantity theorists and embodied in the Fisherine equation $MV = PT$, is quite fallacious. Strictly speaking, money does not "circulate": it is exchanged against goods. When the turnover of money increases, the turnover of goods increases correspondingly.

(We have here an illustration of how the use of mathematical symbols may mislead an economist even in an elementary application. If $MV = PT$, and you double V , then it seems to follow that $2MV = 2PT$, and that this can be read as meaning that doubling V can double P . But if we spell out the equation as $M \times V = P \times T$, it can be seen that $M \times 2V$ does *not* necessarily equal $2P \times T$, but more likely $P \times 2T$. In fact, the equation $MV = PT$ does not mean

what Irving Fisher and his disciples thought it meant. They considered MV the "money side" of the equation and PT the "goods side." But as Benjamin M. Anderson, Jr. long ago pointed out in a shrewd analysis,⁴ "Both sides of the equation are money sides. . . . The equation asserts merely that what is *paid* is equal to what is *received*.")

Velocity of Circulation— Geographical Variations

There are no reliable statistics on the "velocity of circulation" of hand-to-hand currency.⁵ But we do have figures on the annual rate of turnover of demand bank deposits. As bank deposits in the United States cover about eight-ninths of the media of payment, these figures are an important index.

What is most striking, when we examine these figures, is first of all the wide discrepancy that we find between the rate of turnover of demand deposits in the big cities,

⁴ *The Value of Money* (New York: Richard R. Smith, 1917 and 1936), p. 161.

⁵ Milton Friedman and Anna Jacobson Schwartz, in their *Monetary History of the United States: 1867-1960* (Princeton University Press, 1963), do offer annual estimates and tables of "velocity of money" based on worksheets of Simon Kuznets made for another study. But they define this velocity as "the ratio of money income to the stock of money." This hardly makes it a *transactions* velocity. Moreover, they appear to attach very little commodity-price-determining importance to it: "Velocity is a relatively stable magnitude that has declined secularly as real income has risen." (p. 34).

especially New York, and the rate that we find in 226 other reporting centers. In December, 1975, the average annual rate of turnover of demand deposits in these 226 small centers was 71.8. In six large cities outside of New York it was 118.7. When we come to New York City itself, the rate was 351.8. This does not mean that people in New York were furiously spending their money at nearly five times the rate of people in the small centers. (We must always remember that each individual can spend his dollar income only *once*.) The difference is accounted for mainly by two factors. The big corporations have their headquarters or keep their banking accounts in the big cities, and these accounts are much more active than those of individuals. And New York City especially, with its stock exchanges and commodity exchanges, is the great center of *speculation* in the United States.

Though the velocity of circulation of money (mainly in the form of bank deposits) increases with speculation, speculation itself does not indefinitely increase. In order for speculation to increase, willingness to part with commodities must increase just as fast as eagerness to buy them. It is rapidly changing ideas of commodity values—not only differences of opinion between buyer and seller, but changing opinions on the part of individual

speculators—that are necessary to increase the volume of speculation.

The value of a commodity, a stock, or a house does not change in any predictable relationship to the number of times it changes hands. Nor does the value of a dollar. When 100 shares of a stock are sold, their value is not thereby necessarily depressed, because the shares are also bought. Every sale implies a purchase, and every purchase a sale. When a man buys a commodity, he “sells” money; but the seller of the commodity “buys” money. There is no necessary connection whatever between changes in the “velocity of circulation” of money and changes in the “level” of commodity prices. “Velocity of money” is merely a *resultant* of a complex of other factors, and not itself a *cause* of any important change whatever.⁶

Price Levels and Indexing

Still another fallacy into which many quantity theorists (and not they alone) are apt to fall is the concept of a price “level.” This is the partly unconscious assumption that when prices rise during an inflation they rise *uniformly*—so that when the official consumer price index

⁶I have treated this subject at greater length in an essay, “Velocity of Circulation,” in *Money, the Market and the State: Economic Essays in honor of James Muir Waller*, edited by N. A. Beadles and L. A. Drewry (University of Georgia Press, 1968.)

has risen over a given period by, say, 10 per cent, all prices in that period have risen just about 10 per cent. This assumption is never made explicitly, otherwise it would be much easier to correct. But it is latent in the discussions of most journalists and politicians. It therefore leads them greatly to underestimate the harm done by inflation. For the greater part of that harm is precisely that different people's prices, wage-rates and income go up so unevenly and at different rates. This not only means great windfalls for some and tragedies for others, but it distorts and disrupts economic relationships. It unbalances, reduces, and misdirects production. It leads to unemployment and to malemployment. And attempts to correct this through such schemes as "indexing" only tend to increase the harm.

I do not mean to suggest that all those who call themselves monetarists make this unconscious assumption that an inflation involves this uniform rise of prices. But we may distinguish two schools of monetarism. The first would prescribe a monthly or annual increase in the stock of money just sufficient, in their judgment, to keep prices stable. The second school (which the first might dismiss as mere inflationists) wants a continuous increase in the stock of money sufficient to raise prices

steadily by a "small" amount—2 or 3 per cent a year.

These are the advocates of a "creeping" inflation. The late Professor Sumner H. Slichter of Harvard was the most prominent of these. He thought that a planned price rise of 2 or 3 per cent a year would be about right. He forgot that even if the government could hold an inflationary price rise to a rate of only 2 per cent a year it would mean an erosion of the purchasing power of the dollar by about one-half in each generation.

And it would not produce the results that Slichter expected of it. For inflation is always a swindle. It cannot be candidly and openly planned. People everywhere will take compensatory actions. If a price rise of 2 per cent a year is announced as the official goal, lenders will immediately add 2 per cent to the interest rate they would otherwise have asked, union leaders will add 2 per cent to the wage increase they would otherwise have demanded, and so around the circle. Not only will the "creeping" inflation begin to race, but its effect on production and employment will be disruptive rather than stimulative.

But our concern here is not with the advocates of creeping inflation (in the sense of creeping price rises, at no matter how low an annual rate) but with the monetarists strictly so called—that is, with

those who recommend instructing government monetary authorities to increase the monetary stock every year only enough to keep prices from falling. What increase do the monetarists think sufficient to accomplish their purpose?

Problems of Determining How Much Inflation Is Enough

Let us return to the prescriptions of the acknowledged leader of the school, Professor Milton Friedman. We have seen that, in 1962, in his *Capitalism and Freedom*, he recommended that the Federal Reserve authorities be instructed to increase the total stock of money (including "all deposits of commercial banks") at an annual rate of somewhere between 3 and 5 per cent. But three years later, in a memorandum prepared for a consultant's meeting with the Board of Governors of the Federal Reserve Board on Oct. 7, 1965, we find him recommending "as the new target a rate close to the top of the desirable range of 4 to 6 per cent for M-2" (currency plus demand and time deposits).⁷

Still later, in 1969, we find him scaling down this rate considerably, though with misgivings and vacillations:

"A policy fairly close to the opti-

mum would probably be to hold the absolute quantity of money constant... However, this policy, too, seems to me too drastic to be desirable in the near future although it might very well serve as a long-term objective."

He then discusses the relative advantages of a 1 per cent and of a 2 per cent rate, and then goes on:

"I do not want to gloss over the real contradiction between these two policies, between what for simplicity I shall call the 5 per cent and the 2 per cent rules. There are two reasons for this contradiction. One is that the 5 per cent rule was constructed with an eye primarily to short-run considerations, whereas the 2 per cent rule puts more emphasis on long-run considerations. The more basic reason is that I had not worked out in full the analysis presented in this paper when I came out for the 5 per cent rule. I simply took it for granted, in line with a long tradition and a near-consensus in the profession, that a stable level of prices of final products was a desirable policy objective. Had I been fully aware then of the analysis of this paper, I suspect that I would have come out for the 2 per cent rule..."

"Either a 5 per cent rule or a 2 per cent rule would be far superior to the monetary policy we have actually followed. The gain from shifting to the 5 per cent rule would, I

⁷ Reprinted in *Dollars and Deficits* (Englewood Cliffs, N.J.: Prentice-Hall, 1968), p. 152.

believe, dwarf the further gain from going to the 2 per cent rule, even though that gain may well be substantial enough to be worth pursuing. Hence I shall continue to support the 5 per cent rule as an intermediate objective greatly superior to the present practice."⁸

One hardly knows whether to twit Dr. Friedman for tergiversation or praise him for remarkable candor. But his hesitations, as I hope to show, really point to the inherent difficulties in the monetarists' proposals.

I made a distinction earlier between the monetarists strictly so called and the "creeping inflationists." This distinction applies to the intent of their recommended policies rather than to the result. The *intent* of the monetarists is not to keep raising the price "level" but simply to keep it from falling, i.e., simply to keep it "stable." But it is impossible to know in advance precisely what uniform rate of money-supply increase would in fact do this. The monetarists are right in assuming that in a prospering economy, if the stock of money were not increased, there would probably be a mild long-run tendency for prices to decline. But they are wrong in assuming that this would necessarily threaten employment or

production. For in a free and flexible economy prices would be falling because productivity was increasing, that is, because costs of production were falling. There would be no necessary reduction in real profit margins. The American economy has often been prosperous in the past over periods when prices were declining. Though money wage-rates may not increase in such periods, their purchasing power does increase. So there is no need to keep increasing the stock of money to prevent prices from declining. A fixed arbitrary annual increase in the money stock "to keep prices stable" could easily lead to a "creeping inflation" of prices.

A Political Football

But this brings us to what I consider the fatal flaw in the monetarist prescriptions. If the leader of the school cannot make up his own mind regarding what the most desirable rate of monetary increase should be, what does he expect to happen when the decision is put in the hands of the politicians?

We do not need to allow our fancies to roam very far. We already know the answer from what has been happening in the United States since we left the gold standard 43 years ago—and from what has been happening, for that matter, in nearly every country in the world

⁸ *The Optimum Quantity of Money* (Chicago: Aldine Publishing Co., 1969), pp. 46-48.

since the gold standard was abandoned. The decision regarding the national money-supply has already been in the hands of the politicians everywhere. And this situation has led practically everywhere to continuous and usually accelerating inflation.

Dr. Friedman would take the decision out of the discretion of appointed monetary authorities and make it a "legislative rule." But what rate would a popularly-elected legislature set? We may be sure that it would pick a "safe" rate of monetary expansion—at least 6 per cent a year to begin with—to make sure that there would be no depression or unemployment. But at the first feeble sign of unemployment or "recession"—brought about by excessive union wage demands or any other of a score of factors—politicians seeking election or reelection would demand that the legislative monetary-increase rule be raised to 8 per cent, 10 per cent, or whatever rate the political scramble for office might suggest.

The prescribed rate would become a political football. The tendency nearly always would be for the highest bidder to win. For the belief in inflation as the master solution of every economic problem is not new in this generation. Throughout

recorded history it has always been latent. It did not need the Keynesian rationalization. Whenever there has been depression and unemployment it has always been popularly blamed on or identified with "not enough money." In 1776, in his *Wealth of Nations*, Adam Smith was pointing out that "No complaint is more common than that of a scarcity of money."

The fatal flaw in the monetarist prescription, in brief, is that it postulates that money should consist of irredeemable paper notes and that the final power of determining how many of these are issued should be placed in the hands of the government—that is, in the hands of the politicians in office. The assumption that these politicians could be trusted to act responsibly, particularly for any prolonged period, seems incredibly naive. The real problem today is the opposite of what the monetarists suggest. It is how to get the arbitrary power over the stock of money *out* of the hands of the government, *out* of the hands of the politicians.

The solution to that problem cannot be offered in a few lines. The present writer has attempted to deal with it in his article, "The Search for an Ideal Money," in *The Freeman* of November, 1975. 

American Money:

Past, Present and Future

CHARLES E. WEBER

DURING THIS YEAR the third century of American independence will have begun and it is therefore appropriate to reflect on an important aspect of American life, the monetary system which has been so closely tied up with the successes and failures of the United States during the first two centuries of its existence.

Prior to 1776 the money circulating in the colonies consisted largely of silver and gold struck in Spanish mints, especially those in Mexico City and Lima, as well as other coins struck in various countries, such as England, France and the Netherlands. Foreign coins were of such great importance to the com-

merce of the United States that Congress continued to recognize their status as legal tender down to 1857.

During the years immediately before the Revolution various colonies issued paper money and during the first years after the Declaration of Independence the states issued large quantities of paper money which rapidly deteriorated in value. The disillusionment with this paper money and a recognition of the chaos which it had caused are reflected in Article I, Section 10 of the Constitution: "No state shall... make any Thing but gold and silver Coin a Tender in Payment of Debts."

In defense of this provision, James Madison (*The Federalist Papers*, No. 10) speaks of "A rage for paper money, for an abolition of debts, for an equal division of prop-

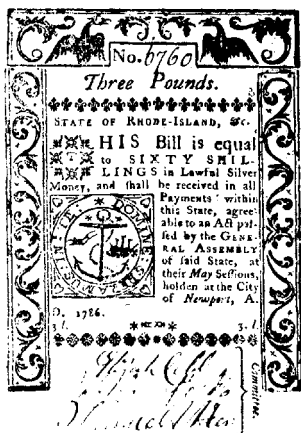
Dr. Weber earned his Ph.D. from the University of Cincinnati in 1954. He has taught in universities in Ohio, Missouri, Louisiana and Oklahoma. Presently a member of the Faculty of Letters of the University of Tulsa, he is the author of numerous articles on literature, history and monetary questions.

erty, or for any other improper or wicked project..." In No. 44 he continues in the same vein: "... the pestilent effects of paper money on the necessary confidence between man and man, on the necessary confidence in the public councils, on the industry and morals of the people, and on the character of republican government..."

By 1792 the first United States mint was established in Philadelphia, but its production was at first quite modest. The first regular production in 1793 consisted of cents and half cents, followed in 1794 with a very modest introduction of dollars and half dollars struck on the same standards as the Spanish denominations of eight and four reales. (Whence the colloquial designation of "two bits" for quarter dollar, etc.) Although the weight of the dollar was immediately of Spanish origin, its designation was of German origin (from *Taler*). The first five and ten dollar gold pieces were struck in 1795 and the first dimes, quarters and quarter eagles (2½ dollar gold pieces) in 1796. If the production of the United States mint at Philadelphia during its first few years seems quite modest, we must bear in mind that this modest outflow of money was just beginning to displace and supplement the large quantities of Spanish and other coins in circulation.

This reliable silver and gold money, both foreign and domestic, was the basis of a sound economic expansion during the first decades of the nineteenth century. Notes were issued by private banks, especially during the 1850s, but this unreliable money seems to have been of little importance in spite of the beautiful engraving work often to be found on it. The federal government abstained from issuing paper money until the Civil War. After this dire period the issuing of paper money was continued by the federal government, but most of it consisted of notes which were simply certificates for gold and silver payable on demand.

Meanwhile, a large production of gold and silver coinage continued to provide the basis of the sound economic growth of the United States. A considerable quantity of silver trade dollars (for foreign trade, especially in the Orient) with a weight of 420 grains (27.20 grams) was struck between 1873 and 1878, while particularly large quantities of dollars with a weight of 412½ grains were struck for domestic use during 1878-1904 and 1921-1928. Even far more significant was the huge production of gold coinage, which totaled over 4,500,000,000 dollars by 1933, a sum of reliable coinage of the precious metal unprecedented in the history of the world. About three-



Rhode Island note for
three pounds dated 1786.

1786 Rhode Island Note—Number issued: 10,000. Signed by Elijah Cobb, Job Comstock and Samuel Allen. Size: 70 x 105 millimeters. During and after the Revolutionary War great quantities of paper money were issued not only by the United States, but also by individual states. This particular issue totaled 100,000 pounds in notes of twelve different denominations. These notes were numbered and signed by hand. The wording on the note, "This bill is equal to sixty shillings in Lawful Silver Money, and shall be received in all Payments within this State. . . ." is especially significant because this legal tender provision was to be enforced by courts without jury trial. This provision, in turn, resulted in the famous decision in the case of *Trevett vs. Weeden*, which established the right of a United States citizen to trial by jury.

fourths of this gold coinage was in the form of double eagles (\$20 gold pieces) struck, beginning with 1850, with a weight of 516 grains (33.436 grams) and a fineness of 900/1000.

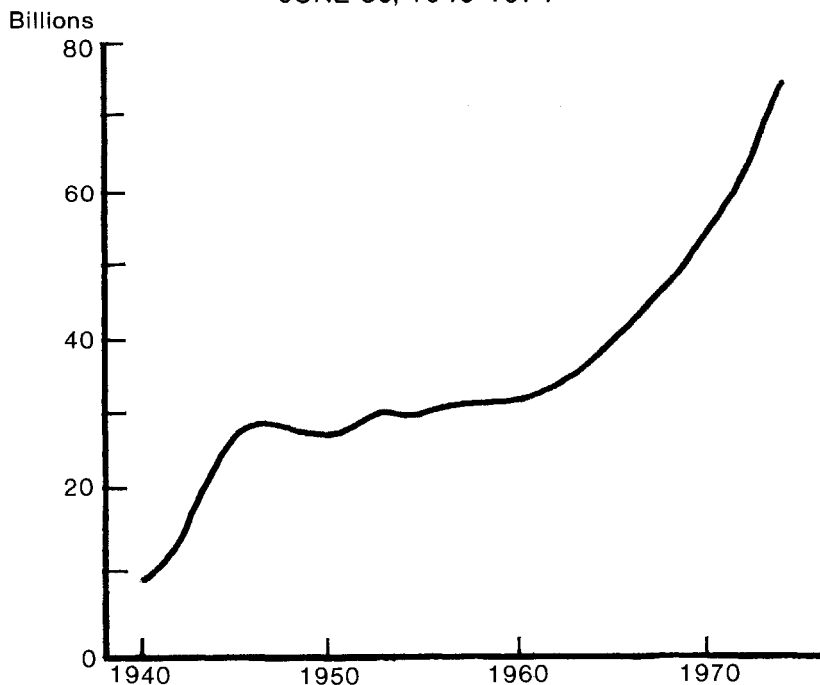
Beginning in 1933 one step after the other removed us from the monetary traditions established with wisdom by our forefathers in the eighteenth century, traditions which had had a wholesome effect on the development of the American character and which had provided a sound basis for economic development. The huge gold coinage was demonetized in 1933 and the domestic monetary use of gold was prohibited. These measures were impatiently undertaken on the assumption that the resultant possibility of monetary expansion would cure an economic crisis prevailing at the time, but their short-range effects were probably nil and their long-range effects seem to have been distinctly negative.

Even after 1933, however, the gold backing of the dollar continued until that watershed Sunday, August 15, 1971, by virtue of the fact that a huge gold reserve existed that supported the value of the dollar in a very real way by being available to foreign governments with dollar assets. On August 15, 1971, this last remaining connection between the United States gold reserve (by this time depleted to

less than half its maximal size) and the dollar was finally severed by President Nixon. In the meantime, the expansion of currency had been so great that the price of silver in terms of paper money had increased to such an extent that the huge amount of silver coins in circulation was beginning to be hoarded. In 1965 the first copper dimes and quarters appeared as a sad substitute for the 900/1000 silver coins which had been struck with nearly the same weights for seventeen decades. In the same year the fineness of the half dollar was reduced from 900/1000 to 400/1000 and in 1971 the first half dollars entirely without silver appeared. The silver certificates (blue seal notes) remaining in circulation were repudiated in 1969.

Less obvious to the average citizen than these visible changes in the coinage and paper money was the huge and insidious increase in currency that was taking place, especially beginning after 1961. According to data recently furnished by Secretary of the Treasury William E. Simon, the currency in circulation (including that held by commercial banks) increased from \$7,848 million on June 30, 1940, to \$73,833 million on June 30, 1974. When we plot out the annual increases during this period we obtain the following revealing graph:

MONEY IN CIRCULATION OUTSIDE TREASURY
AND FEDERAL RESERVE BANKS as of
JUNE 30, 1940-1974



The failure of paper money and copper-nickel tokens as a reliable store of value is vividly demonstrated by this simple graph. Each horizontal unit represents one thousand million dollars in circulation, including those held by commercial banks, on June 30 each year from 1940 to 1974. Wholesale prices rose from a base of 100 in 1967 to

approximately 168 in 1974, an increase almost exactly proportional to the amount of money in circulation as given above. The really frightening aspect of this curve is its almost smoothly exponential shape beginning especially after 1961, indicating the cynically planned nature of the inflation which has been debilitating the

American private economy and unjustly expropriating the real value of monetary savings of individual citizens. Note that the period 1946 to 1960 was one of relatively modest monetary expansion and also one of relatively little unemployment on the whole. This refutes the nonsense so frequently heard nowadays that we are faced with a choice between inflation and high rates of unemployment. The shape of the curve since 1961 is also a bone-chilling indication of the probable future decline of the purchasing power of individual dollars.

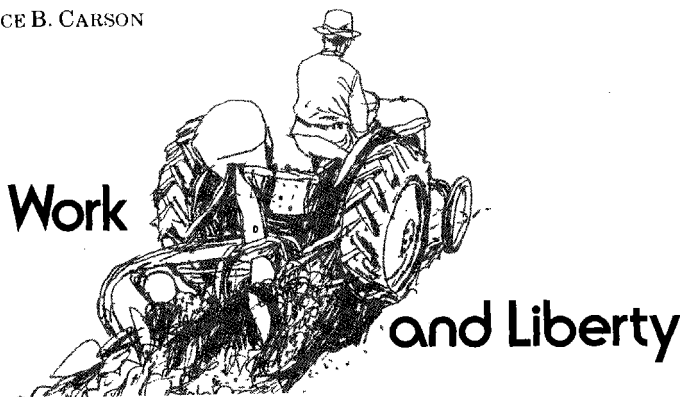
The motivations for the great expansion of currency, especially during the last fifteen years, are by no means difficult to understand. They are tied in with the complexities of a tax structure which includes a sharply graduated income tax, as well as taxes on "capital gains" and "interest," even when such putative capital gains and interest represent no income whatsoever in real terms. By its deliberate expansion of the money supply (inflation) the government takes an ever-increasing percentage of the earnings of its citizens in taxes. These motivations also explain the doctrinaire abhorrence which officials of the Treasury Department now have for the mone-

tary use of the precious metals, both domestically and internationally.

Unless foresighted, unselfishly courageous political forces gain the power to put a stop to the trend shown on the graph, monetary chaos and its usual concomitants, economic and social deterioration, will almost certainly be our fate during our third century as a national state. To visualize our own future if present trends are not stopped we need only recall the tragic developments in Germany, France, Russia, China, Hungary and Chile (just to mention a few examples) when the amounts of their currencies in circulation shot up into astronomical figures.

Dreary as this picture of our future might seem, there is one note of optimism on which we can end. The rapid monetary expansion of the last 15 years, which now threatens to evolve into a hyperinflation, has resulted in a decline of purchasing power, injustice to the holders of paper money and bonds, economic dislocations and other evils. However, this monetary expansion and its results have not been a catastrophe of nature or an act of God, but rather simply human action. What human action has brought about, human action can also rectify if the will to the action exists.





HERE IS SOMETHING that is puzzling to adults. A small child can bound about, running from here to there, never appearing to tire. Yet, set the same child the task of walking from one place to another, and before he has taken a dozen steps, he is apt to look up at a parent to announce, "I'm tired. Carry me." If the parent does not comply, the child is likely to beseech, whine, cry, and may even conduct a sit-down strike. It does not make sense to the parent; the child is just being contrary. How could a few steps tire a child who is forever exerting himself much more strenuously, and for longer periods of time?

The child may be contrary, but he is not *just* being contrary in refusing to walk. It is too common a happening to be accounted for in that way. A more plausible explanation is that it *does* tire a small child to walk. It does not tire him to run, especially if he is going nowhere in particular, but it tires him to walk. An adult, by contrast, tires rather quickly if he tries to run but can walk with relative ease. It is no new discovery that small children are different from adults, but how different and in what ways may be insufficiently pondered. There is a clue in some of these for the connection between work and liberty.

Before looking into this connection, however, there is another and related matter that needs attention. Adults watching children at play often say something like this: "If I only had as much energy as a child, I could really accomplish something

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty: The Founding of the American Republic 1760-1800* is now available in a 350-page attractive Bicentennial paperback at \$3.00 from *The Foundation for Economic Education*, Irvington-on-Hudson, N.Y. 10533.

with it." Do children really have more energy than adults? Probably not, taking one with another, though the age of the adult would make a difference. There is, of course, no way to measure the potential energy in any person. What is known is that adults can and do sometimes expend a tremendous amount of energy. Take, for example, a woodcutter, someone who is accustomed to chopping with an axe. He can do so all day long, with only a brief respite here and there. The chances are good that no small child actually expends anything like that much energy in the course of a day.

The small child appears to have so much energy because his energy is largely undirected, unconcentrated, and randomly exerted. He has not yet entered into the economy of energy arena. So long as he is at play—what is called in school nowadays "free play"—he has all the energy he needs and wants. When he "runs down," he can quit playing and sleep; there is no playing left undone, nor any energy scarcity to concern him. To the small child, there is an almost absolute distinction between work and play. When he is healthy, he has boundless energy for play, but he tires and gives up quickly when assigned tasks—work—which must be completed, even walking from one place to another. The reason is now before

us. Once the child is assigned a task that must be completed, the task becomes work, and the child enters the realm of economy where energy is scarce, must be conserved and directed.

Why is it easier for a small child to run than to walk? Because running belongs to the world of play, to the realm of boundless energy where there is no need to conserve or concentrate it. Walking belongs to the adult world of work where energy is scarce. To go from child's play to work is to go from something like paradise to purgatory, to go from a bounty of energy to a scarcity of energy. It is understandable, then, if the child resists the transition and even revolts when he is pressed to do it.

Organized Play

There is, of course, an intermediate realm between the play world of the small child and the workaday world. It is that of organized play, of games and contests. Actually, organized play has all the characteristics of work, save one. In organized play, there is a definite task to be completed, a time limit, and participants must concentrate and conserve their energy. In baseball, for example, the task is to score more runs than the opposing team, in a set number of innings, and energy must be concentrated on the various tasks, such as hitting, as

well as conserved for certain moments in the game. The one difference between organized play and work is this: the task to be completed in play is arbitrary. By contrast, the task to be completed in work is integral to and grows out of what is being done. For example, the woodcutter chops the tree into logs that will fit into the fireplace. Though the lengths may vary within certain tolerances, there is nothing arbitrary about what he is doing if the wood is to be burned in his house in order to give off heat.

Organized play has two frequently inter-related purposes. One is to provide children with a relatively painless transition from free play to economy and work. The other is to provide entertainment and recreation for participants and spectators. The first is probably much more important than the second, for the transition involved is one from the primitive level of the lower animals into the civilized world of man. The penchant for play man shares with other animals; work is one of the most important of the distinctions between him and them. It flows, of course, from his power to reason—to see connections that are not necessarily direct and to engage in a series of purposive acts to provide for his well-being.

Work has now been under attack for some time. Nowadays, it is most commonly opposed as the “work

ethic.” The term “workaholic” has even been coined to describe a malady supposedly afflicting those who are “addicted” to work. But “work ethic” is only the latest in a line of terms used to stigmatize those who believed in the honor and dignity of work. It was called the Protestant ethic and also the Puritan ethic, though not everyone who used these terms attached a stigma to them. It appears, though, that those who refer to work ethic usually do so in a disparaging way.

Work Under Attack

The assault upon work is by no means confined to intellectuals, as the above might suggest. Many efforts have been and are being made to place obstacles in the way of those who would work. Labor unions have sought for years, often with success, to reduce both hours of work and the amount produced by each worker. In a strike, they attempt to stop all work within a plant and prevent those who would work from going in. It may be objected that theirs is not opposition to work itself but to the conditions of work under an employer or in an industry. That may be the intent behind it, but the method is to stop work. By indirection, they may well damage employers, but the impact on work and would-be workers is direct and immediate.

Governments, too, have joined in

the assault on work. Child labor laws prevent the employment of young people in many undertakings. Wages and hours laws either limit hours of work or penalize the employer for overtime work. More, government taxes those who work—penalizes them, so to speak—and rewards many of those who do not. The most extensive instance of this is found in the Social Security program: those who work are taxed to provide benefits for those who have retired or are not very gainfully employed. (Again, the theory holds that the worker is taxed to pay for his own retirement, but the practice is as stated above.) It also is done in welfare and related programs.

Education as a Barrier

Governments are frequently carrying out a delaying action against work with their sponsorship of formal education. Compulsory attendance in schools is the counterpart to the child labor laws, a tacit opposition to work. Government support of higher education has greatly extended the period of unproductive activity for many people. This is not to deny the many values of formal education, but it is to point up some of the dangers of it.

In many respects, formal education belongs in the category of games and contests rather than work. Many of the obstacles put in

the way of graduation are not arbitrary, but they have a similar artificiality to those in organized play. The student productivity is devised and artificial, bearing no immediate relation to providing goods and services. The student does not bear an integral immediate relation to society; too long a period in school, cut off from productive relationships with people, breeds opposition to society. The tree that does not bear fruit is cut down. The perpetual student, perpetually unfruitful, is under an implied threat of a similar fate. Probably, to maintain his own self-esteem he withdraws his esteem from society, may revolt against it, or just hold it in contempt.

To make matters worse, Progressive Education attempted to sever the connections which have always been fragile of schooling with later life and the workaday world. Childhood, they said, has its own purposes and ends; it is not a prelude to adulthood but something worthwhile and fulfilling in its own right. The tendency of such theories when they are applied is to make schooling an end in itself. The effect of this is to make school into only a game or contest, not a game which is a transition to the workaday world but one which is both artificial and arbitrary. Social promotion, which is well-nigh universally practiced today, illustrates

this theory in practice. Social promotion incarnates the values of children—homogeneity, mainly—and ignores the value of disciplined preparation for later life.

Progress or Regress?

This campaign against work is described as being progressive by its proponents. Every reduction in hours of labor is progress, they have said. To prohibit child labor was described as progressive. Education which was not primarily preparation for a life's work was specifically called Progressive Education. Progress toward what, however, has never been made clear. Progress toward a time when men would no longer labor? Progress toward everlasting leisure and perpetual "free play" time? But that would not be progress, if there were a possibility that it could occur, which there is not. That would be *retrogression*, retrogression to the level of small children, to irresponsibility, to an absence of economy of time and energy, to some phantom golden age of perpetual childhood.

Perhaps, the most devastating thing about this campaign against work is the attitudes and habits it inculcates. It tends to make work distasteful, something to be avoided, something to contend over even as children bicker about the tasks assigned to them. It misconstrues the role of work in life

and civilization. It treats work as if it were an arbitrarily contrived cultural convention rather than what it almost surely is: at the very core of adulthood and meaningful life.

Samuel Smiles was on the mark when he wrote the following:

Work is one of the best educators of practical character. It evokes and disciplines obedience, self-control, attention, application, and perseverance; giving a man deftness and skill in his special calling, and aptitude and dexterity in dealing with the affairs of ordinary life.

Work is the law of our being—the living principle that carries men and nations onward. The greater number of men have to work with their hands, as a matter of necessity, in order to live, but all must work in one way or another, if they would enjoy life as it ought to be enjoyed.

*Labor may be a burden and a chastisement, but it is also an honor and a glory. Without it nothing can be accomplished. All that is great in man comes through work, and civilization is its product. Were labor abolished, the race of Adam were at once stricken by moral death.*¹

Much could and should be said about the virtue, value, benefits, and ennobling character of work, but there is one particular connec-

¹ Samuel Smiles, *Character* (New York: Harper and Brothers, 1872), p. 97.

tion which merits special notice. It is the connection between work and liberty. It has been generally recognized that work is necessary; some, even many, have proclaimed it good, and everyman knows that it is good in moments of achievement, at least. That it might be integrally tied up with individual liberty, however, has not been much examined.

The Release of Energy

The most elemental connection between work and liberty is the liberating role of work in the release of energy. We may not ordinarily think of finding a way of releasing energy as being a problem. If not, it is probably because we are accustomed to think of the conservation of energy as a problem. But conserving energy is only important because we have something useful and worthwhile to use it on. Releasing it is more basic, if not more important.

Man is, by nature and normally, a bundle of energy, energy seeking an outlet, energy which must be exerted else it will dissipate and we will deteriorate. Work is the only way that energy can be constructively liberated. Child's play releases the energy, but not constructively. Organized play releases energy, but the purpose is artificial and arbitrary. Child's play is natural; games are cultural; work is truly liberating and civilizing. The

first two release energy, but man at work employs energy to liberate himself. Energy is in control of the small child, so to speak, when he is at play. Man is in control of energy when he is at work. This control over energy is both the deepest meaning of freedom and the means by which man exercises his liberty.

There is, of course, a much more obvious connection between work and liberty. Work is the means by which we get our livelihood. Saint Paul declared "that if any would not work, neither should he eat." He thereby not only called attention to the connection between work and eating but also laid it down as a rule that all who were able should work. He had just explained why in an earlier passage (II Thessalonians 3:8): "Neither did we eat any man's bread for nought; but wrought with labour and travail night and day, that we might not be chargeable to any of you." "Chargeable" is the key term here and it may be sufficiently rendered as "dependent" or a "burden."

Work Affords Independence

Work is the way to individual independence. Those who do not work, if they eat, are dependent on those who do work. They are a burden. To be compelled to work to support those who do not is in some degree slavery, the degree being dependent on the extent of the labor

so compelled. It is well noting, too, that neither the slave nor the master is free, in the full sense of the word. The master is "chargeable" to the slave for his livelihood and material well-being. He is bound, also, in a system of armed might which maintains the slavery and in servility to the political masters of the armed force. This is true whether slavery is thought of as something which once existed in the South, or in Rome, or Greece, or as that which exists anywhere and any time that some portion of the population is compelled to support the rest. Welfare recipients in our day sometimes adopt the posture of slave masters, demanding their benefits and organizing to enforce their will.

In short, for liberty to exist fully, those who can must work. If they do not, those who do the work lose some portion or all of their liberty. And, those who do not work subsist in a dependence which is demeaning, and they experience only an illusory freedom.

Idleness Leads to Mischief

There is yet another essential connection between work and liberty. It has long been observed that only those who have a large measure of self-discipline are ready for liberty. What this means, in the main, though not entirely, is that only those who are work-oriented

are ready for liberty. The reason for this may be best approached negatively. There are three ways by which man may release energy: in play, by constructive acts, and by *destructive* acts. Man at work is not usually a threat to anyone. A man committed to his work—work-oriented—can hardly be a threat to anyone. Anger cannot survive embroilment with work, for then the mind and energies are so focused in constructive use that there is nothing left over for destruction.

It is not so with the idle. They are subject to and are often bent toward destructive acts. John Wesley put the matter this way:

*Do you labour to get your own living, abhorring idleness as you abhor hell-fire? The devil tempts other men; but an idle man tempts the devil. An idle man's brain is the devil's shop, where he is continually working mischief.*²

This mischief, whatever its source, is often a threat to property, to peaceful men, and to the well-being of society.

Work not only keeps people busy and out of mischief, but it is also a major source of discipline from within by which an individual controls himself whether he is at work

² Herbert Welch, comp., *Selections from the Writings of John Wesley* (New York: Methodist Book Concern, 1918), pp. 308-09.

or whatever. Those who do not have self-discipline must be disciplined from without. When those who lack self-discipline become numerous they must be held in check by government. The use of this external force promotes the expansion of governmental power in ways that curtail the liberty of all. Government-imposed discipline tends to get extended over everyone to the detriment of individual liberty. Nothing so aggravates the problem of governance as widespread idleness.

Christian Influence

There is much evidence in history to support the view that there is a close connection between work and liberty. More pointedly, there is much evidence in history that points to a close connection between the work ethic and individual liberty. As Catholic Christianity spread in the early Christian era, slavery declined and virtually disappeared. The Protestant and Catholic Reformations of the sixteenth century either fostered the demise of serfdom or many of the vestiges of it, and presaged an assault on slavery around the world. The connections here are not far to seek. Christian teachings dignify labor; they make it something not to be avoided or placed on slaves but worthy of everyman. The Protestant ethic, as it has been called, added

another dimension. It made every useful work into a calling, added a dimension of nobility to it, even. Slavery is not only an abuse of the slave but also a degradation of work, and, by implication, of those who work.

As respect for work spread, so did respect for the individual, and, in the wake of these, protections of individual liberty. The protections of liberty came, mainly, by way of containment and curtailment of the power of the state. This is not to say, of course, that individual liberty was simply a product of a work ethic. It is rather to affirm that the two have gone hand in hand and that there appears to be an essential connection between them.

There is further historical evidence to support this view. As the vigor of religious belief has declined in the last century, belief in the nobility of work has gone with it. Supplanting these has been a hedonistic emphasis upon leisure and play. Almost simultaneously, individual liberty has been increasingly circumscribed and curtailed and government power vastly expanded.

Idleness and Crime

Here is another kind of evidence. As the campaign against work has gained hold in the United States, crime has increased, and continues to increase. It has long been the

claim of reformers that crime is the product of a bad environment such as develops where there are poor living conditions. This is to look at the matter only most superficially. Actually, both poor living conditions and crime are the result, mainly, of idleness. Much of the crime in the United States is committed by young people, in their teens and twenties. Commonly, those who commit the crimes—crimes of violence and destruction—are unemployed or only occasionally employed. Lacking a work ethic, they are often devoid of all ethics. They have often known nothing of the liberation of work and quite often lose all liberty through being jailed or imprisoned.

How Much Work?

A disclaimer is now in order. This writer does not profess to know how much, or how long, or with what intensity people should work. He does not know at what age children should shift from free play to organized play or from organized play to work. He does not know at what age each child should enter school or at what age he should leave. How much men should work and how much of their time be devoted to recreation is not known to him. Whether a man should work four, or six, or eight, or ten hours per day eludes his powers of discernment. That work is good, that play

can be refreshing, that schooling can be helpful in learning, to these things he can attest.

What is reasonably certain is that neither government nor any other organization or group knows how much or how long anyone should do these things. Government has no more business setting hours of labor than establishing the number of hours we should sleep. Government has no more business deciding at what age children should enter or leave school than determining in what month a child should be toilet trained. Government has no more business sponsoring idleness than compelling people to work. By the first it burdens taxpayers and encourages licentiousness; by the second it imposes slavery.

Individuals differ as much from one another in the amount of time they can and will work as they do in the amount of time they can and will sleep, probably even more. Some men can work long hours fruitfully and with no discernible ill effects. Others cannot or do not wish to work long at highly disciplined labor. Some jobs require intensive concentration and are best done for short periods of time; others can be routinely performed for much longer periods. Some children gain fulfillment from much schooling, others from very little. Many youths wish they could go to work at an earlier age, and there is no good

reason why they should not. These are matters best left to the decisions of individuals (or the adults responsible) and worked out in cooperation with whoever else may be involved. Work is normal for man, but there are no norms for how much each of us shall do.

Shortage of Jobs?

There is something else that should not be left on the table, as the saying goes. The labor union campaign against work, which has produced much of the legislation limiting work, has not been grounded upon some supposed distaste for work. It is premised, rather, on the notion that there is a shortage of work. This notion has even been provided with a theoretical explanation and given the name of technological unemployment. The theory is that the use of tools and machinery replaces workers and thus reduces the amount of work to be done.

Obviously, tools and machinery are often used to accomplish much more than could be done by a much larger work force performing by

hand. It does not follow, however, that there is less work to be done. Everyman knows, if he only thinks about his own undone tasks, that there is more work to be done than is ever likely to get done. This is so because there is no end to the way human wants may be satisfied by the performance of work. People do have preferences, however, as to what work most needs doing, and they limit the amount they will spend to get something done. Some things they will pay much to get done; for other things they will pay much less. Technology does not produce unemployment; if wages are too high the result is unemployment. There is no shortage of work, but there is always a scarcity of means to employ workers.

The effect of the campaign against work, whatever its theoretical justification, is about the same. It is a campaign against civilization. It is a campaign against the growth and fulfillment of individuals. It is a campaign against discipline and order within society. And, it is a campaign against individual liberty. 

Peregrine Worsthorne

IDEAS ON



LIBERTY

THAT THE INDEPENDENT and creative should be made to feel guilty, as if they were the parasites, with the dependent and the passive lauded as the salt of the earth—such a reversal of values is the mark of a society with a death wish.

From a recent article in *Harper's Magazine*



In Defense of Apathy

THOMAS W. HAZLETT

WE HEAR MUCH these days of the virtue of "involvement." Honored are the "activists" who so boldly and humanely watch out for their fellow man. "Community-minded," "civic awareness," and "socially conscious," are true-blue banners, the merit badges of the 100 per cent Twentieth Century solid citizen.

The cry for involvement is most frequently raised on the campus. Second-semester freshmen, in frantic search for the passionate days of relevance and revolution of such recent memory, ask: Where is the involvement? Where is the community action? Where are the people who really care?

Wake up people! Get involved! Whip that Apathy! Make a better world! Organize your Community! Change your Nation! Reform the World!

On the contrary!

Maligned and persecuted, apathy—in the *social* sense of the word—is possibly the noblest of civic virtues. The ability to mind your own business, to let others do their thing, and to concentrate your efforts on your own life, are the discerning characteristics of a well-adjusted and competent human being.

When contemporary critics look about, they are terrified to witness the 1976 college student living his life privately, concentrating on his course of study and more worried

Mr. Hazlett is a partner in a Los Angeles public relations firm and a free-lance writer.

about the job that lies ahead than about the political shenanigans that so absorb the press. What is so apathetic—in a broader sense of the word—about caring for your own life and respecting the other fellow to run his? Is this the “apathy” that shocks and bedevils the “activists” of our age?

Indeed it is. For the prevailing sentiments of “enlightened Americana” operate on entirely different premises than the rational predilections of honest and civilized men. Those premises build from the frightening cliché: “We are our brother’s keeper.” Getting “involved” does not simply entail involvement *per se*: What the vogue definition reflects specifically is involvement in the affairs of others—of the school, community, society. The hip activism is little more than an excuse for running the lives of others, hence the pathological attachment with politics.

The concept of people being content to attend to their own self-interests has predictably little appeal to the “activist” mentality. Private people, pursuing personal goals and enjoyments, offer a staunch defense against the pervasive moralizing of the meddling intruders. The approach of the latter is entirely paternalistic and operates under the assumption that since we are our brother’s keeper,

there must be somebody who cares enough to do the keeping. Somehow, that entity is always the state, which makes it a difficult family relationship to break off.

Undoubtedly, Henry David Thoreau was on the right path when he said: “If I knew for a certainty that a man was coming to my house with the conscious design of doing me good, I should run for my life.” Your life is your own, yours to succeed or to fail with, yours to live as you decide. Your obligation is to yourself: to the only person whose life does in fact depend on you. It will, in reality, be your actions that make your life what it is. Why feel guilty about making the best you can of your own efforts—and why not allow others the same chance? Let “Mind Your Own Business” be the political slogan of free men in a free land.

Do not take lightly the social non-involvement of today’s college students. They are busy—with their own business. If that business should be foreign to your own aspirations, appreciate the diversity among individuals and welcome the opportunity to express it. And above all else, keep a healthy distance from the champion of mindless social involvement. In all probability, there is a sound reason behind his decision to forget his own life and to attempt to rule everyone else’s. 

TIME to READ

THERE IS an old story of the man who read Gibbon's *Decline and Fall of the Roman Empire* in the intervals of waiting for his wife to dress for dinner.

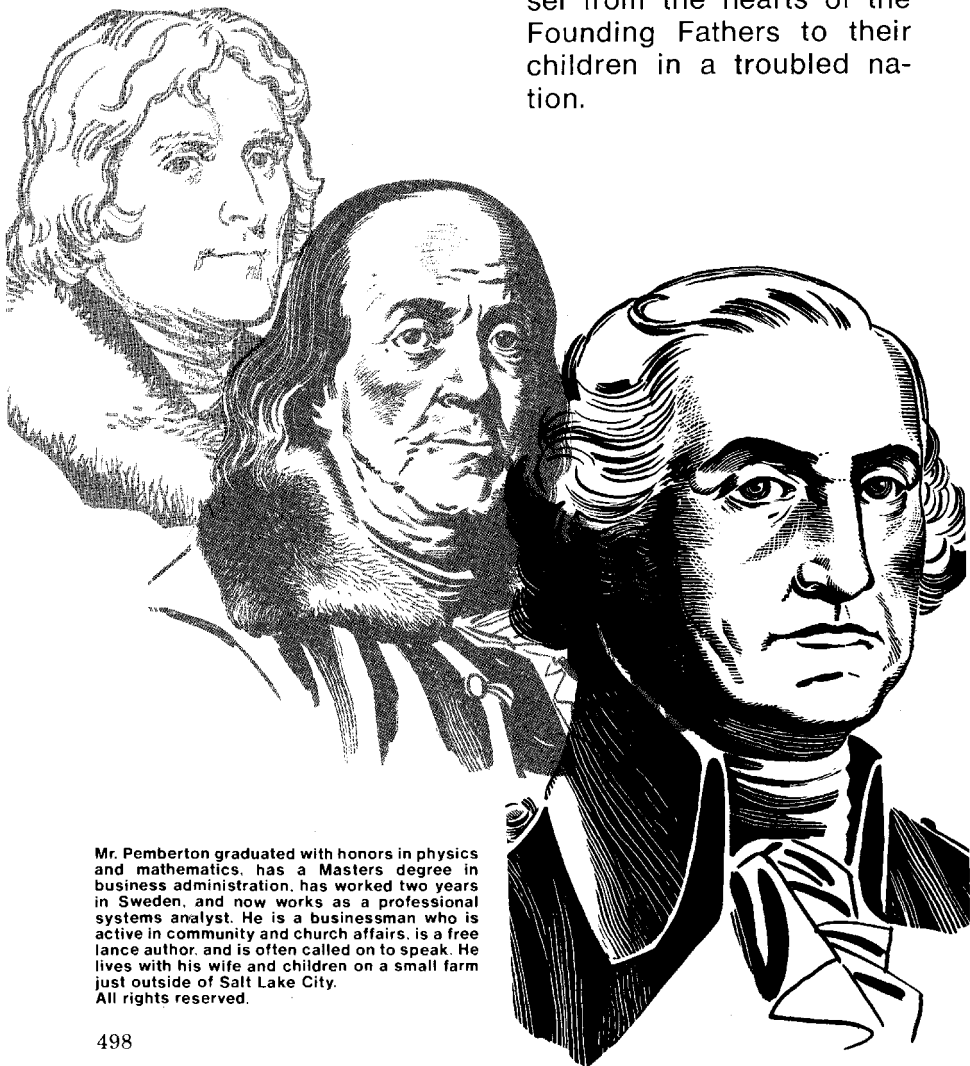
From *Management Briefs*, published by Rogers, Slade & Hill, Management Consultants of New York City, come these ten ways to use those otherwise-wasted quarter-hours.

1. Talk less (and watch less the TV programs unworthy of your maturity. Watch more, if you please, the good ones; fewer of the poor ones).
2. Carry a book in your bag (your brief case, your topcoat pocket).
3. Put a book under your pillow at night; if you can't sleep, read.
4. Wake up 15 minutes earlier every morning, and read.
5. Keep a book handy to pick up (at home, when waiting for the dinner; at the office for waits between engagements, or for long-distance 'phone calls to come through).
6. Have a book ready when meeting unpunctual people (or waiting for meetings to get under way).
7. Take along your own book when going to the dentist or doctor (or an appointment with the man who may keep you waiting 15 to 45 minutes in his anteroom). Why read their old magazines?
8. Keep an unread book in your car in case of traffic jams or a wait for repairs (or a wait for your wife to do her shopping).
9. Never go on a journey in a public conveyance without a book.
10. Remember that a book in the hand is worth two in the bookcase (and a good current magazine in hand is worth three in the wastebasket).

A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City.
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IV. Comments on The Bill of Rights

This continues a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

HOW IS IT that a man loses his rights? There are at least three ways; but each is a result of his own choice. First, he may agree to give them up, and if he has his wits about him, he will do that in such a way as to protect them in the process. Second, he may be deprived of them by force; which only means that he may be caused to suffer some unpleasant consequence when he attempts to use them. And third, the most subtle and effective of all, he may, by listening to the false promises of license, apply his rights and powers to evil occupations and form himself into such a creature of ignorance, bad habit, and even depravity, that he becomes incapable of the use of his most precious and most fragile faculties. Such is the dulling effect, for example, of petty thievery upon the finer senses of justice and propriety.

Throughout history men have lost the use of their unalienable rights by one or another error. But when an entire nation has moved itself from liberty toward oppression, as you are doing now, it has always been through a slackening of the public scruples; for the carelessness necessary to participation in the human vices extends both to the abuses of government officials and the vigilance of the people. Officials, drunken with authority and schemes of glory, run amuck; while the people, filled with the indifference born of selfish pleasures, fall asleep.

Self-government is an opportunity which must be cherished by every citizen, and if the time should come that you cease to govern yourselves, first in your own individual lives and thereafter in your political institutions, then you

will be governed by others; for selfish and glory-hungry men have ever lurked about the political waterholes of civilization like cunning wolves awaiting the unwary prey they are only too eager to consume in order to fill up their vanity and satisfy their lust for the regard and property of their fellows. It is precisely here that we see the requirement for the protection of the moral conscience; so let me turn your attention to the First Amendment.

Freedom of Religion

You will notice that we placed freedom of conscience at the head of our list of rights, for we knew that if a man could not freely exercise his conscience he could not develop it fully. And a man without conscience is a man without honor. Likewise with the nation. And what is more, when the citizens fail to conduct themselves with probity, their government is required to increase its regulation of their lives; a shift of power from the people to their governors; a step from liberty toward oppression; a change eagerly assisted by ambitious politicians.

Contrary to what you have lately been told, it was our intent in the First Amendment to not only protect, but also to promote religion among the people. Not that the government should foster any particular religious philosophy (such as

atheism or irreligion as it does in your schools), but that it should not discourage the development of morality and religious ethics, nor give one philosophy an advantage over another. Hence we denied the government the power to interfere in religion or to direct, control, or tax it in any way. We drew a line between them which ought not to be crossed. But that was to fortify religion, not to inhibit it! It was to protect the people from political interference in the free exercise of conscience, not to prevent the development of a moral or religious sense.

To interpret the First Amendment so as to place government in opposition to religious expression in private or in public is to place government in control of religion to the extent that it can advance the philosophy of nonreligion, which is in direct contradiction to the spirit of that amendment. Furthermore, it sets a free government in conflict with its own destiny, for if it should succeed in demoralizing the citizens, it will have also succeeded in its own destruction.

Our desire in this first clause of the First Amendment was to establish and protect the only enduring basis of liberty: individual self-discipline through individual rectitude. We knew that, as with enterprise and art, the most effective way the government could

promote religion was to remain out of it entirely.

There are voices in the land now which attempt to twist the meaning of that law and seek to thwart all religions based upon a recognition of God. They do this because they know, and you must remember, that any human expression which conveys belief in a Divine Creator is also a statement of the inherent worth of man, while a denial of God is a positive affirmation that man is only a well-developed beast, and may be justly reared, trained, and used as is fitting any animal. Have not millions been slaughtered under that Godless philosophy? You watched it in Russia for a half-century.

The man who will soberly reflect upon the question will soon discover that all justification for government arises in the mischievous nature of the citizen. If each one behaved justly toward others the need for civil government would vanish. There would be need for neither police nor armed forces. The poor and unfortunate would be cared for through the feelings of charity which would be released in the hearts of their fellow citizens whose just attitudes would have prepared them to share their concern and their property. In such an ideal society each man would have complete liberty, but only because he had first made himself worthy of it

by his own careful respect for the rights of others. Is it not toward that goal that you would strive if you only knew how to attain it? It is for this purpose that I have come to you: to help you find the path and give you the confidence to set upon it.

If that is your desire, then you must realize that nearly all the problems and crises of the nation have their origins in the hearts and minds of individual men, and spring from their separate but common vices. Strictly speaking, there are no social, economic, or political problems, for the conditions described in those terms are not created by society, or economics, or politics. They are, in the final analysis, created by people—the result of decisions contrived in the darkness of selfish ambition or deceit. You may consider any problem of the commonwealth, and you will discover that only a small portion is the product of circumstance aside from the human frailties. And if the difficulties arise from the people, then they are not fundamentally political or social, but moral and ethical, and there is no government institution which can solve them.

The entire nation, save a few wise men, labors under the delusion that government can make you a great country, and the result of that error is the consuming of a near third of

your labor and goods in bureaus and programs which can neither comprehend nor correct the true basis of your troubles. Good government is necessary to a great nation, but it is far from sufficient.

Nay, the victories which give a nation true dignity are not won in the halls of bureaus, or in the chambers of the law, nor yet upon the battlefields of war. The struggle for national honor is fought daily in the secret heart of each citizen. It is there, indeed, that the nation's decision between liberty and license is cast; it is in the heat of the fires of individual human feeling and intellect that the soul of society is forged, for the history of the commonwealth is first conceived and written in the hearts of its citizens.

I realize that all this philosophical exposition may dismay you a bit; yet I did not come to tickle your ears, but to enlighten your minds and lift your vision. I have deliberately led you to this point that I might more fully impress upon your minds the decisive import of that first clause: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof," for we founded our government upon a profound awareness of the virtues and vices of human nature. The Constitution was designed for a moral and religious people, but no government can pro-

tect a dishonorable people from the just rewards of collapse and ruin.

Our full intent was to assure each citizen the liberty of religious thought, expression, and practice in public and in private. The spiritual side of man's nature must be protected so he may freely discover the principles by which he will order his life. If he is not thus free, his morality is stunted and neither law nor popular disdain will suffice to restrain his abuse. Although the government may protect the people from political oppression, only the people can protect themselves from spiritual degeneracy; and while the former may not lead to the latter the latter has always brought the former. The best the government can do for the preservation of liberty is to stay out of religion, and the best the people can do is to stay in it.

Freedom of Speech

Now I would direct your consideration to the following point: freedom of speech requires an untrammelled liberty; for as a man must be able to steal, until he has done it once, so he must be free to speak until he has shown himself an instrument of deception. That is to say, it is altogether appropriate to punish that person who has abused his liberty by deceit or slander; it is quite another matter to seek to regulate him ere he makes his

utterance. In the first instance there is both reason and justice, while in the last there is a prior and therefore prejudicial encroachment upon the rights of the speaker. Furthermore, such regulations are ever subject to political manipulation; and that is precisely the nature of your so-called Fairness Doctrine which effectively (albeit indirectly) muzzles many a man who might have awakened you sooner to the true basis of your political troubles.

There are also those among you who seek to shield themselves, by an appeal to the First Amendment, in order to publish the most subtle and ruinous fraud. They, by implication (for the falsehood would never gain public acceptance were it presented directly), broadcast to a world of unsuspecting minds that immorality and even perversion are normal and necessary to the full "liberation" of mankind. But they are not normal, except to a base and morbid few, nor are they ever beneficent to the individual or his society. And what is more, they are totally foreign to the nobler side of man's nature and have always been accompanied by a return to bondage—first in a darkened and distracted mind, then in the disruption of the home, and finally in the corruption of all that is good.

If a man willfully injures the character of another he may be

justly punished for libel. What then if a man publishes matter which injures the character of the entire human family by depicting man as a beast? Or if he publicly promotes the deception that there is no sin between "consenting (conspiring) adults"? Should he not be held to answer for his abuse of his freedom? With your society already in alarm for its safety in the face of rising crimes of personal and intimate violence, it would be foolish indeed to tolerate those who, for profit, spread private vice in public view.

Would you allow training schools to be established throughout the land where thousands would be taught the techniques and advantages of crime? Then how long will you permit the public display of material which teaches the degenerative crimes of moral abandon?

You have only two choices: to stand and watch while they poison you and your hapless children and bring thousands into the slavery of obscene selfishness, or to enforce good local laws ("Congress shall make no law ... abridging the freedom of speech, or of the press") and restrain those who would corrupt the public virtue. You savor neither alternative, and in that you are right, but that is all you have. You will either stem the tide of pollution or drown therein, for the laws of human nature are as consis-

tent and immutable as those of physical nature: obedience to them will bring social and technological progress, but the unbridled fire will ever consume.

The Right to Bear Arms

The primary cause for our affirmation of the right of the people to keep and bear arms was our concern for military power: that the armed forces might need immediate and widespread assistance in repelling an aggressor, or that the citizens might find it necessary to defend themselves from oppression by their own military. We desired that every man have the right to arms.¹

But there is another consideration which is based on a fundamental right and requires a little elaboration since you are in debate upon the issue.

If a man find himself or his property in peril of plant or animal, he has a manifest right to defend what is his. If he be in jeopardy of another man, he retains the same right. There can be no alternative to this principle without opening the door to all manner of legally protected plunder and personal assault.

¹ Author's note: There is a general misunderstanding that the militia mentioned in the Second Amendment refers to the National Guard or the armed forces. The correct meaning in this context is "the armed citizenry." The United States' Code, Chapter XIII, Section 311, defines the militia as all able-bodied males of 17 years' age.

The law must either sustain this right or else it shields the criminal, for it will either tend to protect the one or the other, there being little middle ground. To protect the bad man is to encourage his ravages.

Most of the laws proposed in Congress are unenforceable upon the criminal, and worse, they are oppressive upon the citizen who is purportedly thus protected. If you wish to put an end to the wrongful use of arms, it is only necessary to make that use ill-advised; for out-laws reason also, and when the risk becomes too great, they will cease. If the beweaponed rascal were aware, for example, that the penalty was at least thirty years' imprisonment without possibility of leniency, what would be the effect? An extreme penalty, it may be thought, but it is perhaps no more unreasonable than the over-careful protection of the offender now required by your judicial system.

If a man shows disregard for the life of another, then justice demands an appropriate restriction upon his rights, otherwise equal protection under the law and the public safety must suffer.

The Second Amendment was also our statement of the right of the people to forcibly revolt when that horrible prospect is the only course by which they may reassert their unalienable rights. The powers of government are delegated to it from

the people, and when a government becomes altogether inimical to their rights and wholly independent of their will, they necessarily have the right for themselves and the duty to their posterity to revolt; to remove despots from power and reestablish liberty. Reason, history, and the most recent European oppressions amply testify of the inability of the people to throw off a government which has gained control of their personal arms. They have been defenselessly driven, slain, and imprisoned within their own lands and homes. You may be profoundly grateful that you still have sufficient control of your government to return to a fullness of freedom without armed revolution. You know not how grateful.

I shall finally comment upon the last amendment in the Bill of Rights, for it is, in respect to its comprehension, the most significant because we summarized in it the essence of human rights and government and placed them in proper relationship one to another. We simply restated that fundamental principle of the rights of free men: that in the United States the federal government possesses only those powers delegated to it by the Constitution; that there are certain powers which the several States may not exercise; and all other powers whatsoever are retained by the individual citizens. For frequen-

cy of violation this Article is unsurpassed, and you will find, when you have restored the Constitution to its proper role, that the relentless disregard for this principle has brought you most of the dismay and perplexity which now afflicts you.

Now, you have noted, no doubt, that I have spoken mainly of the moral and religious aspects of your liberties. That is not because I have grown more religious with age, but because you have grown less. Liberty has always brought the blessings of abundance, and abundance has always tended to pride and a haughty disrespect for basic moral principles. If you will consider it carefully, you will see that you stand now at the crux of the nation's life: you may continue into the growing indifference of opulence and squander this Bill of Rights, or you may rise above the affluence of freedom and keep both your liberty and your wealth. You must stretch your capacities for noble character, catch the vision of a higher order of life, put yourselves in careful harmony with sound ethical doctrine, and lead a saddened but hopeful world into the fuller freedom of personal dignity. That is the true destiny of the nation. That is the dream I feel glowing in your hearts. Then believe in that dream, follow it, and work to make it real!



Next V. *On the General Welfare*

PLAIN TALK

IN HIS MONUMENTAL HISTORY of the conservative intellectual movement in America since 1945, George Nash makes two references to a little magazine called *Plain Talk*, which was edited by Isaac Don Levine from 1946 to 1950. Since he had such a vast tapestry to weave, Mr. Nash could hardly have done better by Mr. Levine without unbalancing his chronicle. He does say that *Plain Talk* modulated, so to speak, into *The Freeman*. *The Freeman*, in turn became the seed pod of many phases of the conservative efflorescence. So Don Levine gets the credit for being the Honorable Ancestor of the movement, which Fabian-style, is providing the coming alternative to the collectivist "liberalism" that must be routed if individual freedom and creativity are to prevail throughout the West.

Plain Talk was a Cold War publication, devoted mainly to combat-

ting the encroachments of Stalinism both on the domestic and world scenes. It had to struggle for attention in a postwar America that had grown tired of foreign commitments and lax about accepting the possibility that "it could happen here." The illusion, that somehow the victors in World War II—the U.S., Britain and the Soviet Union—could fashion an enduring world peace with the aid of the United Nations, maintained its incredible persistence in spite of Red encroachments all the way from Czechoslovakia to Manchuria and North Korea. Our State Department, though it was formally committed to support the Truman Doctrine (which saved Greece and Turkey), was riddled with people who wanted us to desert an old ally, Chiang Kai-shek's Kuomintang, in China. The wish here proved father to the reality: as Alfred Kohlberg,

the merchant "angel" who supported *Plain Talk*, wrote, "a large part of the arms shipped to China under lend-lease before V-J Day and more than half the ammunition were destroyed by the American Army before delivery to the Chinese... Not a single firearm, from revolver to cannon, has been permitted to be shipped to the Chinese Government since V-J Day."

With Kohlberg's help, Don Levine launched *Plain Talk* at the critical time when the Communists were developing the world's most fearsome Fifth Column as their answer to the temporary U.S. monopoly of the atom bomb. He found scores of well-informed writers to attack the problem of exposing the machinations of Red infiltrators. Many of the articles they turned out from 1946 to 1950 have now been reprinted in *Plain Talk: An Anthology from the Leading Anti-Communist Magazine of the 40s*, edited by Mr. Levine (Arlington House, \$12.95).

A Contemporary Ring

As might be expected at a time when we have suddenly been reminded by Solzhenitsyn that the Communist leopard has not changed its spots, practically every article in this anthology has a deeply contemporary ring. Mr. Levine tells us the reason: "if you substitute the name of Brezhnev,"

he writes, "for that of his master Stalin; of Kissinger for that of General Marshall; of President Ford for that of James F. Byrnes; and if 'the Molotovs and Vishinskys' be replaced with 'the Gromykos and Suslovs,'" the scene today is exactly parallel to what it was thirty years ago. Then it was, as a Ralph de Toledano article says, "Stalin's hand in the Panama Canal"; today it is Castro's hand in the agitation to get us out of the Canal Zone. Thirty years ago Communism threatened to overrun Asia; today, as Angola proves, it is Africa that is under the gun.

The truth is that the Cold War merely went underground for a while. Detente was always an illusion, something that was fostered by Khrushchev and his successors as an insurance policy designed to protect the Communist gains in eastern Europe while Marxist wars of "liberation" were being pushed to completion throughout the old colonial world.

Don Levine's biggest coup was an article called "'Gulag'—Slavery, Inc." He wrote it back in the middle forties from data that had been brought out of the Soviet Union by Polish soldiers who had been released from prison camps by Stalin to compose the Polish army-in-exile that fought so valiantly at Monte Cassino in Italy. Along with the article, which explains that

"Gulag" is the acronym for Russian words meaning Office of Penal Labor Camps, went a terrifying map of scores of penal colonies scattered, archipelago-fashion, from the White Sea in Europe to Kamchatka on the far Pacific side of Siberia. Thus Levine anticipated Solzhenitsyn by thirty years.

Everyone knows what "Gulag archipelago" means now: Solzhenitsyn has put it firmly in the western vocabulary. But Levine got there first, as the inclusion of his article and map in the anthology reminds us. Other coups reprinted in the anthology include Eugene Lyons's pioneer expose of the Katyn Forest massacre by Stalin's NKVD of the flower of the Polish officer corps. Fourteen thousand Polish officers, taken when Stalin and Hitler conspired to carve up Poland, simply disappeared from the face of the earth. Many of them were unearthed from shallow graves by the Nazis after Hitler had invaded Russia. The Soviets tried to prove the Nazis had done the killing, but the evidence, from dates in diaries taken from the corpses, points clearly to the Communists as the mass murderers.

The Positive Case for Freedom

To those who might argue that it is nonsense to think of an anti-Communist magazine as a progenitor of the conservative movement in

America, there is a good answer in section seven of Mr. Levine's anthology, called "On Freedom and Its Enemies." Here the positive exposition of what Leonard Read calls the "freedom philosophy" takes over. We have Ludwig von Mises's "The Philosophy of the Pseudo-Progressives," a notable analysis of Marxian, Veblenian and Keynesian misrepresentations of the capitalist position, which Mises defends as the appropriate expression of free "human action." We have Edna Lonigan's strong defense of the American conception of democracy (the right of the individual to the fruits of his "performance") as against the French conception, which means "control of some citizens by others, whenever the majority wishes." We have Ayn Rand's "Screen Guide for Americans," a warning against Hollywood codes that belittle the American enterpriser. We have Henry Hazlitt's analysis of the defects of our political primary system, a system that runs counter to the sound basic principle that the office should seek the man.

The point is that Levine, as an editor, knew what he was for as well as what he was against. He used to describe himself as a "mutualist," meaning that he was a believer in voluntary as against compulsory cooperation. "Mutualism," in the Russia where Levine was born,

derived from Kropotkin, the philosophical anarchist. In America it means free association, a wider conception which Levine has heartily embraced.

► **A GANG OF PECKSNIFFS** by H.L. Mencken (New Rochelle, New York: Arlington House, 1975) 206 pages, \$8.95.

Reviewed by Edmund A. Opitz

SOME WRITERS live serene on the slopes of Mount Olympus, immune to the passions that agitate their fellows. Goethe comes to mind, a man whose monumental detachment may be gauged by his response to a young friend with a painfully swollen jaw: "You have a toothache? Live in the All."

It was otherwise with Mencken. Henry never even looked at Olympus in public, except when he wrote about music. Music, Beethoven's works in particular, evoked the only religious emotions Mencken ever manifested, and his writings on this subject are those of a true believer. His friend, Louis Cheslock, deserves our gratitude for making them available in book form. In almost everything else Mencken played the role of *provocateur*; he disturbed the peace of the over-complacent America of the 1920's and shakes us a bit even today.

Mencken was a critic of our culture, and a critic counters, allowing his themes to be chosen for him. Mencken was set off by the imbecilities of politicians, the stupidities of businessmen, the idiocies of churchmen, the chicanery of lawyers, the quackery of doctors, the ignorance of academicians, and—in the volume under review—by the canting hypocrisy of the fourth estate. (How one would love to see Mencken in his prime turned loose on television!) The follies and stupidities of the American "booboisie" during the twenties were made to order for a man of Mencken's talents, and he assaulted them with more gusto than pinpoint accuracy. Criticism, he wrote to a friend, "must be done boldly, and, in order to get a crowd, a bit cruelly." The culture's crassness, its sentimentality, its religion of progress and Babbittry, its *hubris*, were lampooned, caricatured, ridiculed, and hacked to pieces. But once his opponent was unhorsed, Mencken never drove in for the kill; more than likely the fallen foe was helped back into the saddle.

There was a private side, quite different from the public image Mencken cultivated. A fine book by Mrs. Mencken's friend, Sara Mayfield, *The Constant Circle*, reveals Mencken as gentle, thoughtful, gallant, and somewhat shy. As an editor, he was a never-

failing source of help to promising young writers. When the occasion warranted, he would ladle out avuncular advice to aspiring authors to steer clear of wine, women and song. His own work load went beyond the Puritan ethic, but he was never too busy to answer pestering letters from admirers, gravely and by return mail. He was delightful company, as his friend Albert Jay Nock relates: "There is no better companion in the world than Henry; I admire him, and have the warmest affection for him. I was impressed afresh by his superb character—immensely able, unselfconscious, sincere, erudite, simplehearted, kindly, generous, really a noble fellow if ever there was one in the world."

With the passing of "the era of wonderful nonsense" went many of the kinds of targets Mencken needed. He despised the New Deal, of course, but how do you burlesque a burlesque? The only memorable thing to come out of this period was his celebrated polemic, "Three Years of Dr. Roosevelt." So Mencken in the thirties returned to his scholarly exertions in the field of philology, and in 1936 Knopf published the enlarged and rewritten fourth edition of *The American Language*, to be followed by two more volumes containing additional material. Mencken's *New Dictionary of Quotations* appeared in 1946.

These projects, and a few others, occupied Mencken's mind during the dismal forties. It was not a happy time for him. He regarded World War II as further evidence of mass insanity plus poltroonery in high places; the U.N. was "that monumental obscenity." He was persuaded to cover the 1948 presidential sweepstakes and that gave him a lift, for he regarded democracy as the most amusing form of government, and the three candidates of that year were choice specimens all. And then, in November, 1948 came the stroke, and this most gifted stylist of our time, this virtuoso with words was crippled in both speech and writing. He bore his fate with a kind of gallows cheerfulness; the inner man never surrendered till Death fetched him in 1956.

Mencken had a lifelong love affair with his job as a newspaperman, and we have, in *A Gang of Pecksniffs*, a collection of his articles on the press. Only one has appeared before in book form, so this excellent volume will appeal to every Mencken buff, but also to a wider audience interested in an assessment of contemporary journalism by its ablest practitioner. The compiler is an editorial writer on Mencken's old paper, and has contributed a knowledgeable thirty-page introduction and added a half dozen photographs of HLM at work.

► **NO LAND IS AN ISLAND:** *Individual Rights and Government Control of Land Use* by various authors. (Institute for Contemporary Studies, 260 California Street, Suite 811, San Francisco, California 94111, 1975) 221 pp., paperbound, \$4.45; discount price postpaid for multiples of 50 books in cartons, \$3.00 per copy.

Reviewed by Brian Summers

THIS BOOK is a collection of fourteen essays, most of them critical of the political drive to regulate land use.

The arguments against government control of land are well covered. Several authors, particularly W. Philip Gramm and Robert B. Ekelund, Jr., offer economic theory. Others, such as Bernard H. Siegan, John McClaughry, and Connie Cheney, present case studies. Siegan considers the case of Houston, a booming city with no zoning. McClaughry gives a blow-by-blow account of the struggle over land use in Vermont, complete with political power plays and skulduggery. Connie Cheney concentrates on the victims of land use regulation, the forgotten people who find their futures zoned away by the government. Some of the authors, such as M. Bruce Johnson, take a more general approach, weaving together economics, case studies, and common sense.

Several contributors raise a particularly disturbing point: Land use regulation is often directed against the poor. The most blatant example is zoning. Zoning is often designed not to keep trees, grass, and squirrels *in*, but to keep poor people *out*.

To give the reader an idea of the arguments being put forward by proponents of regulation, the book includes an essay by a leading advocate of Federal land use legislation.

The only flaw in the book is that several contributors seem intent on making government regulations work better, rather than relying on the free market. But, on balance, it is a fine book with much ammunition for those preparing to do battle with the proponents of land use regulation.

► **OTHER PEOPLE'S PROPERTY** by Bernard H. Siegan (Lexington Books, D.C. Heath and Company, 125 Spring St., Lexington, Massachusetts 02173, 1976) 147 pp. \$13.50.

Reviewed by Paul L. Poirot

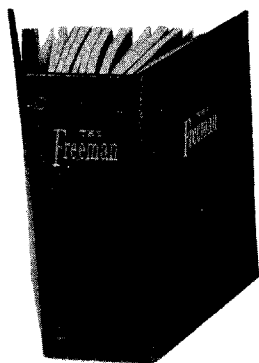
THOSE WHO have followed Professor Siegan's several short articles in recent issues of THE FREEMAN will recognize that the focus of his

book is on the use of land, to the conclusion that: "Government regulation of land use should be minimized, and we should rely instead largely on the restraints inherent in individual freedom and competition to control the use of land."

John Chamberlain said of Mr. Siegan's *Land Use Without Zoning* (Lexington Books, 1972) that it "will stand as a landmark for the rest of our century." But, he added, "it needs translation into a less complicated idiom if it is to have the maximum effect." And that is precisely what Bernard Siegan has been doing in his newspaper and journal articles since 1972, simplifying and popularizing the case *against* government planning

and zoning and land use regulation and the case *for* private ownership and control of any scarce and valuable resource, especially land. Those columns and articles, written for the layman, are organized and collected in *Other People's Property* in a way that should be most helpful to anyone seeking maximum use and enjoyment of his own property.

As Distinguished Professor of Law at the University of San Diego School of Law, Mr. Siegan teaches courses in land use and law-and-economics. He is without peer in his understanding of the seen and the unseen consequences of the land use controls which increasingly plague town and country, in the USA and throughout the world. We welcome his leadership forward in freedom.



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Economic Education*

PAUL L. POIROT

Managing Editor

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BUILT-IN Pressures to Inflation

CLARENCE B. CARSON

ALL THE OBLIGATIONS of the United States government, both actual and potential, stand today as pressures toward inflation. They are like a vast sea lapping at, thrusting against, and threatening to crash through the defenses built against it by a succession of casually thrown up dikes. Indeed, the momentum lies with inflation, and the pressures mount with each new obligation undertaken and every old obligation that comes to maturity.

Inflation is used in two somewhat distinct ways today. It is used by some economic thinkers to refer to the increase of the money supply.

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty: The Founding of the American Republic 1760-1800* is now available in a 350-page attractive Bicentennial paperback at \$3.00 from *The Foundation for Economic Education*, Irvington-on-Hudson, N.Y. 10533.

Popularly, it is used to refer to general rises in prices. If it be understood that the increase of the money supply is the cause of the general price rise, much of the objection to the second usage is removed. Not all of it, however. There would still be an unmeasurable phenomenon with no name and no way to identify it if inflation could apply only to general rises in prices. The reason is this: It is possible to have increases in the money supply accompanied by no general price increases. Indeed, it is conceivable that over some period of time increases in the money supply might be accompanied by a slight decline in prices. There may be a variety of reasons for such effects. The additional money might have gone into savings. There may have been productivity increases which

offset the increases in the money supply. (In which case, prices would have fallen, or fallen more than they did, had the money supply not been increased.) In any case, if inflation refers only to increases in prices, it will only be noted when prices actually increase. More importantly, if inflation refers only to price increases, it may be, and frequently is, separated from its basic cause—increases of the money supply by government. For these reasons, inflation is used here to refer to increases in the money supply.

A Form of Taxation

The effect of inflation, whether it results in a measurable increase in prices or not, is that it levies a tax on all who have money or have it owed to them. It reduces the value of the currency, and the amount of that reduction is used by government to pay its bills. In the United States today, the government inflates by monetizing debt, its own debt directly and other debt more indirectly. The only limits to the money supply are arbitrary reserve requirements on banks and changing debt limits set by Congress. These are the thin and flexible dikes holding back the onrushing sea of inflation.

What are these pressures to inflation? The most obvious one, of course, is the national debt. It has now reached or passed \$600 billion.

The debt presses us toward inflation in two ways. One is by way of paying the interest on it. The annual interest on the debt is now in the \$30-40 billion rate, and has lately been rising more rapidly in proportion than the national debt. The interest must be paid from taxes or by inflation. An even stronger pressure to inflation is the continual refinancing of portions of the debt. The debt is not being retired but it is being continually paid off and renewed as bonds and other securities mature or are cashed by their holders. This is inflationary to the extent that the refinancing is by way of monetizing the debt. In a similar fashion, any growth in the debt is likely to be inflationary.

But the national debt is only the best known and most obvious obligation of the United States government. It is actually only the exposed tip of the iceberg of obligations. Among these, the obligations under Social Security may be the next best well known. From time to time, calculations are made as to the extent of Social Security obligations. None of these need detain us, however, for they are only projections based on current payments, commitments, and longevity expectations. Since cost-of-living adjustments are now made regularly, Congress periodically adds new benefits, and the number covered is expanded, there is no way to calcu-

late the amount of the obligation. Suffice it to say, the obligation is immense and the amount of it rapidly rising.

Social Security Deficits

Social Security is already beginning to exercise inflationary pressure. For most of its history it did not do so. Income into the program exceeded the payments out of it. A "fund" was being built up. More specifically, Social Security payments were helping to finance the national debt. Now, however, that has changed. Social Security is paying out more than it is taking in. The difference is being made up by the sale of government securities. For the time being, the result will not necessarily be any net increase in the debt, but it will bring on inflation to the extent that the debt is refinanced by monetizing it. This inflationary pressure will mount to the extent that the gap between intake and outgo widens. When and if the "fund" is exhausted, the pressure may be expected to be revealed, at least in part, in increases in the national debt.

One of the most direct, though least known, pressures to inflation is government obligations contracted by serving as guarantor of mortgages. The best known of these guarantees are the VA and FHA guarantees. The United States government guarantees up to 20 per

cent of VA loans, a guarantee which enables veterans to buy houses with no down payment, if they can otherwise meet the requirements of a lender. The FHA insures loans on which the house buyer may make as little as a 5 per cent down payment. There are a considerable variety of other government guarantee programs in real estate, but enough has been told to show the principle of guarantee underlying and making the government obligations.

Such guarantees as these tilt government toward inflationary policies. It is generally claimed that VA and FHA loans have been successful in that losses have been small. There is not much mystery as to why this should have been so. Impractical programs have been saved from their predictable consequences by long-term inflation. It has worked in two ways to do this. One is that wages have generally risen over the years, making it easier for the mortgagor to make his payments. The other is that any house tolerably well taken care of over the last twenty or thirty years has appreciated in dollar value, other things being equal. This has meant that the owner could usually sell it for more than was owed on it, however much that might be, or, if foreclosure did take place, the amount of the mortgaged indebtedness would probably be recovered. The real guarantor of the

mortgages, then, has usually been inflation.

It might be supposed that the government obligations on mortgages are limited to the extent of the guarantees. This is only superficially the case, however. Government obligations extend to cover a large portion of the mortgaged indebtedness in the United States. They do so because the Federal government guarantees most of the deposits in banks and savings institutions by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation. In turn, mortgages constitute a large portion of the assets of banks and savings institutions. It is reasonable to suppose, then, that if governments had to pay off depositors and savers they would, in effect, be making good on these loans. Continuing inflation enables banks to operate with relatively small reserves, particularly when the very mode of inflation is the monetizing of debt.

Government Guarantees

The total obligations of the United States government include both formal and tacit or informal obligations. The government underwrites more kinds of undertakings than the present writer knows or could describe if he did. A vast assortment of projects proceed on

the basis of such underwritten guarantees. Beyond these, the government has thus far shown a willingness to shore up any failing business, city, or government. The loans to Lockheed, the aid to eastern railroads, the subsidizing of AMTRAK, illustrate the government's role in business. The recent bailing out of New York City shows the possibilities of government action in the area of local government.

How can the federal government act as guarantor for and come to the rescue of all these people and institutions? Is it because the federal government is so well managed and has so many resources upon which to call? Not basically. The federal government's finances have been no better managed, if anything they have been worse managed, than Lockheed or Penn Central or New York City. It is sometimes alleged that the federal government is an efficient taxpayer and has a much better base for taxes than state or local governments. This may or may not be true, in theory, but in fact for many years running now it has spent more than it has taken in by way of taxes. In short, the claim if correct is nonetheless irrelevant. The *difference* between the federal government and these private businesses and other governments *lies* in the *power to inflate*, the power to increase the

money supply by monetizing its debt. The vast obligations of the federal government are "secured" by the debt itself. These obligations are the potential of mounting waves which could destroy our money supply even as they wiped out the indebtedness.

Political Pressures

There are other pressures to inflation than those that arise directly from obligations of the government. They are what may be called *political* pressures. Some of these pressures evince themselves in the desire of politicians to spend while avoiding the onus of taxing to get the money, or all of it. There is a *multiplier* effect to this kind of government spending, though not in the sense in which some economists use the word. By raising less by taxes than is spent, by making up the difference with fiat, i.e., printing press, money, the government puts more into circulation than it takes out. The initial impact of this additional money, if it is not entirely discounted, is to spur investment and all sorts of risk taking. An aura of prosperity quite often accompanies the spurts of new money. In the long run, whatever time it takes for the untoward effects of inflation to take place, the aura of prosperity dissipates as prices rise, wages lag, and malinvestments induced by false signals

sent into the market produce their inevitable crop of failures. The long runs grow shorter and shorter, too, with successive spurts of inflation, for people come more and more to expect that the aura of prosperity is only an aura. The stock market, for example, can remain bearish through a whole series of spurts of inflation.

There are, then, two rather direct political pressures to inflation. One is for politicians to be able to spend and avoid the responsibility for new taxes. The other is to create the aura of prosperity at crucial times. Presidents have come to depend on this inflation-induced aura of prosperity in the months just before a presidential election. If the President is a candidate himself, he will press to do it in his own behalf. If not, he may be expected to try to do it on behalf of his party. It might be supposed that the members of Congress of the party out of power would want to thwart this effort, but it does not follow. Their reelection may be dependent also upon the appearance of prosperity. It may well be that the greatest danger of a runaway inflation arises from the political necessity for prosperity in an election year when it is coupled with mounting popular resistance to accept the false signals sent into the market by inflation. The pressure is there to pour more and more money into circula-

tion to achieve the desired result. This tide of inflation could knock sufficient holes in the dikes to allow the whole sea of claims on government to sweep through and destroy the money.

Hikes in Minimum Wage

Congress and the President reap political gains in yet another way that depends on inflation. They periodically raise the minimum wage, increase the pay of government employees, give raises to those on pensions, such as retired military personnel, and so forth. Not only is inflation sometimes named as the reason for these increases but it also makes them possible. Without the inflation, there would not be these rounds of increases which members of Congress particularly call attention to in order to claim credit from some of their constituents.

Labor unions contribute considerably to the pressure for inflation. To keep its following, the union finds it expedient to demand and get higher wages in each successive contract. Union officers seek also to maintain and even increase union membership because their salaries depend upon the number paying and amount of the dues and the effectiveness of the union is tied to its financial resources in a variety of ways.

These two goals—perennial money wage increases and stable or

increasing union membership—are incompatible in the short run and impossible in the long run, except under one condition, a regular and continuing expansion of the money supply. All other means of accomplishing this are strictly limited in their application, and self-defeating when employed over an extended period of time. (Indeed, inflation is self-defeating also, but not so obviously or directly.) For example, it is often alleged that wages could be increased by giving workers a larger proportion of the gross income of a company. But this could not continue year after year indefinitely, for there is only 100 per cent, and eventually wages would take all the income. Long before that occurred, however, the company would have been driven out of business, and union membership reduced by the number disemployed. For an industry as a whole, the process would be less dramatic. The price of the product or service would be increased to cover the higher wage costs or machines would replace workers. In any case, the number of workers, i.e., union members, would decline. Another device that allegedly could result in money wage increases would be increased productivity. But overall increases in productivity will not result in money wage increases, in the absence of an increase in the money supply; the

result, given competition, will be a reduction in prices of product or service. Lower prices would increase the *real* wages of workmen, but unions could hardly claim credit for the increase, since money wages would remain the same, or might even decline.

In sum, unions depend on inflation for their growth, and, with some few possible exceptions, even their survival. The periods of dramatic union growth—World War I, the 1930's, World War II and after—have been periods of inflation. The only extended period of continued large scale union membership in our history has been one of a continued and long-term increase of the money supply, namely from the 1930's to the present.

A Fearsome Burden of Debt

There are, then, a host of pressures toward continued and mounting inflation. Some estimate that the total obligations of the government now amount to something like \$5 trillion. If that figure was correct yesterday, it has probably already been surpassed now, and will continue to grow larger if the government persists in contracting more and more obligations. The obligations of the government are such that if all of them had to be met that could only be done by such a massive inflation that the value of our money would be destroyed. Not

only that, but if the government had to pay off on all that it has underwritten, it would surely become receiver for the banks, savings and loan associations, many industries, and a considerable portion of the homes and landed estates in the country. These "guarantees" are backed by debt; they are potential massive pressures to inflation, and the present means for meeting the obligations is the monetizing of debt.

There should be no doubt, then, that the government is on a course that if followed will destroy the money, may result in government's becoming receiver for increasingly large amounts of property, and will almost inevitably lead to loss of faith in the government. Someone looking at this from another planet or an enemy country might view all this with equanimity, or even with glee. After all, they might say, the government has made its bed, let it lie in it. Those of us who live in the country, who would not know where to go to find better circumstance if we would, must perforce view the matter differently. The government may have made the bed, but all of us are going to lie in it. If there is some way to avert the collision between money supply and obligations, some way to reverse our course without, say, ruinous deflation, we would wish to find it.

There are some things that should

be done. They should be done because they are in the right direction and because they offer some prospect of working. It needs to be clear, however, that in offering them the present writer is steering as clear of detailed monetary theory as he can. He is not going to say what should back our money, how much reserves banks should have against deposits, who should issue the currency, or any other of hundreds of questions that could be raised. His predilection is to have as many of these questions answered in the market as possible, but even that is put aside somewhat here in order to stick as close as possible to some general principle. The reasons for these limitations should become apparent in what follows.

No Drastic Changes

Whatever the remedy for the situation there may be, there is one thing it should not be. It should not be drastic. Whatever is done will affect established institutions, contracts, wages, prices, and a whole complex of delicate relationships. The least direct and immediate effect there is on any of these the better. Nor should the action taken excite unnecessary fears about the possible consequences. For these reasons, only so much should be done as produces the desired change of direction.

Two things only need to be done.

They are interrelated in that the first will almost certainly lead to the second. The first is to stabilize the money supply. A stable money supply need not be and probably could not be a static money supply. It only means that the pressures to the increase of it be counterbalanced by pressures to decrease it. This is what is meant by or produces stability in any thing. The second is to build in pressures toward fiscal responsibility by the government (and individuals, and companies, and banks, too), toward the reduction of debt, toward balanced budgets, toward reduction of government obligations, and toward the disentanglement of government from the economy.

Some have apparently hoped that political pressures could be built up to counterbalance the thrusts to inflation. This hope probably underlies at least some of the effort to inform the public that government's increasing of the money supply is at the root of inflation or what is causing it. It is a forlorn hope. If everyone in the country, including small children, knew that inflation is the increase of the money supply and that government is the villain of the piece, my guess is that the political pressures would not be significantly altered. The reason is not far to seek. *The only ones hurt by inflation are all of us*, though admittedly some are hurt worse than

others, at least in the intermediate stages of it. Hence, the resistance to inflation is vague, general and diffuse, apt to be relegated to the realm of hankerings for a good five-cent cigar. By contrast, the benefits of inflation are particular, immediate, and accrue to those in the seats of power, i.e., politicians. All of us wish that the prices others charge would be stable or even decline, but each of us wants even more to get more for what we sell. Inflation feeds on the lure that we can do this, though it is almost entirely an illusion.

Remove Monetary Powers

There is little likelihood, then, that political pressures can ever be built up that will counter the built-in tilt toward inflation. This is just another way of saying that government cannot be trusted with the power to manage the money supply. That is not surprising, after all. No one of us could be trusted with such power. If one of us is multiplied by 500, or 5,000, he does not thereby become more trustworthy, though he may well become more devious. Give any man, or group of men, control of the money supply, couple it with the possibility that he can benefit by increasing it, and the question becomes not whether he will do it but when. Each of us has enough "*Après moi, le déluge*" not to be deterred from acts simply

because they will have some dire consequence in the uncertain future.

What needs to be done, then, is to divest the federal government of its power to increase or decrease the money supply. The expansible and contractible portion of the money supply today consists of the outstanding currency plus demand deposits in banks less the reserves held against the deposits. The money supply can be increased by increasing debts, both those of the federal government and private debts. The government manipulates this or controls it by setting reserve requirements for banks and by the sale or buying of securities by the Federal Reserve banks. Since there is no real limit to indebtedness, the only limit to the money supply is the reserve requirement, but it can be lowered virtually at will. Our money is money by the decree of the government—fiat money—, separated from this only by the backing it receives from the debt.

Two changes in the system would set up major and probably sufficient counter pressures to inflation. They are changes of a character that most people would hardly notice. One would be to prohibit the monetizing of debt, both public and private. It should never have been permitted in the first place. Debt is no security for anything, least of all money. It is fraudulent to pass off as

money what is secured only by debt. The most effective way to accomplish this prohibition would be by constitutional amendment.

Reserve Requirements

The second change would be in the reserve requirements. There are, it has been noted, two ways that money is created: by printing currency and by creating demand deposits in banks. If debt could not be monetized, there might still be a way for government to manipulate the money by altering reserve requirements. The device involved is called fractional reserve banking. Two varieties of fractional reserve have been practiced historically. One is the reserve against the currency. When currency was backed by and convertible into gold, banks of issue usually had a reserve in gold against their outstanding currency, a reserve which was only some portion of the total—a "fraction" of it. This practice of having fractional reserves against the currency has been continued, though today it means little by way of restraint. The other kind of fractional reserve is the reserves in cash which a commercial bank holds against deposits. Both varieties of fractional reserve can be and are used to increase the money supply.

There is nothing wrong, *per se*, with operating on fractional reserve. It is an old and reasonably

honorable practice. Banks are not the only institutions which keep on hand only a fraction of the amount needed to pay off all their obligations, if they should have to do so all at once. So do savings institutions, insurance companies, furniture stores, appliance dealers, and companies of every sort and description. Hardly an individual could be found who has the cash on hand to meet his forthcoming obligations. He expects to pay them out of income as they come due, keeping on hand only sufficient cash for emergencies, if he is prudent. Banks do likewise, though admittedly much of their "income" consists of deposits by their customers.

At any rate, fractional reserve in general is not at issue here. What is properly at issue is any fractional reserve held against the money supply. There is no excuse for a fractional reserve against the money supply. Money should be backed by a 100 per cent reserve of what is used to back it. Anything less is fraudulent and should be punished the same as any other fraud. Any reserve of less than 100 per cent amounts to a false claim as to the character of the money issued. Currency, then, should be backed by 100 per cent reserves against it. If those reserves cannot be debt, they must consist of some sort of assets, assets whose value could be determined in the market

place and which, if they had to be produced, would equal in value the currency issued against them.

Bank deposits can be held in check and limited by requiring that there be in reserve against them either cash or collateral in the amount of 100 per cent or better. The effect of this should be that banks could only create a deposit on an unsecured loan—debt—by increasing their cash reserves in an amount equal to it. This would not prevent some fluctuation in the money supply, but it would create pressures to hold the supply in check.

How would government service its debt if it could not do so by monetizing it? It could do so in the same way other organizations and individuals service theirs, namely, by borrowing from willing lenders who will lend on unsecured notes or by putting up sufficient collateral to secure the loans. Since banks would have little inducement to grant unsecured loans, such loans as government could obtain without security would be uninflationary. If government put up collateral, such as national forests, this could result in

some increase of the money supply, but there would be inherent limits to and checks upon it.

In short, if government could not monetize the debt or manipulate the reserve requirements, the counter pressures to inflation would be developed. Government would either have to raise the moneys it spent by taxes or by divesting itself of its assets. The pressure would be on to reduce the debt. The pressure would be on to reduce obligations. Government would have very little incentive to increase its obligations and strong motives to reduce them. Every pressure to inflation, both public and private, would be matched or counterbalanced by pressures to reduce and pay off debts. There is no reason why these two changes should be strongly inflationary or deflationary. All the money in circulation could remain there, provided only that backing were found for it. All debts and obligations would stand as they had been, counterbalanced only by a pressure to reduce and pay them off. Government would no longer control the money supply; it would, instead, be held in check by it. ☛

IDEAS ON



LIBERTY

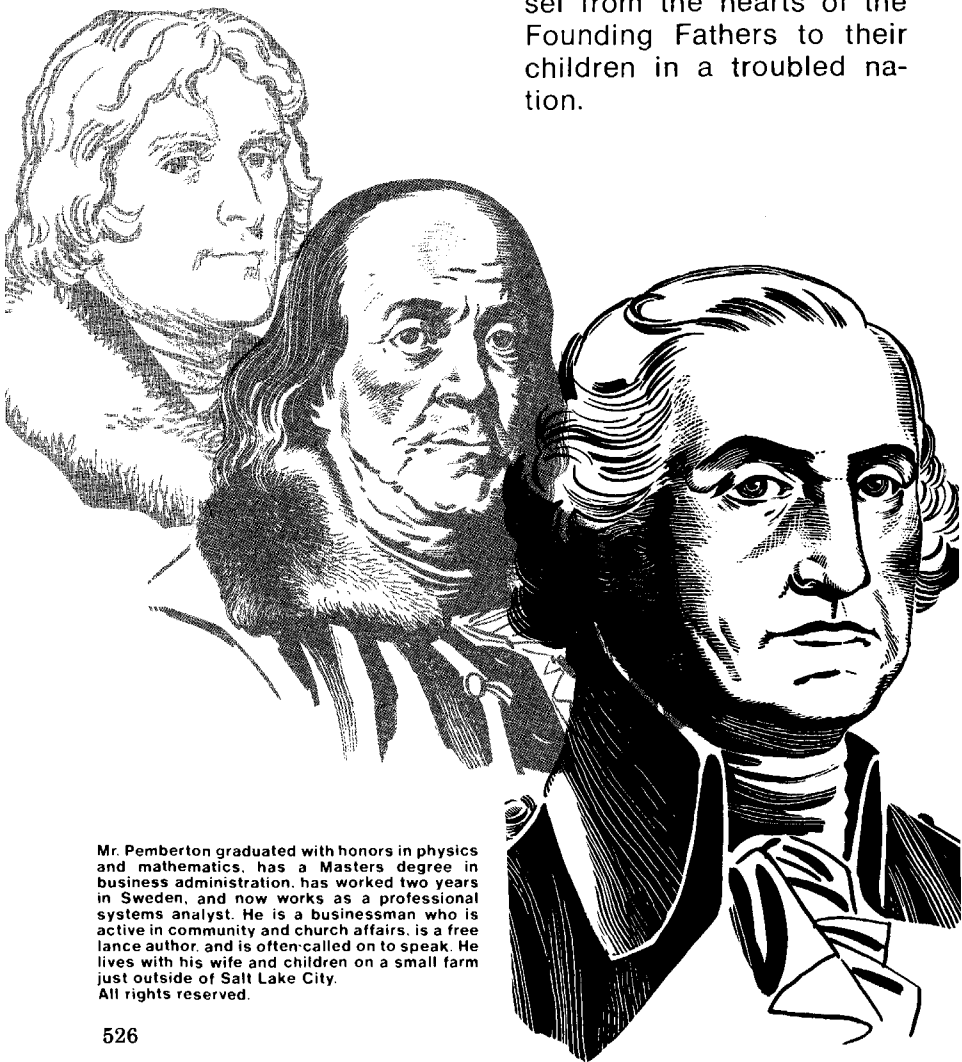
First National City Bank Letter

IF PEOPLE want easier taxes they can have them, but they will have to pay the price of forbearing to urge more spending programs on a federal government already overburdened with debt and responsibilities.

A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City.

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V. On The General Welfare

This continues a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

YOU may have had occasion to observe, in the course of pondering the troubles of your times, that nearly all of your political abuses come from your federal government, and that most of these problems have come to you under the happy title of the general welfare. In this discussion I wish to remind you of the provisions we made for the general welfare, and more especially to remind you of the provisions we did not make for your individual welfare, when we gave you the Constitution.

You must forgive me if I expound a moment upon some fundamental attributes of law; for it is ignorance of these which, more than any other single thing, has allowed you to be led from your pleasant past to your present trouble.

If all men were perfect in their moral behavior, acting with fairness, benevolence, and in consideration of the rights and liberties of their fellows, then all human gov-

ernment would be just so much unnecessary baggage, and would have been dropped along the road of human progress long since, for in that divine state man would have made the law an integral part of his head and his heart. Every man would see to his own life, that he made no trespass upon his fellows, and that he was only a blessing to them, and hence to himself also.

Such is clearly not the case, at least not yet; and therein arises the necessity of law. Law was not formed to give man his rights; on the contrary, it is because men have rights that law was conceived: to protect those rights from the encroachments of others. This is easily seen if one considers a single human being alone on the planet. Immediately, all the books of law in the world become useful only for convenient stools and warm fires. He has no use for a system which is designed to protect him from something which does not exist, nor

could the law in any way enhance his talents, his freedom, or his security.

The law we gave you in the Constitution was to protect you from the abuses of your neighbors and your government; it was for your general welfare (or for the welfare of the people in general, as you would say) to protect you from the abuse of any person or power which might attempt to force you to act against your will, or to restrain you from the righteous use of your liberty. It was also to prevent your government from enacting laws which would benefit some part of society at the expense of the remainder, which is what it must do in order to promote the welfare of individuals. For, when a government can promote the economic status of the individual, it uses that power to build itself into an aristocracy. The aristocracy thus formed uses law to impose its will upon the people through burdensome taxes, arbitrary regulation of private affairs, and control of all types of private property. It uses the substance of the people to maintain its power over them, as in public financing of private political campaigns. This is a pattern as old as human governments, repeated a thousand times in history.

The intent of these illustrations is to show you clearly, so that you may understand without confusion

or doubt, that law is a negative instrument. It can do nothing of itself. It produces nothing; indeed it is a consumer. Its only positive value lies in its ability to restrain other negative influences. You may fill your head, your books, and the air with glowing words of the virtues of law, but you can never deny that after all is said, law is only negative force.

The law can protect, restrain, and punish. It cannot create anything nor bring to pass any positive condition. It is possible for law to protect man from dishonesty, but impossible for it to make men honest. It is possible to restrain violations of property, but impossible for it to create property of any kind. It is possible to protect a man's security, but impossible to give him security. It is possible to minimize injustice, but impossible to create justice. It is possible to restrain man from exploiting his neighbor, but impossible to make him charitable. It is possible to punish unrighteousness, but impossible to make men righteous.

Thus it is with all the positive states of man. The law, a negative instrument, cannot create them, it can only attempt to prevent their opposites. Honesty, equity, justice, opportunity, and charity must spring from the love of one man for his neighbor, or there is none. And

furthermore, when the attempt is made to obtain these high human virtues from any other source, only confusing counterfeits result. You now find such all around in your bureaucratic programs which bumble along under the deceptive titles of welfare, equal opportunity, social security, income security, and the like. The reason they fail their noble objectives is that they are founded upon false principles. But it is not difficult to understand how you came to this perplexing state of affairs.

During those glorious years following ratification, we made full use of our great freedoms; those who applied the human virtues most diligently were rewarded most bounteously. Honesty, fairness, toil, intelligence, wisdom, thrift, and sacrifice attracted people, property, and satisfaction to all their practitioners; and the law protected the rights and property of all. This protection by the law gave men confidence to muster all their best efforts and virtues, and to apply their God-given powers with vigor, for they were assured of the opportunity of enjoying the fruits of their labors. The law was so effective in helping the citizens to generate these happy conditions (by preventing their opposites) that they were eventually persuaded that the law was the source of their happiness,

whereas it was they who had created it, and the law had only protected it. There, alas, was the turning point.

Thinking that the law was the source of their blessings, men asked the law to give them other blessings such as equal opportunity, employment security, and so on; all with the false hope that they could enjoy liberty, equality, and security by the passage of laws through the Congress. Only now are you beginning to fully realize that the security the law can give is found in the absence of freedom, and the economic equality the law can give is in the absence of the incentives of production.

But there is still another and more fundamental reason for the failure of the law to provide you with these wanted gifts, for the problem is not only that the law is strictly a negative operator, but also that the Congress has sought by law to endow the government with prerogatives which it cannot rightly possess. The government has been given powers which even individual citizens do not have, and has been made to thus infringe upon the rights it was designed to protect. Let me explain.

Suppose, for the moment, that you possess three horses while I have but one. I have no right to take one of yours, since your abundance is likely the result of your labor and

frugality, while my deficiency is the result of my study of the clouds over my dooryard. Lacking the right to steal your horse, I might approach the local magistrate and grant him the authority to transfer one of your horses to me.

What authority? I have no such right, and yearn as I might for that power, the prerogative is clearly not mine to give. Then suppose the officer took it upon himself to give your horse to me with neither my request nor your consent. Whence is his authority to appoint himself an agent to steal your property and break the law he was commissioned to enforce? He has even less authority (if that were possible) than before, for he would violate the rights of both of us: your right to your property and mine to my independence.

Now, should you have excess and I have actual need, we might both be blessed by your generosity; but to force you to give me your property can only cause you to revolt and me to shrink. Nay, only you have the right to your property; and connive, plan, and commission as I may, if I obtain your horse by any initiative but your own, you have been robbed.

Thus your government has presumed to create rights unto itself, by which it takes from one and gives to another under the ill-formed principle of coercive charity. Indeed, it is difficult to

imagine concepts more self-contradictory than those of charity by force, or equity by theft; or to find in all history a system more subtly destructive of the human spirit.

It would be better if your government saw only to the welfare of the genuinely misfortunate; but alas, it has long since outdone that activity and now plunders the property of the intelligent, the frugal, the diligent, and yes, the fortunate, and doles it out to the lazy, the spendthrift, the foolish, and yes, the unfortunate. How will you build prosperity by punishing the prosperous? How will you encourage production by destroying the ambition of the producer? By heavy overlapping taxes and unwarranted meddling regulations your government has shackled the worker, and then if that did not suffice to put an end to his labor, it has tempted him to the deceit of pretended idleness by offering a good living in exchange for an artificial unemployment.

If it is prosperity for all you desire, then every man must find it to his advantage to be industrious. To be industrious he must be an eager worker, and he will not be eager without cause. History has manifest abundantly that the freedom to earn, own, and control material goods is the most compelling cause to ever provoke the human

spirit to its highest potential of productivity. Was it not manifest most clearly in your own history? The records of nations overflow with the failures of welfare states, and you see even now in your own society the warning signs of an economy overburdened by the natural extravagance of welfarisms.

But there is more than just the material aspect of this question: the very spirit of man is in jeopardy. The rich should be filled with compassion and concern for the poor, and the poor ought to be humble and gracious when they receive assistance; but the plan of your politicians who purchase the votes of the poor have taught them to be haughty and defiant in their demands for the bread of the rich, and your rich have learned to resent and despise the poor. Thus your people are under the same misguided principle of false charity that has destroyed nations before you; for when the rich have been pillaged to the limit of their patience, and the poor are fully ripened in their lust for the just reward of labor, then is your nation but a breath away from the ravages of civil war, where it will be brother against brother, and family against family, and city against city; where production will cease and prosperity become a dream. This thing must be stopped before it is allowed to run full course and consume you!

"But," exclaim your self-styled social saviors, "it is not fair for one to be rich and another poor, especially when he came by his poverty honestly, through misfortune and not by any lack of diligence." Shall you make the poor more honest by giving them the fruits of their neighbors' toil? Will you raise the poor by injury to their self-esteem and independence? And why will you fine the rich because of the poor? And what is more, where will you obtain the right to do either?

You who are the producers, if you will go to battle now and regain the rightful control of your property, you may leave your weapons behind and have the matter settled in a short time. But then, when you have unburdened yourselves of the indolent poor, you will do well to remember the misfortunate poor, for it was partly your lack of compassion which gave the socialists excuse to plunder your goods in the first place. If you will share your prosperity with the aged and the unfortunate by humility and graciousness, you may bless both yourselves and them.

You who think you are poor, but are drunk with the wine of idle affluence, you have been wronged perhaps more than your unwilling patrons, for you have been dishonored, demeaned, and addicted. Your well-to-do friends have mostly

an angry complaint, but you likely suffer from damage to your very character. But there is a happy side to your condition, for although your disease is the more serious, it is the sooner remedied. All you need do is stop accepting the unearned gifts of a too-patronizing government. That exercise may prove inconvenient for a time, but the sooner you set about it the sooner you may trade idle entertainments for the deeper satisfactions of building your own life through the exercise of your own strengths.

Some of you, when your unearned income ceases, will be tempted to behave unseemly, to create a vigorous uproar, to claim it unfair and an infringement upon your rights, for you have enjoyed the dole so long you feel you have a right to it. You will feel alarmed because you have lost confidence in your ability to provide for yourself. You will feel angry because you will have to work to care for your needs. You will find it difficult to thank those who have sustained you during your dependence upon their labor, and you will feel moved to destroy the property which was given you. Such is the depth of the damage done you by the so-called blessings of equal opportunity and welfare. You must exert all your energy to act with the restraint and the graciousness which befits a human being, and

shun the temptation to demand a continuation of your free-loading and to thus grovel before your patrons as miserable beggars.

I wish you well, both of you, in your struggle to free yourselves; you must not faint nor fail; it is a cause every whit as significant as ours was. Be careful to put down the desire to obtain what seems to be your share of the public booty, remembering that the government can give you nothing without first taking it from you and keeping a portion for itself. Be aware that you must dismantle a bureaucracy which was the favorite child of its creators, and you will not be allowed to succeed without opposition, but be also assured that your victory will be worth far above its price.

It is a strange and sad contradiction that our nation now displays; for on the one hand you have learned to carefully discover and obey the laws of physical nature which let you put men on your moon, but the laws of human nature which have been known for centuries you cease not to violate. You lift your rockets by strict obedience to natural law; if you will be equally strict in your observance of the laws of human conduct, you may do the same for man. There is no other way. Man will never reach full development of his potential until he learns to place the same faith in the divine

laws of right living as he places in the equally divine laws of physics.

This is not a matter to be lightly laid aside with a false hope that your national character will soon improve without your best effort! Nay; hear me! You are in the path that has taken many nations down to destruction. No one can deny it! It is written in your histories.

Oh that I had the power to awaken you to a full realization of your condition, and to enlighten your minds to a full understanding of these crucial principles! But it is you, my Sons of Liberty, who must arise and throw off the drugs of false

security, learn wisdom of history, and apply it in your lives. Let each man begin with himself, to re-establish the due honors of personal integrity, and to provide for himself and his own; then let him do his duty to his posterity to protect the divine rights of man by reasserting the principles of the Constitution! They came to you through the inspiration of the Almighty, the Author of liberty. He will inspire you again in its restoration when you seek His guidance with humility and singleness of heart. 

Next: VI. On Political Philosophy

Campaign Promises

WE ACT as if the State can feed us when we are hungry, heal us when we are ill, raise wages and lower prices at the same time, educate our children without costs, give us electricity by passing laws, and improve the game of baseball with regulations. We need just pass a law and then stand back and be overwhelmed with all the goodness of life.

IDEAS ON



LIBERTY

Let's try to be sensible for awhile. It is the differences in people that make possible our progress. The object in education is to develop your own special abilities to their utmost, not to conform. We as individuals have rights that the majority cannot take away from us.

It is time we used our common sense. Hard work, not legislation, makes production. Production, not regulation, makes prosperity. The legislature cannot amend the laws of economics anymore than it can the law of gravity.



Boston Athenaeum

Why Public Libraries?

STEVEN J. SCHNEIDER

MOST LIBRARIANS, as well as the people who use public libraries, consider it a proper function of government to provide library services free of charge. Public libraries had their beginnings just when the idea of educating the masses through public education became popular. In 1850, the city of Boston proposed the use of public funds to establish a library. In the forefront of this move was George Ticknor, a respected member of the Boston aristocracy.

Ticknor believed in the library's potential as a means of restraining the

"dangerous classes" and inhibiting the chances of unscrupulous politicians who would lead the ignorant astray, which explains his insistence that the library be as popular in appeal as possible.¹

However, the ignorant do not use public libraries and, to this day, still elect politicians of dubious qualifications.

The public library movement grew at a steady pace with the aid of Andrew Carnegie's program to dispose of his surplus wealth by providing free public library buildings to communities which would stock them with books and maintain them in perpetuity with tax funds. There was a notable effort on the part of enterprising communities to secure Carnegie library buildings. Nearly 2,000 such structures were made possible in this way.²

Mr. Schneider recently obtained his Master's degree in Library and Information Science from St. Johns University. He is a member of the State Committee of the Free Libertarian Party of New York.

During 30 years after 1865 the Carnegie gifts ran their course, and the free public library became an object of pride throughout the land. It was distinctly an American institution.³

The argument in favor of public libraries is that they provide a place to obtain information and recreational reading that the users cannot afford on their own. The taxpayers underwrite the costs.

The "Public Library" which we are to consider is established by state laws, is supported by local taxation or voluntary gifts, is managed as a public trust, and every citizen of the city or town which maintains it has an equal share in its privileges of reference and circulation.⁴

But is there any public library which serves the entire public which pays for its upkeep? A study was made in 1950 of the users of public libraries. It found that:

Most of the book reading is done by a small minority of the people. More than half the adults of the library live within a mile of a public library yet only one fifth of them visited a public library during the year preceding this survey, and only a tenth averaged as much as a visit a month.⁵

A 1975 Gallup survey of adult use of the public library came to similar conclusions.

... only a substantial minority of American adults makes regular use of the public library ... The better educated, white collar and professional classes and the young use the public library more

than their opposites. Book lending services are seen as the most common function of the public library.⁶

Public libraries, like other public services, were established by well-meaning citizens who assumed that the "public" wanted these services and were willing to pay taxes to support them. But there are those who disagree. Writing in *Library Journal*, Michael Harris questions the notion that the public library was established in answer to public demand:

It is commonly believed that the origins of the public library movement testify to the power of popular democracy in this country. And yet, everyone knows that historically only a very small portion of the eligible users have ever crossed the threshold of a public library.⁷

The First, in 1833

Petersborough, New Hampshire was the first town to pass a public library law in 1833. In 1849 New Hampshire passed the first statewide act providing for the establishment of public libraries. Up until 1833 the only libraries in existence were private university libraries, church libraries, society and subscription libraries, and mercantile and mechanics libraries.

The users of these libraries were students, the clergy and their parishioners, clerks and apprentices, and those people who were

interested enough in furthering their education to join a subscription or society library.

Prior to 1850, public tax supported libraries as we know them today were nearly nonexistent. The nearest approximation were the subscription and social libraries which were voluntary associations of individuals for the purpose of buying books to be jointly owned by all those who belonged.⁸

In the introduction to the 1876 report the Bureau of Education acknowledges the importance of the private libraries in existence.

It will, of course, be understood that no attempt has been made to collect information respecting private libraries. While a multitude of these libraries exist, thousands of which are of great value, some rivaling in completeness, in special departments of knowledge, even the collections of leading public libraries, it would be impracticable, if otherwise expedient, for the general government to gather and present reasonably complete and satisfactory information respecting them.⁹

The 1870 census attempted this task, and although acknowledging that its figures were not complete, estimated that of 163,353 libraries containing 44,539,184 volumes 107,673 were private libraries containing 25,571,503 volumes.¹⁰

Had public libraries not materialized, I do not doubt that private libraries would have been able to handle all the needs of their users.

All in all by 1850, 1064 libraries had been established in New England alone. In the services they gave, these institutions followed modern library practice; they bought the books their members wanted, allowed them to be circulated for a month or so, and instituted fines for violation of the rules. In their later development they branched out into special libraries for mercantile clerks, mechanics, children, ladies, lyceum audiences, farmers, factory workers, lawyers, and music lovers. This was a library system of a sort, and it is probable that almost every serious reader could get access to what books were in his community.¹¹

Many of these libraries went out of business for various reasons. Some were forced to close because, due to low literacy rates and few leisure hours, there was a limit to the clientele they could attract, and could not afford to stay open. Others, after 1850, could not afford to compete with tax-supported libraries and were absorbed into the public library system. However, while they existed, they fulfilled the services their users required of them. Why then public libraries?

Public Libraries in Trouble

Today the public libraries are in a crisis. The 1960's, in which funds were liberally handed out for all kinds of library projects, have been replaced by the 1970's, in which many municipalities are on the edge of bankruptcy. All across the

U.S. the taxpayer has had enough. The taxpayers are resisting higher taxes at a time when inflation is increasing the cost of government services. All agencies of government are competing for the same money, and libraries are on the bottom of the agency totem pole. Although everyone is taxed to support the library, only a small percentage use it regularly. Unlike the schools, the libraries have no law that compels people to use their services.

Library budgets are being slashed, personnel fired, and branches closed. Librarians, trying to negotiate the labyrinth of government to lobby for more tax money, are finding the whole process frustrating and tedious. Marilyn Gell describes the process in *Library Journal*.

In seeking funding for a cooperative library project, for instance, it is necessary not only to obtain a consensus from the libraries involved, but agency approval as well. The process can sometimes take several months, involve several policy committees composed of numerous politicians, and can be an exhausting experience.¹²

And no matter how valid the arguments for your project, or how well they are documented, who you know is usually more important than what you know; this is how things get done in the political arena. "Access to those individuals who

interpret policy is valuable indeed."¹³

As an example of the irrationality of government policy, the following appeared in a New York *Daily News* editorial:

City Hall geniuses have an Alice in Wonderland explanation for a decision to close three existing libraries while proceeding with construction of five new ones.

Their argument is that the actions are unrelated; capital funds are available for building new facilities, while the padlocking of already-operating libraries is dictated by lack of expense-budget money for staffing.

But once the projected new branches are completed they will have to be manned. And if the city can't find the money to run the libraries now, where will it get the dough to operate five others later on?

Or shouldn't we expect our officials to look ahead?¹⁴

A Shortsighted View

As evidenced by the state of the economy today, we see that government officials do not look beyond the short range effects of their actions, that is, beyond the next election. Any business that tried to operate along these lines would find itself quickly bankrupt. The only thing that keeps local governments from going out of business is their supposedly unlimited source of funds: taxes. But the climate is changing, the money reservoir is beginning to

dry up. If librarians will look to the future they must realize that they cannot continue depending on government funds. What is the alternative?

Assuming no public libraries, where will people go to obtain reading matter for entertainment and information? Since 1850 there has been a revolution in the printing industry. Due to higher literacy, and more leisure time, and a large class of people willing and able to buy books, there is a market for hundreds of thousands of books in inexpensive editions. Back then, books were few and far between, expensive to produce and purchase. Nowadays people do not have to be wealthy to have their own personal library. The paperback reprint industry has brought many books within everyone's reach. For more expensive hardcover books, the needs of readers can be taken care of by rental libraries. Some bookstores now have rental libraries as part of their operation. Without public libraries, bookstores and other service-type businesses would fill the vacuum for providing recreational reading.

Some libraries now produce cable TV programs. It is possible to reverse this trend and have cable TV companies operating libraries as a service to their subscribers, with the subscribers and the library being in the same relationship as an

on-line terminal user to a computer.

The reference services of public libraries can be converted to profit-making information services. With the rise of computerized on-line data services which charge their users for the information they provide, this is already becoming a reality. Today the demand for current information has mushroomed and only computers will be able to handle the increased traffic. On-line terminals are becoming a familiar part of a library's reference department. Public libraries cannot afford to provide these services without charging their users for them.

The Economics of Fact-Finding

Information is valuable and scarce. In a world of ever-increasing dependence on information it is unrealistic, therefore, to insist on providing such a good free to all comers. Eugene Garfield, chairman of the Information Industry Association, testifying before the National Commission on Library and Information Science, said:

User based charges must inevitably prevail... information is the result of economic effort and its costs must be borne by someone. The depression type psychology that dominated library training cultivated the concept that library service should be free ... anything you get for nothing is of questionable value. Charge, and your service is better appreciated ... The existence of an already large information industry

supports the assertion that the buyer of information is prepared to pay for those services he learns to respect.¹⁵

There are many private libraries already in existence to meet the needs of scholarly researchers. The Henry E. Huntington Library in California was established as a free public research library open to qualified scholars for investigation and reference use and supported entirely by an initial endowment by Henry Huntington plus grants and gifts by others over the years.

Another example is the Henry Clay Folger Shakespeare Library in Washington, D.C., housing a collection of the social and intellectual history of England from the invention of printing to about 1700, open to all scholars who have a serious problem requiring use of the materials.

Add to these the numerous private college and university libraries housing special collections of use to the researcher, from the small college with a history of its community to Harvard University, which rivals in size the national libraries of Great Britain and France.

One library of special note is the Boston Athenaeum, founded in Boston in 1807 by selling shares in the library as well as annual and lifetime subscriptions. In 1853 it successfully fought off a move to incorporate it into the Boston Public Library and today is still an

important private institution. In 1907 the Athenaeum celebrated its centennial.

Throughout all its various changes, the Athenaeum has represented what was best in Boston. The "golden age" of New England literature grew with it and ever within its walls. Its traditions are a part of life, and are passed on from father to son. Because its ideals have been high the Athenaeum has appealed to men who lead as well as those who follow. And with their continued support success in the future seems assured.¹⁶

There are also special libraries for all types of non-fiction materials provided by various corporations and trade associations which will provide answers to questions asked of them and will open their libraries to people doing research on their special subjects.

Improved Service

Private libraries would be more responsive to the needs of their users. Instead of being open during the day only, as is now the case in many libraries, these libraries would be open when the users needed them, nights and weekends, and early in the morning. As was the case in the early 1800's, special libraries would develop to serve the needs of special classes of users. A children's library run by librarians specializing in children's librarianship; a local fiction society catering to the wants of its members; there

are many possibilities. People are so used to depending on the government to get things done they forget how to do things for themselves.

Now is the time to start considering an alternative to public libraries. A first step is to have public libraries charge fees for their services. The next step is to offer the libraries for sale, preferably intact, after passing a law that prevents the use of government funds for the establishment or maintenance of libraries.

The next time a proposal for increased property taxes is put forth in your community to pay for library services, ask yourself if we really need public libraries. 

— FOOTNOTES —

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Herbert Spencer

IDEAS ON



LIBERTY

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.



HARRY LEE SMITH

Land Use and Capital

HISTORICALLY the ownership of land has been vested in the ruling classes. Often the monarch himself owned all the land. Public (collective or governmental) ownership is a primitive institution commencing with tribalism and persisting through the feudalism of the middle ages. Only during the past two centuries has private ownership of land found wide acceptance. But even today, a third of the world lives under communism which adheres to the archaic concept of public lands. In addition, there is considerable socialistic pressure in the free world to extend public control over all land use.

In the United States today about 60 per cent of the land is privately owned. During the nineteenth century it was national policy to transfer as much land as possible to the private sector. Now the process is reversing.

The importance of the institution of private property to well-being and even to survival bears further analysis.

When Columbus discovered America the natives did not have the wheel, the plough, horses, livestock, or the concept of private land ownership.

The extremely inefficient hunting society of the North American Indian required about ten square miles of land to support one Indian. Marion Clawson, the author of *America's Land & Its Uses*, and the former director of the Bureau of Land Management, makes this comment: "Given their technology, the Indians had probably reached the numbers that represented the carrying capacity of the land. All of the area of the present United States that was habitable at all was occupied by some tribe or tribes; *there were no empty lands.*"

But today we have plenty of empty lands despite an increase of

Mr. Smith is a businessman in California.

population from possibly 300,000 Indians to over 215,000,000 Americans. Furthermore, the Indian existence was precarious and marginal; either drought or a severe winter could produce famine.

Sixteenth-century England also considered itself to be over-populated for an agricultural society. This produced the incentive to seek colonies overseas, especially in North America.

Agricultural Use of Land

Agricultural land can support about 250 times as many people as land used for hunting. So to make the land support additional numbers, our early settlers cleared the land for agricultural use.

Today, the three big uses of land are for crops, forests, and grazing. Together they account for 89 per cent of the total.

Today's farmer uses 23 per cent of the land area of the United States for crops. He no longer provides all of the inputs as did the pioneer, but buys about 70 per cent of his needs in the form of fertilizer, feed, machinery, fuel, and water. This requires capital.

He produces 2 1/2 times the total output of farmers of only 60 years ago, with one-third the man-hours and one-half the cultivated land. This agricultural efficiency is unique in history, with the result that the United States is the best-

fed nation on earth and leads the world in agricultural exports.

Our present forest lands comprise 32 per cent of the total land area. About two-thirds of this is composed of small unproductive stands which someday might be consolidated and exploited. Growth of new lumber outpaces new cutting by 1.6 to 1, and this ratio has been increasing steadily since the 1920's. Due to the use of other building materials, total lumber consumption has hardly changed since World War I. Also, lumber companies are just getting started on forestation techniques similar to those which have revolutionized farming during the past 60 years. With sufficient capital input, there is no danger of running out of lumber.

The biggest agricultural use of land is for grazing—34 per cent of the total. This is also the least productive use of farm land. With more and more cattle being raised on farm feed lots, a good deal of this grazing land remains unused open space.

Finally, 10 per cent of the land has miscellaneous uses, some of them quite important. They include lands for transportation, recreation, water storage, mining, and defense.

How Cities Serve the People

This leaves only one per cent, which is the area occupied by all of our cities. Actually, cities of over

25,000 inhabitants occupy only one half of one per cent of all land. Never has land been used more efficiently than that.

The secret of making land support more and more people is the application of technology and capital—the dichotomy proposed by Adam Smith. They seem to grow together. But of the two, capital is by far the more important. While agricultural technology is freely available to the poorer nations of the world, they cannot avail themselves of this knowledge due to lack of capital.

It was the advent of political freedom for the individual which induced agricultural efficiency. This required fewer farmers. The displaced farmers went to the cities where they produced capital which further enhanced agricultural productivity. Today, in a very real sense, our food is produced in the cities. The United States is 73 per cent urbanized; but California, which is 87 per cent urban, leads the nation in agricultural output.

Agricultural land should yield to urbanization, since the cities provide the capital which is the touchstone of massive food production. During the past 60 years, as a consequence of agricultural efficiency, half of our cropland has been retired but is available for food production if needed. We need have no fear of running out of food due to

the paving over of agricultural land.

The application of capital to land not only produces abundant food. It also has generated an ever-increasing quantity of energy which activates mechanical servants in our homes and industries. And the combined uses of capital and land yield more and more raw materials, either conventional or synthetic.

Some Wasteful Practices

As we added millions of immigrants to the carrying capacity of the land of the United States over the past 500 years, the available capital was not sufficient to keep the land in prime health. Some cropland was over-ploughed, some forest land was over-cut, some grazing land was over-grazed. Capital in the form of deep-well pumps, seed, and fertilizer can cure such ills. But despite the relative scarcity of capital, the land proved to be anything but “fragile” and supported its burden remarkably well.

The abusive or wasteful use of land seemed to bottom in the 1920's and there has been an improving trend since then. With 73 per cent of our population living on one per cent of the land, open space has increased. We have set aside millions of acres for nothing but recreational use. This is in contrast to the American Indian who, technically speaking, had no spare open space. He dedicated all of his labor and

capital (which was the land) to survival.

Another thing that happened in the 1920's was that land use stopped changing. Except for taking certain crop and grazing lands out of production, overall land use maps of 50 years ago look very much like those of today. Also, despite continuing urbanization, the proportion of the population living in major cities of over 250,000 has not changed in 50 years. Our urban growth has been mainly in suburban satellite cities. But this "urban sprawl" has used but a fraction of one per cent of the land.

How Cities Develop

The value of urban land is 1 1/2 times the value of all other lands combined, even though urban land is but one per cent of the total. This is an indication of the value we place on capital-producing land compared to any other use. Furthermore, the carrying capacity of urban land is incredibly high. Cities can carry densities as high as 600,000 persons per square mile. This might be compared to 25 persons carried on a square mile of typical farmland.

If 600,000 persons were placed on a one-square-mile island covered with asphalt, they would obviously perish. Giving them food would not be a long range solution. Also, massive education on wealth-pro-

ducing techniques would, of itself, not save them. Even massive grants of capital would probably be politically dissipated. Only the gradual building up of lines of transportation, communication, energy generation, and industrial production over time would allow for a thriving community. Such is the case of Hong Kong. Such is the miraculous power of private capital.

The poorer nations of the world benefited little from the industrial revolution except in one regard: medical knowledge developed in the West has reduced their death rate. The resultant swollen population must be kept alive by increasing the carrying capacity of the land. This requires financing.

Obviously there is a precarious balance between urban and rural life. If the capital-producing ability of the United States were destroyed, the land could barely support a third of our present population as pastoral inhabitants. The rest would perish.

This is exactly what happened in April of 1975 when the Cambodian communists drove the inhabitants of Phnom Penh and other cities out into the jungles and fields. Many of them have perished. Stalin did the same thing when he disbanded Russian farm communities in the 1930's to enforce collective farming. Millions perished on the Russian steppes.

Cities Under Attack

In a similar but less extreme vein, our American cities are under attack. There are master planners who have suggested that our cities be entirely rebuilt, at enormous cost. Such land use planners often put the priorities of the upper middle class above those of the less fortunate members of society. For instance, despite an energy crisis, planners would allow esthetics to take precedence over heated homes in the matter of coal strip mining. Also, despite high lumber prices, the priorities of hunters and campers are considered more important than cheap housing in the matter of efficient clear cutting on forest land. And invariably, planners believe that urbanization should yield to farm land which, as we have seen, is detrimental to massive food production.

Over the generations, planners often reverse themselves. In the past, city governments have ruined all private urban transit systems by prohibiting needed fare increases. Now city planners urge the spending of billions in tax funds for public mass transit systems. In the past, the federal government has fostered the growth of suburbs through FHA financing of new homes and by building freeways. Now planners propose the spending of billions in tax funds for urban renewal. Since taxation is a prime

enemy of capital formation, the process is not only painful but destructive.

No society in history has ever developed such a rich, healthy, and comfortable life as that of the American urban dweller. Yet critics of city life can only see urban sprawl, congestion, decay, poverty, pollution, smog, crime, and social injustice. This attitude pervades the thinking of most city planners. They are not interested in the wealth-creating function of cities. For them, cosmetic improvement takes precedence over business vitality, employment, growth, and economic well-being. Planners take up valuable central city space for government buildings, parks, and green belts. They often oppose such innovations as industrial parks, condominium complexes, mobile home parks, and shopping centers, all of which are developments of the past 40 years and none of which were foreseen by city planners.

What makes modern governments tend to be hostile toward capitalistic cities?

Among other things, the modern city is a machine for the creation of private capital. It is the manifestation of, and the vehicle for, the emancipation of peasants who formerly lived in rural squalor. It has elevated millions of urbanites into the heady realm of material well-being formerly enjoyed only by the

ruling classes. The process has produced a vast economic hierarchy. Many intellectuals look on the capitalist businessman with the same contempt that the nobility formerly held for the peasant, since now the peasants have committed the unforgivable sin of becoming rich.

Urban Development, Up from Serfdom

If we look for a moment at the history of cities, we find that urban life has been the exception rather than the rule. Historians have distorted the past by writing mainly about the tiny but powerful ruling classes which tended to live in cities—hence the word “urbane.” Most cities of the past were political cities, built for the protection and pleasure of the monarch and his court. Such cities produced nothing and tended to be an economic blight on the surrounding countryside. They existed by taxing the peasants who lived outside the city’s walls. Most of our ancestors were such peasants, and our present middle-class population consists of emancipated peasants.

In fact, most of our ancestors were serfs, bound to the soil by the ruling classes. This kept the masses out of the cities and retarded upward social mobility, technological progress, and capital formation. Such things had to await the political

freedoms put into practice during the eighteenth century.

In the fifth century BC, the Roman dictator Cincinnatus was asked about the secret of his success as a ruler. He took his interrogator into a nearby wheatfield and with his sickle proceeded to lop off the tops of wheat stalks which had the temerity to grow taller than the average. So have rulers generally tended to lop off the heads of individuals whose success has threatened their power, wealth, or social prestige. This reactionary policy of egalitarianism for the masses is fundamental to communist and socialist doctrine.

“Hubris” is the word the Greeks gave to the urge to rule the lives of others. It is hubris which has motivated the Stalins and the intellectual planners of the West to play with people’s lives and fortunes as though they were pawns on a chess board. This arrogance deludes those with political power into believing that they can mold a city more effectively than can the economic forces of the market place.

The city of Houston has no zoning ordinances. The economic forces which have shaped Houston have been thoroughly analyzed by Bernard Siegan in his excellent book *Land Use Without Zoning*. In discussing land use maps of various cities with city planners, Siegan found that, when looking at

Houston land use maps, the experts were not aware that they were examining an unplanned city.

The most effective force in shaping a city is Adam Smith's Invisible Hand. It is the same Invisible Hand which has produced open space where none existed before, which has created arable land when required, and which has made the land produce in abundance. In the case of cities, some unexpected by-products have been the magnificence of the Manhattan skyline, the quaintness of New Orleans' Latin Quarter, and the vitality of downtown Houston. For those who see beauty in vitality, all capitalist cities are beautiful.

The city planners of Phnom Penh effectively accomplished their purpose of eliminating the hated middle class. But the American city planner, while striking at the "greedy" middle-class builder or developer, harms the poor man most of all. During the past 20 years total housing costs and expenses have risen 303 per cent while disposable income rose only 183 per cent. Real estate taxes have soared 341 per cent. This has all been brought about by government intervention in the market place, including costly delays, increased public service costs, competing with private industry for capital funds which induce high interest rates, and land rationing through zoning.

Controlled growth in cities has the same effect as controlled growth in any other sector of the economy. By discouraging production, economic goods, including land, become scarce and prices rise. A corollary to the law of supply and demand provides that when prices rise the first person to be deprived of goods and services is the poor man. Increased costs curtail the emancipation of the peasants.

The Importance of Capital for Economic Growth

There is no force more likely to produce mass starvation among the peasants of the world than the prejudice of Third World leaders against private capital formation. On the other hand, in the United States we need have no fear whatsoever of famine at the present time. By historical and Third World standards, hunger and poverty have practically been eliminated. The fluid which has made this possible is private capital. Marion Clawson has this to say regarding our fortunate situation. "There seems little reason for concern about the nation's ability to feed itself. By increasing agricultural output and by shifting to more cereals and less meat in the national diet, *the country can feed 10, or 20, or even more times its present population...* The ultimate food productive capacity is so far above the present level that there is

nothing to be gained from trying to estimate just how large it is."

This statement claims that, given enough capital and economic incentive, the land area of the United States could feed the entire present population of the earth.

Of course, China, Russia, and India each could also feed many times their own populations. But to do so would require a shift to laissez faire capitalism—a condition not likely to be accepted by any of the existing governments; certainly not by the communists or socialists. As Albert Jay Nock has repeatedly warned—the deadliest enemy of the free and self-sufficient individual is the State.

Socialist misuse of capital is in sharp contrast to its efficient use under free enterprise. Russia was the leading exporter of food before the revolution, but today cannot feed herself. In desperation the Soviets have allotted 31 per cent of available capital to agriculture in contrast to only 4 per cent in the United States. But the Soviet farmer remains only one-tenth as productive as the American farmer, due to lack of proper incentives.

Since all individuals on earth have different and ever-changing priorities, the coercively imposed priorities of governments and planners can only act against the interests of individuals. Governments tend to oppose or dissipate

capital formation by controlling economic activity and by redistributing income. As we have seen, this can have serious consequences for the carrying capacity of the land, resulting in starvation in the marginal economies.

Intellectual planners and environmentalists picture themselves as guardian angels, protecting the land against ravage by irresponsible entrepreneurs bent on profit. But instead of building a beautiful paradise, their coercive methods might, in the long run, produce the primitive hell of Cambodia. As was said by the seventeenth-century philosopher Blaise Pascal: "Man is neither angel nor brute, and the unfortunate thing is that he who would act the angel acts the brute." 

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The Planned Economy in Georgia: 1732-1752

BRIAN SUMMERS

THOSE who are ignorant of history often make the same mistakes that plagued their forebears. A case in point is government economic planning—the planned economy. Today the planned economy is touted as a brilliant new idea, while history books are filled with the unfortunate results of previous planned economies.

The American colonial period offers several classic examples. The first British settlements, Jamestown and Plymouth, were founded on collectivist principles, with the settlers being clothed and fed out of common stores. Since workers received the same rations as idlers, little work was done, and famine killed half the early settlers. Only after the common stores were aban-

doned, and the colonists were free to engage in private enterprise, did Jamestown and Plymouth prosper.

The founding of Georgia offers another example of the unfortunate results of government economic planning, no matter how well-intentioned the planners may be. In 1732 James Oglethorpe and his partners received a charter from King George II to found Georgia as a haven for debtors and victims of religious persecution, with the trust providing the settlers' passage and supplies for one year. The colony was also to serve as a military buffer between the British in South Carolina and the Spanish in Florida; military duty was required of each settler. The first colonists, led by Oglethorpe, landed in early 1733 and founded the city of Savannah.

Mr. Summers is a member of the staff of The Foundation for Economic Education.

As so often happens, Oglethorpe and his fellow trustees tried to achieve their humanitarian goals through economic regulations. Land use regulations limited individual holdings to 500 acres, with each family receiving a grant of 50 acres. Parcels could not be divided, sold, rented, traded, mortgaged, or willed; they could be inherited only by a son willing to work the land. Otherwise, parcels reverted to the trustees. The unfortunate result of these regulations was that each colonist was shackled to his parcel, without hope of obtaining mortgage capital, and with little incentive to improve or even maintain his land, especially if he didn't have a son.

When the citizens of Hampstead, in 1738, complained that they had been assigned infertile pine barren, their petition was considered in Oglethorpe's London home:

"He said he knew the land at Hampstead perfectly well, and it was indeed most of it pine barren, but with pains might be rendered very fruitful as other pine land had been rendered by others; that if these people were humoured in this, there would not be a man in the Colony but would desire to remove to better land, who yet have at present no thoughts of it. That the disorder this would occasion in the Colony is unexpressible. That we ought to consider that if these men were allowed to remove to a new

land, they would expect a new allowance of provision for a year, which we are not in a condition to give, and the same would be expected by others."¹

The combined policies of welfarism, collectivism, and land use regulation stifled the settlers' initiative. Captain Pury reported to the trustees on his return from Georgia in 1733: "There being many lazy fellows in the number, and others not able to work, those who work stoutly think it unreasonable the others should enjoy the fruits of their labor, and when the land is cleared, have an equal share and chance when lots are cast for determining each person's division."²

Land use control was only one thread of a web of regulation. The "Rules for the year 1735" are a good example of the trustees' penchant for detailed planning:

"The Trustees intend this year to lay out a county, and build a new town in Georgia.

"They will give to such persons as they send upon the charity, To every man, a watch-coat; a musket and bayonet; a hatchet; a hammer; a handsaw; a shod shovel or spade; a broad hoe; a narrow hoe; a gimlet; a drawing knife; an iron pot, and a

¹ Daniel J. Boorstin, *The Americans: The Colonial Experience* (Vintage Books, New York, 1964) pp. 89-90.

² *Ibid.*, p. 90.

pair of pot-hooks; a frying pan; and a public grindstone to each ward or village. Each working man will have for his maintenance in the colony for one year (to be delivered in such proportions, and at such times as the Trust shall think proper) 312 lbs. of beef or pork; 104 lbs. of rice; 104 lbs. of Indian corn or peas; 104 lbs. of flour; 1 pint of strong beer a day to a man when he works and not otherwise; 52 quarts of molasses for brewing beer; 16 lbs. of cheese; 12 lbs. of butter; 8 oz. of spice; 12 lbs. of sugar; 4 gallons of vinegar; 24 lbs. of salt; 12 quarts of lamp oil, and 1 lb. spun cotton; 12 lbs. of soap."³

In case anyone doubted the wisdom of these plans, the trustees unanimously declared in July 1735: "The Board will always do what is right, and the people should have confidence in us."⁴

The man in charge of doling out provisions, Thomas Causton, had almost life and death power over the settlers. As the trustees' agent he promptly announced that the colonists "had neither lands, rights or possessions; that the trustees gave and that the trustees could freely take away."⁵ Naturally, the pressures on Causton and his opportunities for personal gain were enormous, and he was soon accused of



James Oglethorpe

bribery, profiteering, and short rationing.

The regulations even extended into the moral realm. In 1735 the Board declared that "no Rum, Brandies, Spirits, or Strong Waters" could be imported, that such liquor be destroyed, and that the sale of liquor was illegal. The prohibition on rum imports crippled trade with the West Indies, a leading source of rum and an important market for Georgia lumber.

Perhaps the most fantastic of the trustees' plans was the cultivation of silk. The trustees tried to encourage silk production with a guaranteed minimum price and

³ *Ibid.*, p. 87.

⁴ *Ibid.*, p. 88.

⁵ *Ibid.*, p. 87.

bounties for silk delivered in England. In addition, each settler was required to plant at least 50 white mulberry trees (the silkworms' main diet) on every 50 acres; settlers with 500 acres had to plant at least 2,000 trees. When the trustees finally permitted a representative assembly in 1751, no one could become a representative who did not have at least 100 white mulberry trees on every 50 acres; no one could become a deputy who did not produce at least 15 pounds of silk on every 50 acres and who did not have at least one female member of his family instructing others in silk reeling.

The main flaw in this scheme was that the silkworms didn't like Georgia and proved it by dying in droves. In May 1742 alone nearly half the silkworms in Savannah died. The production of silk limped along until the American Revolution, when the silk factory was converted into a ballroom.

Gradually, under intense pressure from the colonists, the trustees abandoned their plans. In 1738 they permitted daughters to inherit land; in 1739 they allowed settlers to will their parcels; in 1740 they permitted leases; in 1741 the maximum holding was increased from 500 to 2,000 acres; in 1742 prohibition was repealed. Finally, in 1752, a year before their 21-year charter was to expire, the

trustees returned the charter to the Crown.

But the damage had been done. It was estimated in 1740 that as many as five-sixths of the settlers had fled the colony. "The poor inhabitants of Georgia," one settler lamented, "are scattered over the face of the earth; her plantations a wild; her towns a desert; her villages in rubbish; her improvements a by-word, and her liberties a jest; an object of pity to friends, and of insult, contempt and ridicule to enemies."⁶

The end of economic planning brought prosperity to Georgia. By 1775, the population had increased eight-fold compared with 1752; imports had increased eight-fold and exports thirty-four-fold compared with 1753.⁷

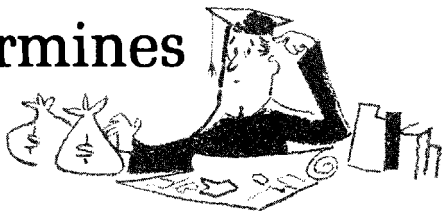
There are two lessons to be learned from the Georgia planned economy. First, government economic planning, no matter how well-intentioned, is not a new idea, but has been tried and proved a disaster. Second, the Georgia settlers voted with their feet by escaping to neighboring colonies, much as our forebears escaped European dictatorship and our contemporaries escape the taxes and regulations of New York City. If the entire United States becomes a planned economy, where will the victims go?

⁶ *Ibid.*, p. 95.

⁷ *Encyclopedia Britannica* (1906 ed.), Vol. X, p. 394.



What Determines



the Value of Money?

HENRY HAZLITT

WE CANNOT FULLY UNDERSTAND the present American and world inflations, and the consequences to which they are likely to lead, unless we fully understand the causes that determine the purchasing power of money. Perhaps the greatest obstacle to this understanding today is the continued prevalence of an old but false theory.

The strict quantity theory of money and its "equation of exchange" have dominated and distorted the thinking of even some of the most respected monetary economists. A striking illustration

is Bresciani-Turroni's discussion in his otherwise admirable history and analysis of the German hyperinflation of 1920 to 1923—*The Economics of Inflation* (1937).

Bresciani-Turroni treats the equation of exchange as an inescapable axiom. In his version it is not $MV = PT$, but " $MV = p_1a + p_2b + p_3c \dots$ where M is the quantity of money issued, V the velocity of circulation, $a, b, c, \dots$ the quantities of goods exchanged and $p_1, p_2, p_3 \dots$ the respective prices."

When he finds that in the late stages of the German inflation (and in the late stages of practically all other hyperinflations) prices of goods did not rise in proportion to the increase in the quantity of money but at a far faster rate, he assumes that this *must* have been—that it could *only* have been—be-

Henry Hazlitt, noted economist, author, editor, reviewer and columnist, is well known to readers of the *New York Times*, *Newsweek*, *The Freeman*, *Barron's*, *Human Events* and many others. Best known of his books are *Economics in One Lesson*, *The Failure of the "New Economics,"* *The Foundations of Morality*, and *What You Should Know About Inflation*.

cause the "velocity of circulation" increased sufficiently to account for the discrepancy.

His method of arriving at the supposed increase in the velocity of circulation is as follows. He first assigns the presumed velocity of circulation of money in Germany in 1913 an arbitrary base rate of 1. He then compares, for each year or month after the inflation began, the number of times the German money stock was increased with the number of times that wholesale or retail prices increased. He then divides the price increase by the money-stock increase, and assumes that the quotient must represent the increase in the velocity of circulation.

For example, at the end of 1922 the currency circulation of Germany was 213 times greater than in 1913. Wholesale prices were 1,475 times greater. The cost of living was 685 times greater. Therefore, he concludes, in 1922 the velocity of circulation in wholesale trade must have increased 6.92 times and in retail trade 3.21 times.

He applies the same formula to each year from 1914 through 1918, and then to every month of the five years from October 1918 to October 1923. His derived velocity rate begins to go up rapidly from August, 1922. For the last month on his table, October, 1923, he gives the velocity of money in retail trade as

10.43 times greater than in 1913 and in wholesale trade as 17.79 times greater.

These velocity figures, in my opinion, are absurd and impossible. There are several ways of showing why they must be.

We Only Spend Ours Once

Let us begin with the truism, so astonishingly overlooked, that each man or family can only spend its own income once. This means that in a society with a given economic organization and division of labor the *annual* velocity of circulation from year to year cannot change very much.

Bresciani-Turroni nowhere mentions this. He thinks he can explain the huge increases in velocity of circulation that he assumes took place from month to month. He refers, for example, to the fact that some salaried employees received their pay only once every three months. Suppose, then, at the height of the inflation, instead of spending their quarterly pay checks over each quarter, they spent the entire amount in the first few days after the checks were received? Would not this explain the increased money velocity?

There are several things wrong with such an explanation. First, those who were paid quarterly in the Germany of the early 1920's must have been a very small portion

of the population. Second, it would not be easy to buy three months' supplies of everything in the first day or two. A three-months' family food supply, for example, could not be stored at home or kept fresh there. And if most of these quarterly payments or attempted expenditures fell on the same day, merchants would simply not have the goods in stock to sell.

Third, even if this kind of speed-up happened, it would not lead to a quarterly increase in velocity of circulation or even much of a monthly increase. If a man spends his whole 91-days' income on the first day, he has nothing to spend on any of the next 90 days. The *average* quarterly rate of spending does not change. So if, at the height of the inflation, every family in Germany was paid daily, and spent the whole of each day's income on the day it was received, then it spent one-365th of it every day instead of one-52nd of it every week. The monthly rate did not change much.

The Money Goes for Goods

But there is still another and much more fundamental reason why Bresciani-Turroni's velocity-of-money conclusions are unacceptable. The very phrase, "velocity of circulation," embodies a false concept. Money does not literally "circulate." This is a metaphor. Money is exchanged for goods and services.

It is hardly possible to spend money without, by the same action, buying goods. (The borrowing or repayment of money loans constitutes a relatively small part of the total transfer of money, and—so long as it does not increase or decrease the outstanding money stock—does not necessarily have much effect on the exchange-value of the money unit.) Therefore it is hardly possible to speed up the "velocity of circulation" of money without speeding up to an approximately equal extent the velocity of circulation of goods. And if one does this (as Bresciani-Turroni himself admits) the exchange-value of the money unit is not thereby depressed.

But in fact the sale of goods cannot be increased for any prolonged period beyond a very limited amount. (By a "prolonged period" I refer to anything beyond a couple of months.) This is true for the simple reason that the volume of goods for sale just cannot be increased by much in a short time. Bresciani-Turroni's tables show the average velocity of circulation of money to have increased, in the first nine months of 1923, to an average of 8.25 times that of 1913. But this would practically have to mean that the quantity of goods sold in those nine months—and therefore, in effect, the quantity of goods *produced* in those nine months—must have been 8.25 times as great as the

quantity produced in the corresponding nine months of 1913.

This is not only incredible on its face; it is known to have been untrue of the German year 1923. For by Bresciani-Turroni's own account, production was disorganized by the inflation in 1923, and fell substantially.

Eager Buyers and Sellers

There is still a further factor that the assumption of a hugely increased velocity of money in a hyperinflation overlooks. In order for such an increase to occur, it is not merely necessary that the holders of money should be eager to get rid of it as quickly as possible, but that the sellers of goods should be correspondingly ready to part with their goods for money. But Bresciani-Turroni himself tells us: "The risk of transactions effected by payment in paper marks became so great in the summer of 1923 that many producers and merchants preferred not to sell at all, rather than accept in exchange a money subject to rapid depreciation" (p. 174).

It is instructive to notice that Bresciani-Turroni in the end distrusts his own figures and his own explanation. He carries his own calculations only up to October, 1923, when, as we have seen, he estimates that the average velocity of circulation of money must have

been some 14 times as great as in 1913. But he tells us (p. 174) that "In August 1923 the value of the paper money in circulation amounted on some days to scarcely 80 million gold marks" (compared with 6,000 million in 1913). But on his own basis of calculation, as presented in his annual and monthly tables, this would require us to assume that on these days velocity of circulation must have been 75 times as great as the 1913 rates. Moreover, he also tells us that "On November 15th (1923)—on the eve of the cessation of the discount of Treasury bills by the Reichsbank—based on the *official* value of the gold mark (six hundred billion paper marks), the total value of the notes of the Reichsbank in circulation was 154.7 million gold marks. But based on the exchange rate of the paper mark in New York the total value was as low as 97.4 million gold marks."

So, based on the official value of the gold mark, Bresciani-Turroni would have had to conclude that the velocity of circulation must have increased about 39 times over 1913, and based on the paper mark exchange rate in New York, 62 times over 1913.

He draws no such conclusion and cites neither figure. Instead, he completely shifts his explanation of the decline in value of the paper mark. He then decides that "the

increase in the velocity of circulation ... does not completely explain the very great reduction of the total real value of the paper money" (p. 173), "for the place of the paper mark was taken by foreign exchange" (p. 174) and the return of metallic money to circulation.

The "Cash Holdings" Approach

I should like to add here that I not only regard an increase in the "velocity of circulation" as a totally false explanation of a more rapid rise in prices than in the quantity of outstanding money in a hyperinflation, but that I consider an alternative explanation adopted by a number of economists—the "cash holdings" or "cash balance approach"—as also quite inadequate, especially in certain formulations.

Some economists formulate the "cash holdings" approach as follows: At the beginning of an inflation, prices generally do not rise as fast as the quantity of money is increased, because people think that prices have risen to unsustainable levels and will soon fall back to "normal." They hold off many purchases and add to their "cash holdings." This in itself keeps prices from rising as much as the quantity of money has been increased. But when people finally come to fear that the inflation is going to be prolonged, and that the rise of prices may go on indefinitely, they

begin to buy in advance. They pull down their "cash holdings." It is this action that increases the rate at which prices begin to rise.

There are two major defects in this explanation. One is that, even if otherwise correct, it would account only for a relatively small change in prices compared with the rate of monetary increase. Suppose people normally kept as an average cash balance the equivalent of 10 per cent of their annual incomes—or roughly enough to spend over the next 36 days. If, in an inflation, they were willing to let their cash balances fall even to zero, this would only add some 10 or 11 per cent to the total "active" money stock. It could not account for the almost incredible fall in the purchasing power of the monetary unit, when compared even with the increase in the money stock, that does occur in a hyperinflation.

The other major defect in the "cash holdings" approach is that, no matter how much or often individuals decide to spend, the *average* cash holdings of *all* individuals in the country *cannot* be reduced! If a country has a population of approximately 200 million, and the total money supply is \$700 billion (counting currency in the hands of the public, plus both demand and time bank deposits), then the average cash holding of each individual must be \$3,500. The

money must always be held by *someone*. What Peter spends, Paul receives. If half the people in the country, by increasing their spending, reduce their cash holdings by an average of \$1,000 each, the other half must increase their cash holdings by the same average amount.

The Subjective Value of Money

What, then, is the basic explanation for the value of money, and for changes in that value?

It is the same as the explanation for the value of anything else. It is the subjective valuation that each of us puts on it. The objective purchasing power or exchange-value of the monetary unit is derived from the composite of these subjective valuations. It is not, however, merely a physical or arithmetical composite of these individual subjective valuations. Individual valuations are themselves greatly influenced by what each of us finds to be the market or "social" value. Just as hydrogen and oxygen may combine to form a substance—water—that seems to bear little resemblance to either, so the social or market valuation of money as well as other things is akin to a sort of chemical rather than arithmetical combination of individual valuations.

All valuation begins in the minds of individuals. We are accustomed to saying that market value is deter-

mined by supply and demand, and this is true of money as of other commodities. But we should be careful not to interpret either "supply" or "demand" in purely physical terms, but rather in psychological terms. "Demand" rises when people want something more than they did before. It falls when they want it less. "Supply" is more often thought of in a purely physical sense; but as an economic term it also refers to psychic factors. It may vary with price. At a higher price producers may make more of a commodity, or be ready to offer more of the existing stock for sale.

A Mathematical Delusion

When it comes to money, economists have been too prone to explain value in purely physical or mathematic terms. Hence the strange vogue of the rigid proportional quantity theory of money, of the algebraic "equation of exchange," and of the alleged determining role played by the "velocity of circulation" of money.

What is overlooked is that the "equation of exchange" is a mathematical delusion. It is not an equation, as imagined, with money on the left side and goods on the right. There is no meaningful way in which all goods and services can be added to each other except in terms of their money prices. There is no meaningful way, for example,

in which a pound of gold watches, a dozen square yards of cotton, a 10-room house, and a ton of sand can be added together except in terms of their individual prices in *money*. What we are adding is the amount of money required to buy them. Therefore the product of the equation of exchange, on each side, is a *sum of money*. These sums are equal because they are *identical*. The equation merely asserts that what is *paid* is equal to what is *received*. Neither the quantity theory nor the equation of exchange contain any proof of causation.¹ And the number of times that a unit of money changes hands has no necessary connection with the "level" of prices.

Confuses Cause and Effect

What is called the "cash balance" approach is less fallacious than the mechanical quantity theory of money. It does contain an element of truth, but in some formulations it confuses cause and effect. It is true that when people think that the value of money is going to rise — in other words, when they think commodity prices are going to decline — they tend to spend less money immediately. And when they think the value of money is going to fall —

that is, that commodity prices are going to rise—they tend to spend more money immediately. But the "cash balance" approach puts too much emphasis on a physical act and too little on the subjective change of valuation that prompts the act. The value of money does not decline because people try to speed up their spending; they speed up their spending because they think the purchasing power of their money is going to decline.

We can understand this better if we consider the purchase and sale of shares on the stock exchange. Suppose during a day's session American Steel publishes an unexpectedly favorable quarterly earnings report, that 10,000 shares are traded in, and that the price rises from 30 to 40. The price has not risen because M, N, and O have bought 10,000 shares from A, B, and C. After all, as many shares have been sold as bought. The price rises because both buyers and sellers now estimate the value of American Steel shares higher than they did before. Suppose, again, that National Motors closes at 35 on Monday, that after the close the directors unexpectedly fail to declare the regular dividend, and that the stock opens Tuesday morning at 25. This sort of thing happens frequently. There have been meanwhile no sales on which to blame the decline. The stock has fallen in price simply because both

¹ For an elaboration of this analysis, see Benjamin M. Anderson, Jr., *The Value of Money* (New York: Richard R. Smith, 1917, 1936) Chap. XIII.

buyers and sellers now put a lower estimate on it. This is precisely what happens with the value of money. It is changes in value estimates that count, not changes in cash balances.

And this is the explanation why, in the late stages of a hyperinflation, prices start to soar far faster than the supply of money is increased and even far faster than it can be increased. Nearly everybody is convinced that the inflation is

going to go on; that the printing of paper money will be more and more accelerated; that prices will rise at a faster and faster rate. They want to exchange their money for almost anything else they can get. But finally, holders of goods refuse to accept that money on any terms.

Thus, every inflation must eventually either be ended by government or it must "self-destruct"—but not until after it has done untold harm. 

Welfarism and Inflation

EVEN THE NOBLEST politicians and civil servants can no longer be expected to resist the public clamor for social benefits and welfare. The political pressure that is brought to bear on democratic governments is rooted in the popular ideology of government welfare and economic redistribution. It inevitably leads to a large number of spending programs that place heavy burdens on the public treasury. By popular demand, weak administrations seeking to prolong their power embark upon massive spending and inflating in order to build a "new society" or provide a "better deal." The people are convinced that government spending can give them full employment, prosperity, and economic growth. When the results fall far short of expectations, new programs are demanded and more government spending is initiated. When social and economic conditions grow even worse, the disappointments breed more radicalism, cynicism, nihilism, and above all, bitter social and economic conflict. And all along, the enormous increase of taxes, chronic budget deficits and rampant inflation.

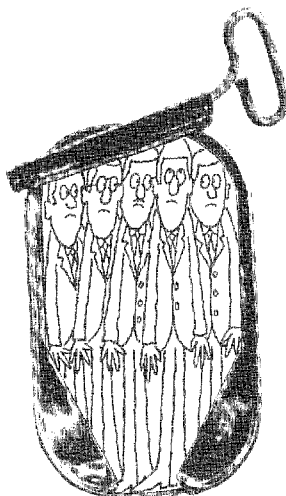
IDEAS ON



LIBERTY

BEHAVIORAL LAW

JOAN MARIE LEONARD



BEHAVIORAL LAW is the legal justification for the concentration camp.

Any tyranny in its early stages or milder forms is still the same tyranny. Once accepted in principle, it can be carried to extremes with little contention. The idea has already been accepted. Embryos have a way of growing. The first behavioral law is the ruination of all law, justifying and giving impetus to all succeeding injustices.

Behavioral law is that body of laws that prescribes, controls or inhibits behavior that is in itself non-aggressive, but deemed unacceptable by governmental powers. It is thus distinguished from those laws we have duly constituted to

protect ourselves—our individual selves and possessions—from predatory, aggressive actions.

Behavioral laws are mechanistic—materialistic. They treat people as manipulative dummies who can and will (always the inherent threat) be shaped by external forces, forces outside themselves.

This body of law is sometimes described as “paternalistic.” But what father supports his children through their lifetimes with money taken from all the other families in the neighborhood?

It is sometimes referred to as Big Brotherliness, which rather appropriately suggests raising Cain.

It is sometimes called “playing God” with people’s lives, but to the contrary, it effectively denies the choices provided by Creation

Miss Leonard is a free-lance writer.

through which we can freely fashion ourselves as individuals.

We come equipped to fully experience life, not avoid it. We see, hear, taste, smell, feel, think, learn and choose—all with results in various gradations of good and bad in our own judgment. We don't come guaranteed safe, clean, smart, good or comfortable. We stumble. We fall. We bleed. We ache. We blister. We know both tears and laughter, aversion and attraction, ease and dis-ease. We hurt as well as help ourselves—and others. We give off pollutants. We're slippery when wet. In brief, our little packages of stuff would never have passed government standards. Under the present legal regalia, it's something of a wonder that we're allowed to be born. But once we are, behavioral law takes over.

Self-Reliance Abandoned

Our laws reveal us to be a society whose members call themselves free but turn everywhere for relief from being their self-controlled, experiencing, developing selves. The effect is the stifling of life, the blockage of progress, the numbing of the individual consciousness—each man's capacity for the self-directed creation of himself and his world.

Life that is circumscribed by laws is life that has been taken away. The only world that's completely clean

and safe would be one that's uninhabited—and that seems to be where today's legalistic thinking would lead us. Without any ram-page of regulation, however, the populous world of today became far cleaner, safer, healthier, and more comfortable than the cold, dank, sooty, plague-ridden, garbage-strewn centuries that befouled our pre-industrial American era.

And it is only through *living* that we will find ways to make it a still cleaner, safer, more comfortable world—living that is progressively intensified through the willing exchanges of energy in an uncontrolled market.

We never stopped eating because of messy kitchens. We developed indoor plumbing, hot water, mops, sponges, soaps, cleansers, cleaners, uncloggers, polishes, scouring pads, waxes, ventilating fans, self-cleaning units, prepared foods, refrigeration, freezers, automatic ranges, stick-free pans, electrical appliances, food keepers, automatic dishwashers, compactors, garbage disposals, insect killers, air fresheners, washable paints and papers, modern floor coverings, plastics, impervious counter surfaces, treated wood, paper disposables, and all the rest. All through choice in the market, not through force by law.

On the other hand, the effort to forcibly alter behavior often has a

reverse effect to which we seemingly remain as unconscious as we are to the multiplied, magnified benefits of willing exchange in the market.

In the current safety mania, a playground staircase was thoroughly enclosed by vertical bars. The children simply ignored the stairway to nowhere (some bureaucrat's idea of fun) and gleefully climbed the perilously steep fort-like safety barrier, demonstrating the danger and futility in most behavioral restrictions. Outside the school, traffic is slowed to 15 miles an hour as the children learn the world will slow down for their careless amblings, dangerously dulling their consciousness of danger on the street and the constant need of alertness.

How often our aims at providing safety result in hazards, just as our intentions to provide security increase insecurity; our aims at employment end in unemployment; our goal of prosperity results in impoverishment; our "control" of crime stimulates criminal activity; the goal of education evolves into a system of disruption and enforced opinion; environmental goals lead to the abandonment or neglect of those advances that have elevated us above the filth, drudgery, and disease of yesterday.

How often? As often as we turn to forces outside of self-responsibility

for solutions to problems of everyday living. In all cases, as with that dangerous safety barrier, we are actually contriving extraneous, artificial conditions for ourselves to fail in.

Conflicting Claims

Behavioral law is a system of legislated desires, all superimposed on each other and in natural, inevitable conflict. It is the process of creating conflict which previously didn't exist and then using that fictitious, invented disharmony as the basis for extending governmental powers. Justice, instead of hanging in stable, impartial balance, is weighted first one way, then another, as the law favors first one group and then another. Such is the perpetual motion of the socialist machine, marking time, accomplishing nothing but injustice, defeating first the purpose of one group, then another—every action self-defeating.

Union members who force higher wages not only artificially increase their own cost of living, but subsidize the foreign competition they complain about, pushing the price for the product of their labor out of market range.

While clamoring for more jobs for the poor and handicapped, we establish laws that make it economically unsound and unfeasible for those with lesser skills to be employed.

Behavioral laws not only fail to help the poor, they create the poor. They don't just make it difficult to help the handicapped, they reduce able people to the ranks of the disabled.

In a free market, handicaps disappear. Call it a miracle—an open market makes handicapped people able. It employs those who would not be employed under governmental wage standards. It invites all effort into the area of profitability.

An unregulated market, in fact, would give us cause to ask ourselves—who are the handicapped—who are the blind—who are the mentally retarded? We are all handicapped in some ways—blind to different things—mentally unaware in different areas. Incompleteness is the human condition—and the passage to all possibility.

Through an open market, all of us see by using the sight of others. They show us what they see by what they *do*. The unrestrained market attacks the blindness of everyone. It brings into visibility and use things that weren't there before. It extends our minds and abilities through the minds and abilities of others. It created the world we all live in.

To stop people from doing things is to create blindness and handicaps for everyone. Every effort to control the market is such a handicap. In reducing the strength of others, we

reduce our strength. If we let people do things, we can and will improve our own vision, understanding, and capability to shape the world from our own individual worlds.

The Power of the Market

Through the market and to the degree that it is unregulated, we draw power from each other. That is the strength of America—past, present and future—the power of the American idea. Vision, intelligence, and capability multiplied again and again by the efforts of people freely doing what they do best. Open competition assures the most efficient effort is that which most fully succeeds. All are advancing each other while effecting the material, intellectual and spiritual uplift of the whole world.

But whenever one imposes his will on the behavior of another, he is the blind leading the blind. The one is blind to his lack of ability—the other to his capability. As we have lost consciousness of our own blind spots, handicaps, and weaknesses, we begin to live with bigger and bigger lies, all stemming from the falseness of believing change can come from sources outside of ourselves. We are so convinced our betterment can be externally regulated, we depend on pills and psychiatrists for distributing peace of mind and sue our doctors if we get a sneeze.

Our behavioral approach to law has filled our prisons to overflowing with those who have committed no aggressive act toward anyone, including those who want to set their own price on their own services. Instead of stopping real crime, we create crimes and encourage criminals, establishing underworld networks with legally protected monopolies on traffic in behavior we officially disapprove (drugs, gambling, prostitution, and so on). Behavioral laws thus protect and enrich criminal actions while arresting, penalizing, and punishing disapproved behavior.

By tending to make everyone guilty of something, behavioral laws effectively make no one guilty of anything—the dangerous are turned loose, the peaceable incarcerated. We have lost consciousness of the fact that the only justification for detention is the protection of society from violence, not punishment, rehabilitation, education, recreation or reform.

To what extent have we lost consciousness of what the law should be and do and allowed it to control our behavior? The State now decides whether and when to disconnect your respirator. It can take away your children if it considers you unfit as a parent. It brings criminal charges against you for not sending your children to its schools.

You go to the government for permission to marry, to work, to start a business, to drive a car, to build a house. The government dictates the standards for your housing down to the number of electrical outlets on every wall. It establishes the rate you have to be capable of earning before you can get a job, and how much of your earnings you can keep.

It regulates, indirectly when not directly, the price of every chop in your refrigerator, every can on your shelf. It decides what television stations you can watch, what radio stations you can listen to.

It slaps you in the budget for your smoking or drinking, decides what toys your children will be allowed to play with, what medicines you can take, what doctors you can see, what medical services you can have. While outlawing drugs on one hand, it can force drugs upon you when it deems it advisable. It can commit you to a mental hospital and authorize disposition of your property.

It requires detailed reports on all your business and personal affairs. It expects the average citizen to understand and comply with tax forms no two lawyers can agree on and that appear to be written by a tribe of drunken chimpanzees cavorting over an acre of broken typewriter keys.

It pries into your expenditures for

food, clothing, shelter, travel, investments, contributions, insurance, medical bills, repairs, operating costs—all to decide how *unequal* your tax rate should be in a country that is said to believe in equality before the law, each treated alike.

It takes your money to use for the welfare of others. It can send your sons, brothers, and fathers off to wars they're not allowed to win.

But now, if you can believe the newspapers, we're going to draw the line and say "No, you can't do that. It's an invasion of privacy." And what is it that we finally consider an intrusion of private rights: The official use of electronic devices in the apprehension of criminals.

It would be spectacularly amusing if it weren't so tragic. But the alternative to behavioral law is life itself. Life proceeding in all its ways. Seeking in all directions. Advancing through as many visions of living as there are people whose peaceable actions are unrestrained.

Limitation of Government

Restoring government to its original role of restraining only violence and preserving the peace is probably as simple and as difficult as reserving judgment in regard to the behavior of others.

If we would relax our grip on certainties, we wouldn't be living with so many lies in the form of

laws. Every judgment we make forms a boundary around our consciousness unless held lightly and easily released in the light of expanding awareness. A law is just an opinion that becomes a wall—and is as hard to remove.

One way to release our hold on certainties is to consider the differences in individual perceptions of the same event. One person goes to a ballet and enjoys a musical experience. A football coach attends and sees a new backfield formation choreographed before his eyes. One scientist throws up his hands in despair at the failure of an experiment while another discovers in the unexpected result a new material or process—a new truth.

There are many worlds in one. We share in all these worlds as we allow for the flowering of individual perception and consciousness. The many worlds of our existence are all virtually undiscovered. Everyone is a world in himself.

If one person resolved upon a wage he was entitled to in his opinion, and tried to force an employer to hire him at that wage and under his conditions, he would be considered demented. When such is the privilege granted large groups of workers under the law, the government is deranged.

Government grows out of attitudes, and the only attitudes each of us has to work with are his

own. Work on the attitudes of others and you're back in the behavioral boat, advancing behaviorism as a way of life. If your own behavior is extended into law, on what basis will you object to it?

The world is as large, flexible, expandable and full of truth as all of our individual perceptions extend it. Or it is as constricted, solid, dead, and falsified as the perceptions of the blind, misguided few who would forcibly adjust it to their own limited vision.

Emerson said if we could see and feel all the things around us, we'd be so squashed we couldn't move. He suggests different levels of life around us, but even on one level, there are an infinite number of worlds of perception—as many as there are individuals doing their own thinking. All of these worlds are open to us when government keeps us free from the destructiveness of others, not the least of which is the infliction of behavioral opinion. 

Liberty—A Reward to Be Earned

IT FOLLOWS, from what has been stated, that it is a great and dangerous error to suppose that all people are equally entitled to liberty. It is a reward to be earned, not a blessing to be gratuitously lavished on all alike;—a reward reserved for the intelligent, the patriotic, the virtuous and deserving;—and not a boon to be bestowed on a people too ignorant, degraded and vicious, to be capable either of appreciating or of enjoying it. Nor is it any disparagement to liberty, that such is, and ought to be the case. On the contrary its greatest praise,—its proudest distinction is, that an all-wise Providence has reserved it, as the noblest and highest reward for the development of our faculties, moral and intellectual. A reward more appropriate than liberty could not be conferred on the deserving;—nor a punishment inflicted on the undeserving more just, than to be subject to lawless and despotic rule. This dispensation seems to be the result of some fixed law;—and every effort to disturb or defeat it, by attempting to elevate a people in the scale of liberty, above the point to which they are entitled to rise, must ever prove abortive, and end in disappointment.

IDEAS ON



LIBERTY

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2 CONCEPTS OF LIBERTY

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J.B. KIZER

ISAIAH BERLIN, in his *Two Concepts of Liberty*, discusses a question which is central to most arguments between libertarians and socialists—between “voluntarists” and “coercionists.” The question is, what do we mean by freedom? Berlin points out that socialists accept a definition of freedom which he calls positive liberty, while libertarians assert that freedom is really negative liberty. Now positive liberty is the “freedom to” have such things as employment, respect, and the like. Negative liberty is “freedom from” restraint. Positive liberty is equivalent to what libertarians might refer to as power, that is, libertarians believe a given man is free to earn a million dollars per year even though it may not be in

his power to do so, simply because he cannot provide the services required.

But, as Berlin points out, the deceptively phrased “positive liberty” has some nasty consequences. One of them is that since positive liberty is unrelated to freedom as we usually understand it, then being “liberated” (and we often find this usage of the word in current liberation movements) is being forced to do something against our will because someone else thinks it is good. This encourages confusion in the discussion of freedom. To call negative liberty “freedom” and positive liberty “power” is to make a discrimination which is fundamental. To call them both liberty, as coercionists often do when it suits their argument, leads to confusion.

For example, if legislators believe

Mr. Kizer is a psychologist and business consultant in Portsmouth, Ohio.

that men ought to be taught only by those with a Ph.D., then they might pass a law that only Ph.D.'s be allowed to teach. The coercionists would not consider this a limitation on people's freedom to choose their teachers because those who accept the concept of positive liberty feel that some men may act irrationally and, therefore, must be coerced to be "free," meaning by that to do what they should do, which is always choose a Ph.D. for a teacher.

Now most people can see this conception of liberty stands totally opposed to the common sense notion of freedom. Why, then, do some philosophers hold this position? Berlin explains this. He says that it is an extension of the so-called mechanico-rationalist approach to life. Stimulated by the success of scientists or natural philosophers in finding the laws of the universe in the 17th and 18th centuries, the social philosophers of that age began to believe that they could find the social laws by which men must rationally act, the social "system of the world" which would correspond to the Newtonian *Principia* (subtitled *The System of the World*). This led to the belief that those who do not accept their system must be coerced into accepting it, as it is the "rational" social system.

Libertarians, those who accept the Berlin concept of "negative

liberty," know, though, that human values may not all be compatible and, in principle, may not be capable of being harmoniously realized in one way of life. That is, people are inherently different so they may, for their happiness, need and demand a different lifestyle from the majority of their neighbors. Thus the libertarian is, of necessity, a pluralist. He tolerates different communities with laws of entirely different types. He knows that one cannot homogenize the differences among men or among the differing environments in which man finds himself. Conversely, the coercionist is, of necessity, a social monist and will not tolerate social differences.

It is interesting that the libertarians and conservatives, the social pluralists, are the ones who are likely to encourage social experiment by allowing community differences which might actually lead to progress in the understanding of the relations among men. It is the monists, on the other hand, who constantly proclaim themselves in favor of progress and sometimes (as Marx did) proclaim that their social system is scientific; these are the most anti-progressive and anti-scientific in the sense that they oppose any social experiment which might lead to real progress.

Libertarians realize that there is

no perfect social system. There never will be a final answer as to how everyone should behave and, because of this realization, they refuse to coerce others to hold to their beliefs.

The only unfortunate aspect of Berlin's analysis, and in this Berlin is merely following tradition, is that libertarians have again lost the semantic battle of connotation as they did when the socialists usurped the word "liberal." "Positive liberty," which is actually coercion, sounds so much better than "negative liberty," which is really freedom. This minor cavil does not detract from the outstanding con-

tribution to the philosophical meaning of freedom which Berlin makes.

Since individual differences among people demand pluralism if real freedom (Berlin's negative liberty) is to be achieved, it is interesting to note the foresight of the founding fathers. One of the essential ideas behind the founding of this country was that it was to be a federal republic, that is, a nation in which the individual governmental units of the federation agree concerning the general principles of government but retain the right to enact the laws of their choosing, insofar as the details of governmental action are concerned. 

Authors of Values

IDEAS ON



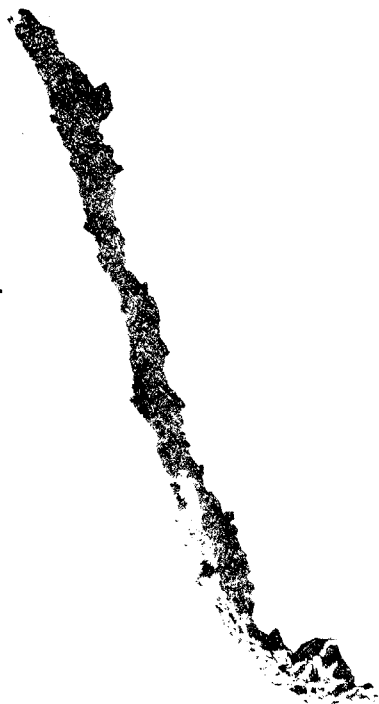
LIBERTY

FOR IF THE ESSENCE OF MEN is that they are autonomous beings—authors of values, of ends in themselves, the ultimate authority of which consists precisely in the fact that they are willed freely—then nothing is worse than to treat them as if they were not autonomous, but natural objects, played on by causal influences, creatures at the mercy of external stimuli, whose choices can be manipulated by their rulers, whether by threats of force or offers of rewards.

ISAIAH BERLIN

CHILE:

The Balanced View



LONG before the Marxist Salvador Allende took over Chile as a minority President in 1970, Chilean economists were studying on an exchange program at the University of Chicago. So, when Professor Milton Friedman visited Chile last year—the second year of the military junta that succeeded the deposition of Allende, who had tried to impose socialism on his country by shifty extra-legal means—he had a ready audience. Friedman's advice to the junta was to use "shock treatment" to overcome the inflation, which had been running at 700 per cent. He urged the generals to get their government out of the business of spending money that had to be extorted from the people

either by taxes or inflation. Friedman's three lectures, published in Spanish, are a popular staple in the local bookstores.

But the "Chicago school" had had the ears of the junta government before Friedman had arrived personally on the scene. So pervasive have been the free market theories of Frank Knight, Henry Simon and

Milton Friedman in Chile that economists in general are referred to in fashionable Santiago circles as "Chicago boys." Some of the economists (those who have studied in the U.S. at Columbia or Harvard) resist the term. Whether they went to Chicago or M.I.T., however, they all acknowledge that the Chilean economy under Allende's Statism had been a complete disaster.

Communists, since the deposition and death of Allende, have been assiduous in their attempt to make a martyr out of him. The myth goes that General Pinochet, the head of the Chilean army, and his junta colleagues from the navy, the air force and the carbineros, or national police, snuffed out a promising experiment in trying to take a peaceful road to socialism. There was to be a "revolution within the form" of democracy. Allende, so the Communists will tell you, was on his way toward success without interfering with freedom of the press or the right of pluralistic interests to support their own views in the give-and-take of parliamentary battle.

The truth, as a remarkable book called *Chile: The Balanced View*, edited by Francisco Orrego Vicuna (University of Chile Institute of International Studies, Santiago, P.O. Box 14187, Section 21) makes plain, is that Allende dug his own grave. *Chile: The Balanced View* is

not the work of partisans. Published in both Spanish and English, it consists largely of articles by such respected U.S. and British scholars and journalists as Robert Moss of the London *Economist*, Paul Sigmond of Princeton University, Edward Glab of the University of Texas, William Ratliff of the Stanford Hoover Institution, James Theberge of Georgetown University and Markos J. Mamalakis of the University of Wisconsin.

A Radical Plan

What happened in Chile was the inevitable consequence of Allende's attempt to ruin the middle classes as a prelude to bringing off a radical socialist *golpe*. When he assumed power Allende had a foreign exchange balance in the Treasury. With this balance as his cushion, Allende decided he had time to build an absolute majority (he had been elected in a parliamentary run-off after achieving a thirty-five per cent popular vote) by subsidizing consumption throughout a wide stratum of the people who would be called "shirtless ones" in the neighboring Argentine. By arbitrarily defining any company that had \$500,000 capitalization as a "monopoly," Allende moved boldly to take over practically the whole of Chilean industry. He wiped out unemployment by loading the payrolls of banks and steel com-

panies and the expropriated mining sector. Wages were raised without regard to productivity. Anaconda and Kennecott, which had been mining copper on a partnership basis with the previous Chilean governments, were told to skedaddle. They would get no money for their property.

The Christian Democratic government of President Eduardo Frei had already started a land "reform" before Allende took power. It had not been a success. But Allende made things much worse by putting peasants into collectives and failing to provide them with such mundane things as guidance, fertilizer, seed and machinery. Once the plantings that had been done under Frei had been exhausted, Chile had little locally grown food. In 1973, the last Allende year, Chile had to import \$600,000,000 in grain, meat and other food from abroad.

Wild Inflation

With the payrolls loaded with uneconomic employees at high wages, with the copper miners taking it easy, and with queues lengthening at the markets, Allende found himself in the middle of a rip-roaring inflation. He had told Régis Debray, the French follower of the guerrilla Che Guevara, that his commitment to a "peaceful" revolution was merely tactical, and he had said he was not "Presi-

dent of all the Chileans." His obvious duplicity had caused the Christian Democrats, Chile's big center party, to desert the coalition that had put him in power. When the truckers, most of them small businessmen who owned one or two trucks, struck to forestall their incorporation into a state-owned agency, it really paralyzed the country.

Allende had brought the army into his government, giving it a taste of power. When he refused to punish those responsible for a mutiny of left-wing lower-rank naval officers, and when the news seeped out that the Castroite radicals to the left of Allende's own Popular Unity socialists were about to use their illegal arms caches for a Communist takeover, General Pinochet of the Army, General Leigh of the Air Force, and their opposite numbers in the Navy and the Police, decided that it would be suicidal to let the "democratic" charade go on.

The importance of the articles by Robert Moss, Paul Sigmund and the rest in *Chile: The Balanced View* is that they conclusively demonstrate the widespread unpopularity of Allende's misnamed Popular Unity government. The courts and the parliament had already declared that Allende's tactical moves were illegal. But there was no way of coming to grips by peaceful

democratic means with the situation when Allende chose to disregard his own courts and legislature.

Since Allende

Chile: The Balanced View needs a sequel to bring things up to date. Unlike the Peruvian generals who want to run their own economy on "planned" lines, the Chilean junta is doing its best to turn things back to individual owners. The Finance Minister, Jorge Cauas, who studied under Arthur Burns at Columbia University, is letting "Chicago boy" thinking dominate much that he is doing. The land seized in the Frei and Allende "reforms" is being sold, in middle-sized chunks, to farmers who are willing to work it. The result has been an agricultural turn-around. Chile now has a surplus of foodstuffs that are being put into processed forms for export. The only food that Chile now imports is grain. With an expendable margin of wines, leather goods and other "non-traditional" exports, Chile's international trade in actual goods and services is now in balance.

The inflation is still high. (Cauas says it runs at 200 per cent.) The reason for this is that the government's Spartan decision to pay such foreign creditors as Anaconda, Kennecott and other mining companies in full for their nationalized proper-

ties forces the treasury to print pesos to buy foreign exchange from the Chilean exporters. The paper pesos become internal purchasing power. This monetary basis for the inflation will disappear when the foreign debt has been reduced to manageable proportions.

Cauas doesn't think this day is too far distant. His ideal—which would not wholly please a Chicago economist, not to mention an anarcho-capitalist—is to reduce government participation in the economy to twenty-five per cent, mainly accounted for by the national copper mines and State banking. This is not economic orthodoxy on the Vienna school model. But it is better than the sixty-seven per cent "public-sector" domination that had been saddled on the country by Allende.

The reason why the Communists carry on so unrelentingly about Chile is obvious: they resent any proof that the free market really works.



►LAURA: THE LIFE OF LAURA INGALLS WILDER by Donald Zochert. (Chicago: Henry Regnery Company, 1976) 260 pp., \$8.95.

Reviewed by Bettina Bien Greaves

THE ORIGINAL EIGHT autobiographical novels in Laura Ingalls Wilder's Little House series were written primarily for children, ages 8-14. They appeared first between 1932 and 1943.¹ Since then, two, going on three, generations of young people have enjoyed these tales of pioneering in the middle west. Boys and girls have laughed at Laura's escapades as a youngster, wept at the tragedies and misfortunes that befell her and her family and rejoiced at her love affair and her marriage to the dashing young Almanzo Wilder. The books have also pleased parents who appreciate their old-fashioned homespun philosophy. Woven throughout all the volumes is the idea that it is "best to be honest and truthful, to

make the most of what we have, to be happy with simple pleasures and to be cheerful and have courage when things go wrong." Laura had plenty of opportunity to learn "that life is not always kind, or nice," for in the raw western territory where she and her family pioneered something was always going wrong. Hardships, disappointments and death were no strangers. Laura came to realize that an important part of growing up came in accepting disappointments and tragedies without whimpering.

Most readers of the Little House books have become Laura Ingalls Wilder fans. They truly like the tomboy she portrayed herself to have been. They admire the courage she showed when things went wrong. As a result, many readers have wanted to distinguish the truth in these volumes from the fiction. They have wondered what Laura was really like, whether she really did have all the experiences she described. Many have even traveled to Pepin (Wisconsin), Independence (Kansas), Walnut Grove (Minnesota) and DeSmet (South Dakota), looking for traces of the little houses where she lived. Some of Laura's fans have been almost as persistent as those of Sherlock Holmes. Laura's fans—past, present and future—will be glad, therefore, to know of the new biography about her.

¹A ninth volume, published since Mrs. Wilder's death, is now included in the "Little House" series. They are all available, in both cloth and paperback editions, from Harper and Row. The titles of the nine volumes are: (1) *Little House in the Big Woods*, (2) *Little House on the Prairie*, (3) *Farmer Boy*, (4) *On the Banks of Plum Creek*, (5) *By the Shores of Silver Lake*, (6) *The Long Winter*, (7) *Little Town on the Prairie*, (8) *These Happy Golden Years*, and (9) *The First Four Years*. These books have also inspired a TV dramatization, the "Little House on the Prairie" series, produced by, and starring, Michael Landon.

Mr. Zochert has done a remarkable amount of research. He studied Laura's original handwritten notes and manuscripts. He compared available first drafts with the final texts of published books to discover how much they had been edited. He traced clues to be found among her papers, to learn about the people Laura described in her books. He visited the places where she had lived, studied town records and census reports to trace her friends and acquaintances and to learn their real names and destinies. Thus this biography is fully documented and researched. Yet it is smoothly and simply told and reads easily, like one of Laura's own stories. Appendices give the chronology of events in Laura's life, the history of the Little House books and information on how to locate the sites of the little houses themselves. Only the farm house in Mansfield (Missouri), where Laura and Almanzo moved in 1894, still stands—open in season to the public. The locations of the other "Little Houses" are now marked by historical plaques.

Laura's biography reveals, even more vividly than do her children's books, the hardships of pioneering. Biographer Zochert reports on the

very discouraging "lost year," edited out of the Little House series, when the Ingalls family, driven from their home on Plum Creek by plagues of grasshoppers two years in a row, retreated eastward and worked at various town jobs. The major part of this biography deals with the years Laura herself wrote about in her children's stories. However, the biographer goes beyond those early years. He carries her life, beyond her first four eventful years of marriage to Almanzo, to their move to Missouri² and their long life together on their farm and apple orchard.

Donald Zochert's biography is a worthy tribute to Laura Ingalls Wilder and the many other sturdy pioneers who settled and helped to civilize the vast open spaces of our middle west. Anyone who has read the Little House series will be fascinated. Readers who meet Laura here for the first time will undoubtedly want to read the Little House series themselves and to introduce these children's books to their favorite young people. 

² Described in *On the Way Home*, published by Harper and Row in 1962, with an introduction by Laura's daughter, Rose Wilder Lane.

the Freeman

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TEL: (914) 591-7230

LEONARD E. READ

*President, Foundation for
Economic Education*

PAUL L. POIROT

Managing Editor

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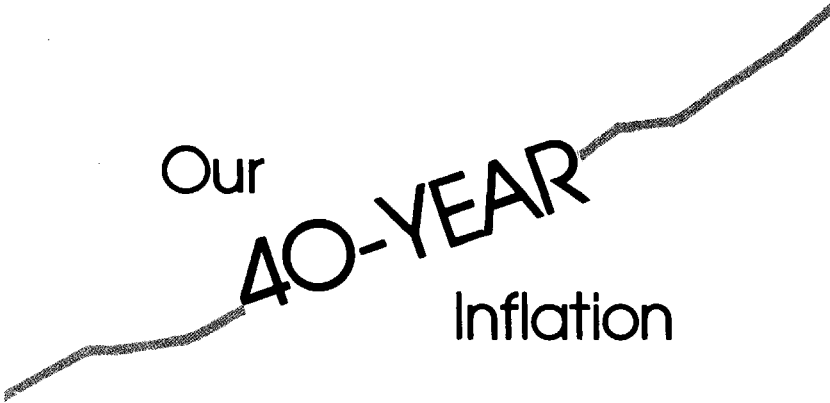
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Our 40-YEAR Inflation

A CASUAL READER of the newspapers and of our weekly periodicals might be excused for getting the impression that our American inflation is something that suddenly broke out in the last two or three years. Indeed, most of the editors of these periodicals seem themselves to have that impression. When told that our inflation has been going on for some forty years, their response is usually one of incredulity.

A large number of them do recognize that our inflation is at least

nine or ten years old. They could hardly help doing so, because the official figures issued each month of wholesale and consumer prices are stated as a percentage of prices in 1967. Thus the consumer price index for June of 1976 was 170.1. That was 0.5 per cent higher than in the preceding month and 5.9 per cent higher than in June of the year before. This means that consumer prices were 70 per cent higher than in 1967, a shocking increase for a nine-year period. The annual increases in consumer prices ranged from 3.38 per cent between 1971 and 1972 to more than 11 per cent between 1973 and 1974. The overall tendency for the period was for an accelerating rate. The purchasing power of the dollar at the end of the

Henry Hazlitt, noted economist, author, editor, reviewer and columnist, is well known to readers of the *New York Times*, *Newsweek*, *The Freeman*, *Barron's*, *Human Events* and many others. Best known of his books are *Economics in One Lesson*, *The Failure of the "New Economics,"* *The Foundations of Morality*, and *What You Should Know About Inflation*.

Chart A

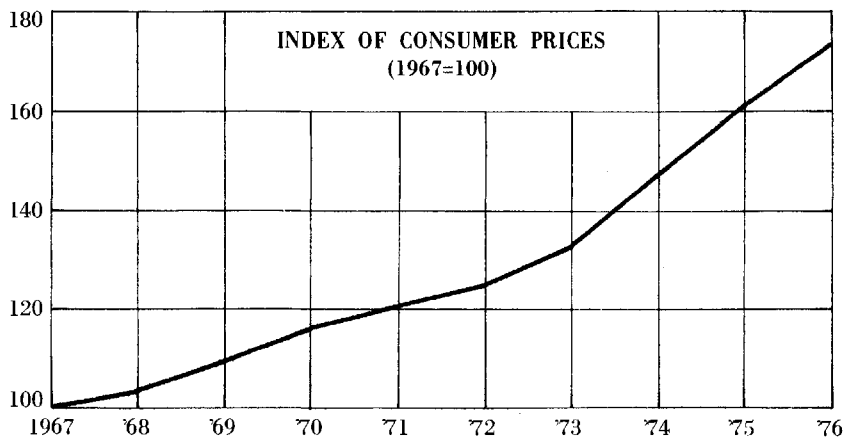


Table A

<i>Year</i>	<i>Money Stock (M₂)</i>	<i>Consumer Price Index</i>	<i>Purchasing Power of the Consumer Dollar</i>
1967	100.0	100.0	100.0
1968	108.9	104.2	96.0
1969	116.2	109.8	91.1
1970	121.0	116.3	86.0
1971	135.0	121.2	82.5
1972	149.3	125.3	79.8
1973	163.6	133.1	75.1
1974	177.4	147.7	67.6
1975	191.0	161.2	62.0
1976	218.7e	173.9e	57.5e

e Estimated from data through June.

period was equivalent to only about 57 cents compared with just nine years before.

Starting in 1933

But the inflation may be dated from as early as 1933. It was in March of that year that the United States went off the gold standard. And it was in January of 1934 that the new irredeemable dollar was devalued to 59.06 per cent of the weight in gold into which it had previously been convertible. By 1934, the average of wholesale prices had increased 14 per cent over 1933; and by 1937, 31 per cent.

But consumer prices in 1933 were almost 25 per cent below those of 1929. Nearly everybody at the time wanted to see them restored toward that level. So it may be regarded as unfair to begin our inflationary count with that year. Yet even when we turn to a table beginning in 1940, we find that consumer prices as of 1976 are 314 per cent higher than then, and that the 1976 dollar has a purchasing power of only 24 cents compared with the 1940 dollar.

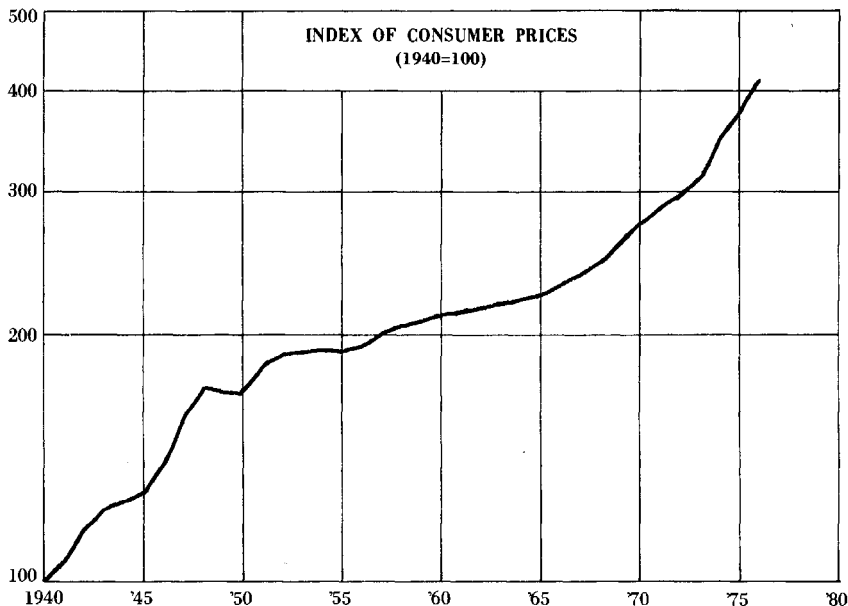
These results are presented herewith for each year in two tables and three charts. I am indebted to the American Institute for Economic Research at Great Barrington, Massachusetts for compiling the tables and drawing the charts at my request.

The figures tell their own graphic story, but there are one or two details that deserve special notice. In the thirty-six-year period the nation's money stock has increased about thirteen times, yet consumer prices have increased only a little more than four times. Even in the last nine of those years the money stock increased 119 per cent and consumer prices only 74 per cent. This is not what the crude quantity theory of money would have predicted, but there are three broad explanations:

Measurement Is Arbitrary

First, measuring the increase in the stock of money and credit is to some extent an arbitrary procedure. Some monetary economists prefer to measure it in terms of what is called M-1. This is the amount of currency outside the banks plus demand deposits of commercial banks. The accompanying tables measure the money stock in terms of M-2, which is the amount of currency outside the banks plus both the demand and time deposits of commercial banks. M-1, in other words, measures merely the more active media of purchase, while M-2 includes some of the less active. I have used it because most individuals and corporations who hold time deposits tend to think of them as ready cash when they are considering what purchases they

Chart B



can afford to make in the immediate or near future. But in recent years time deposits have grown at a much faster rate than demand deposits. So if one uses M-2 as one's measuring stick, one gets a much faster rate of increase in the monetary stock than by using M-1. (The latter has increased only eight times since 1940.)

Rising Productivity

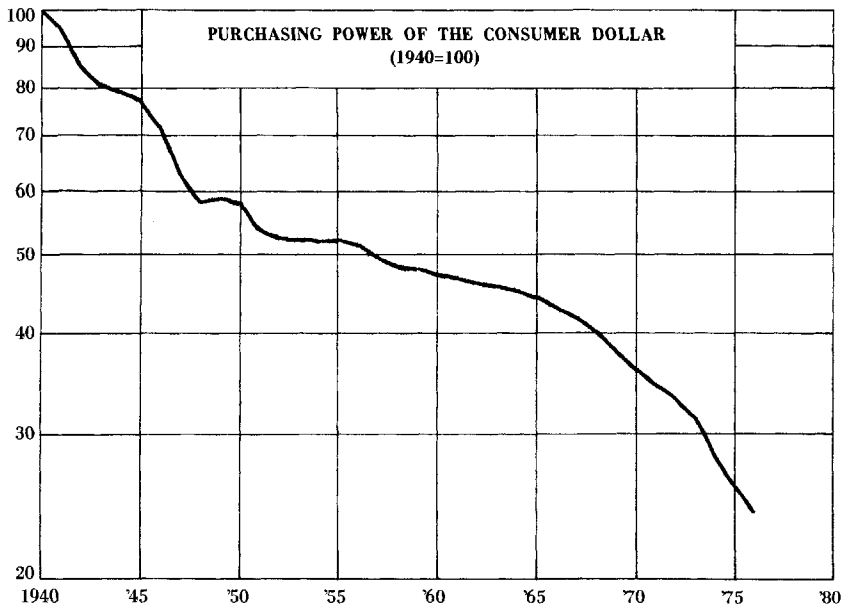
Second, one very important reason why prices have not gone up as fast as the monetary stock is that

both overall production and production per capita have risen steadily almost year by year. With the constant increase in capital investment—in the number, quality, and efficiency of machines—both overall productivity and productivity per worker have risen, which means that real costs of production have gone down.

Delayed Reactions

The third explanation has to do with subjective reactions to increases in the money stock. Sta-

Chart C



tistical comparisons in numerous countries and inflations have shown that, when an inflation is in its early stages, or has been comparatively mild, prices tend not to rise as fast as the money stock is increased. The fundamental reason is that most people regard the inflation as an accidental or unplanned occurrence not likely to be continued or repeated. When an inflation is continued or accelerated, however, this opinion can change, and change suddenly and dramatically. The result is that

prices start to rise much faster than the stock of money is increased.

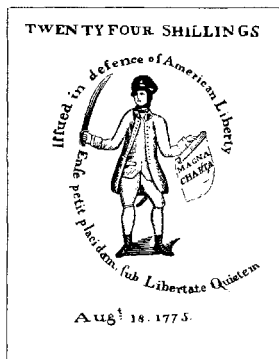
The great danger today is that what has been happening from 1939 to 1976—to prices as compared with the rate of money issue—may have given a false sense of security to our official monetary managers as well as to most commentators in the press. The enormous increase in the American money stock over the past thirty-five to forty years must be regarded as a potential time bomb. It is too late for continued complacency.

Table B

<i>Year</i>	<i>Money Stock (M₂)</i>	<i>Consumer Price Index</i>	<i>Purchasing Power of the Consumer Dollar</i>
1940	100.0	100.0	100.0
1941	113.2	105.1	95.1
1942	128.9	116.4	85.9
1943	162.9	123.6	80.9
1944	193.5	125.6	79.6
1945	229.4	128.5	77.8
1946	251.3	139.3	71.7
1947	264.5	159.4	62.7
1948	268.3	171.7	58.2
1949	267.2	170.1	58.8
1950	273.2	171.7	58.2
1951	283.3	185.5	53.9
1952	298.7	189.5	52.7
1953	310.1	191.0	52.4
1954	321.0	191.8	52.1
1955	332.8	191.2	52.3
1956	338.6	194.1	51.5
1957	347.5	200.8	49.8
1958	364.3	206.4	48.5
1959	381.3	207.6	48.2
1960	385.1	211.3	47.3
1961	405.3	213.5	46.8
1962	428.7	216.0	46.3
1963	456.4	218.6	45.7
1964	485.0	221.5	45.1
1965	523.9	225.2	44.4
1966	564.6	231.8	43.1
1967	607.9	238.3	42.0
1968	662.2	248.4	40.3
1969	706.3	261.7	38.2
1970	735.4	277.3	36.1
1971	820.8	288.9	34.6
1972	907.4	298.6	33.5
1973	994.8	317.2	31.6
1974	1,078.5	352.5	28.4
1975	1,160.9	384.2	26.0
1976	1,329.2e	414.3e	24.1e

e Estimated from data through June.





A Massachusetts
treasury note of 1775

Fiat and the Founding Fathers

IN THIS BICENTENNIAL YEAR, it is paradoxical that with all the reverence being addressed to the Constitution by the courts, Congress, and presidential aspirants, no one has come forward to challenge the Constitutionality of our money system.

The importance of such a re-examination is emphasized by a recent Yankelovich survey reporting that the issue of greatest concern among voters was inflation (53 per cent). Inflation is obviously a problem which has eluded the skill of our money managers, working under prevailing monetary theory, and has defied the edicts of Congress to resolve.

Elgin Groseclose, head of Groseclose, Williams & Associates, financial and investment consultants of Washington, D.C., serves also as executive director of the Institute for Monetary Research, Inc. He is author of *Money and Man* (1934), the 4th edition of which, with revisions and additions by the author, has just been published by the University of Oklahoma Press.

On August 17, 1787, the Constitutional Convention, sitting as a Committee of the Whole, discussed a draft article defining the powers of Congress under the projected new Constitution. A portion of the draft read, "Congress shall have power . . . to coin money, emit bills of credit, regulate the value thereof. . ."

Gouverneur Morris, delegate from Pennsylvania, highly regarded as a financier, an associate of Robert Morris, who had been largely responsible for the successful financing of the Revolution, rose to propose an amendment. The amendment, as James Madison recorded in his *Notes on the Constitutional Convention*, the principal record of the proceedings, was to strike the words "emit bills of credit." In 1787 language, bills of credit were synonymous with paper money.

"In no country of Europe," a delegate noted, "is paper money legal tender, but only gold and silver

coin." He had no need to recall the flagrant paper money emissions of the first Continental Congress, which by 1781 had totaled an estimated \$200 million, an enormous sum for the times, and which had fallen to a discount of 99 per cent before Robert Morris stopped their emission.

There was little debate. The offending language was removed by almost unanimous vote. It was clearly the intention of the framers of the Constitution that paper should not be allowed as legal tender in the new Union. To reinforce this conviction, the Convention enacted a provision forbidding the member states of the Union to emit paper money (bills of credit) or to declare as legal tender anything but gold and silver coin.

In 1831, Albert Gallatin, who had served Jefferson and Madison as Secretary of the Treasury (1801-1814) declared that "it necessarily follows that nothing but gold and silver coin can be made legal tender," and Daniel Webster in a speech in the Senate, in 1836, proclaimed, "Most unquestionably there is no legal tender, and there can be no legal tender in this country but gold and silver..."

While the idea was already being debated that the supply of money should correspond to the needs of trade and some political economists argued that sovereign states could

declare their paper money legal tender, the framers of the Constitution held to the view that money should consist of something substantial, and that if paper were issued as an expedient it should always be representative of, and redeemable in, coin.

From this accepted principle, built into the foundation of the American political system, modern practice has so far diverged that money today consists of neither gold nor silver coin, but only a degraded alloy together with a vast amount of paper money irredeemable in any metal. John Law, the Scottish financier who became Comptroller General of France, in a disastrous experiment tried to make paper money representative of the wealth of France. What circulates today as money is not evidence of wealth but paradoxically the very opposite, the absence of wealth, that is to say, debt, which is no more than a pious hope for later possession of wealth.

"Freeing up the Money Supply"

How did this revolution occur?

During the Civil War Congress, as a war measure, authorized the issuance of circulating notes declared to be legal tender. The action was stoutly debated and, while it was eventually approved by the Supreme Court, the principle continued to govern that paper money,

unless fully redeemable in lawful money, that is gold or silver coin, was allowable only as a recourse of national emergency. It was not until the Federal Reserve Act in 1913 that the view became authoritative that circulating notes could be issued against evidences of debt. Until 1934 such notes could be regarded, in a sense, as representative of metal, since they were redeemable in gold, but thereafter irredeemable by U.S. citizens, and they were never full legal tender until 1965. After 1971, they became completely inconvertible in metal. At present the circulating media of this country consist of some \$9 billion in degraded coin and \$77 billion of Federal Reserve notes, plus a small amount of other notes.

Source of Inflation

The consequences of this revolution will be discussed later. For a moment let us look at the intellectual atmosphere in which it was nurtured. As a consequence of a sudden collapse of credit in 1907, leading to what has been called a money panic, the Federal Reserve System came into being with the object of adjusting the supply of money to finance the seasonal trade of a then mainly agricultural economy. This limited concept of "flexible currency" was soon expanded under the necessities of World War I when the Federal

Reserve notes and credit were used to finance the government.

In 1923, the Federal Reserve managers concluded that the System's power should be used in the interest of a stable price level, under the theory that as the production of goods rises the money supply must also rise at comparable rate to provide business with the means of payment. The theory flew in the face of the fact that a prime purpose of technology is to make goods more abundant, and presumably cheaper in order to be more widely distributed. It also overlooked the fact that the technology of money was being improved, through banking and credit procedures, so that a given supply of money could serve a greater volume of transactions.

Nevertheless, the theory became a justification for a steady expansion of the money supply, some economists advocating a regular, mathematical rise in the money supply regardless of the rate of physical growth. So embedded, in fact, has the idea become that both the Democratic presidential candidate Gov. Carter and such a conservative Republican as Secretary of the Treasury William Simon, have indicated that they regard a monetary inflation of three per cent annually as normal.

The use of debt money created by the Federal Reserve was further expanded by the Employment Act of

1946, by which the Federal government assumed responsibility for providing employment opportunities for all.

Purchasing Power Theory of Money

In discharging its responsibilities under the Employment Act of 1946, the managers of the System undertook a still deeper intrusion of Federal authority into management of the economy. Heretofore money had been considered to consist only of the official circulating media. The System now undertook to redefine money not in terms of its substance but of its attributes. Money was purchasing power, and since bank deposits were a form of purchasing power, the System now began to treat money as the sum of the circulation plus demand deposits. This purchasing power was called M_1 to distinguish it from the official circulation, known as M . The Federal Reserve is able to influence the amount of such purchasing power by its authority over the reserves which member banks of the System must carry.

It now became apparent that there were other forms of purchasing power besides that represented by circulating notes and coin and demand deposits, and to extend its authority over the economy the System developed the concept of M_2 consisting of circulating media and demand deposits (M_1) plus savings

bank deposits, since a savings bank deposit can obviously be converted on notice to purchasing power by means of a withdrawal or transfer to a checking account.

The Insubstantiality of Money

What is universal about all these forms of money— M , M_1 , M_2 —is that they are forms of debt rather than substance. Bank deposits represent the bank's liabilities to depositors, secured in turn by various liabilities of others to the banks, plus a minute amount of physical assets. The liabilities consist of loan obligations of bank customers and investments, which in turn consist principally of debt instruments, that is, corporate bonds and U.S. Treasury obligations, and deposits at the Federal Reserve Bank, which in turn are obligations of that institution. The bank may also hold a small amount of physical assets, consisting of bank premises and furnishings, and real estate acquired in liquidation of foreclosed loans, and in course of sale. The bank may also hold a small amount of cash, but this cash, consisting of Federal Reserve notes and coin is again in form of obligation, unless coin is considered a physical asset to the extent of the market value of the metal contained.

The consequences of this transferring the concept of money from substance to purchasing power

is to enter an uncharted realm of theory, in which the power of government to intervene in individual affairs is open to unlimited expansion. The idea of a government of limited or delegated powers disappears. Thus, the question of the extent to which credit cards are a form of money now engages the attention of the System managers, since credit cards are a form of purchasing power.

But there are other forms more elusive. Thus, if A, a grocer, gives his doctor a note of hand for services rendered, the note represents purchasing power in that A thereby acquired services without equivalent goods or services in payment. If the doctor in turn returns the note to A in payment of merchandise, he has used purchasing power that has escaped the statistics of the Federal Reserve. In short, any good or service that has exchange value is a form of purchasing power, and to put all this purchasing power under the control of the Federal Reserve is to give that agency a control or influence over the livelihood activities of the country, the extent of which is yet to be tested.

The Consequences of the New Money

We may now examine briefly the consequences of this departure from the monetary views of the Founding Fathers. In only 15 years, 1960-

1975, the Federal Reserve notes in circulation more than doubled, from \$27½ billion to \$77 billion, and coin in circulation from \$2½ billion to \$9 billion. In the same interval the purchasing power fostered by the System in the form of demand deposits, so-called M_1 , increased from \$141 billion to \$295 billion.

The flooding of the country with such an immense amount of new purchasing power had its inevitable effect on prices, with the index for consumer commodities doubling from 88 to 167.

The virus of inflation, feeding on the lush growth of paper money, was not limited to this country, but has become a world-wide plague, a disease carried by the U.S. dollar and the American doctrine of central banking into every corner of the planet. Utilizing a device first developed and approved by the Genoa Conference of 1922, that the debts of a rich country could be counted as the assets of a poor, impecunious governments set up central banks with power to issue notes against U.S. Treasury obligations. Since the Federal Reserve notes and deposits were until 1971 redeemable in gold, such obligations were treated as the equivalent of gold.

Regrettably, the practice proved its own undoing. At the end of World War II the U.S. Treasury held about \$25 billion in gold (at \$35 an ounce), but U.S. fiscal recklessness,

inordinate foreign aid expenditures, and excessive credit issues domestically, led the shrewder foreign governments to convert some of their U.S. Treasury debt into gold, until by 1968 the U.S. stock had diminished to less than \$11 billion (at \$35 an ounce). The accelerating weakness of the dollar in the succeeding years required the Treasury to put restraints on the outflow, and in 1971 redemption ceased altogether. The consequence has been a world-wide currency debacle with exchanges unstable and great banks in bankruptcy from foreign exchange losses.

Consequences—Mathematical and Moral

Space does not permit an examination of the economic and social consequences of continued inflation of prices from the issue of fiat purchasing power, and they are too evident in the mounting unrest and dissatisfaction with the political system to require description. It is necessary only to add that the unwillingness of governments to deal decisively with inflation is a

leading cause of the disintegration of U.S.-European political influence in world affairs.

The reason for this political impotence lies at a deeper level than the economy. It goes profoundly to the realm of morals. Money is rightly called the life blood of commerce. When the blood is corrupt the whole body is diseased. There is an essential corruption and moral debility in a monetary system that permits a government to spend and distribute largess obtained without taxation, by a process so simple as a book-keeping entry or the operation of a printing press, thereby to create purchasing power that enters the market in competition with purchasing power gained through the efforts of human labor and ingenuity.

Alexander del Mar quotes Antoninus Augustus: "Money had more to do with the distemper of the Roman empire than the Huns or the Vandals," and the system of fiat money into which this country has fallen, in violation of the Constitution, may be the distemper to which this country may soon succumb. 

James Madison

IDEAS ON



LIBERTY

THAT IS NOT A JUST GOVERNMENT, nor is property secure under it, where the property which a man has in his personal safety and personal liberty is violated by arbitrary seizures of one class of citizens for the service of the rest.



How Many Servants Can You Afford?



BERTEL M. SPARKS



THE TITLE for this paper began as, "How Many Servants Do You Want?" As that question was put to a few people chosen at random, a rather uniform pattern of responses began to appear. Almost everyone who was asked replied that he would like to have all the servants he could get, all he could afford, or other words substantially to that effect. No effort was made to assure the selection of a scientifically accurate sample, nor is there any claim that the answers received are characteristic of the population as a whole.

But regardless of how those points are resolved, it does appear a bit useless to consider the number of servants one might like to have

without giving thought to the costs and conditions upon which the servants might be obtained. It was with that in mind that the title was changed to, "How Many Servants Can You Afford?" By putting the question in that form, it is intended to call for some consideration to the alternatives to having servants as well as an evaluation of the reasons justifying the choice concerning the number of servants a particular person might find desirable or appropriate for his situation.

For the purpose of this discussion, a servant might be a slave who is being held in bondage against his will, an employee who is working under a freely negotiated contract with his employer, a business partner sharing reciprocal rights and obligations with another, a sup-

Bertel M. Sparks is Professor of Law at Duke University School of Law, Durham, North Carolina.

plier who is furnishing merchandise at a price the customer is willing to pay, or a party to any one of numerous other economic relations that human beings might enter into.

Serving Each Other

It should be noted that in each of these relationships the party being served is also providing some kind of service to the servant. The General Motors Corporation is serving the customer when it sells him an automobile; the customer is serving General Motors when he pays the price. Business partners are serving each other when they join together to pursue a joint venture. An employee is serving the employer by the service he performs; the employer is serving the employee when he pays the wages. Even the slave who is being compelled to work against his will is being served by the master when the master provides the slave with food, clothing, and shelter. Thus it is that every master is also a servant and every servant is also a master. It is a reciprocal relationship in which nobody is getting anything for nothing, and nobody is giving up anything without getting something in return.

But ever since Adam and Eve partook of the forbidden fruit in the Garden of Eden, the human animal has had a tendency to search for

ways of obtaining something for nothing. It is an effort to get all the services possible while giving as little as possible. It is the impulse to say, "Yes, I want all the servants I can get—provided they don't cost anything." And while some particular human beings might successfully deny that they have any such impulse, the fact remains that it is present in the vast majority of us.

And that impulse, that desire to get something for nothing, becomes an effective tool in the hands of the political interventionist. It enables one who is an interventionist or statist candidate to win votes by promising to supply the things the voter wants. He promises tariff laws that will relieve the businessman from the burden of foreign competition, higher wages to the laborer, financial security for the elderly, lower rent for tenants, urban renewal funds for the cities, higher subsidies for the farmers, food stamps and rent subsidies for the lower income groups, and guaranteed education and ideal medical care for everybody. The voter's attention is so much centered upon the apparent attractiveness of the things being promised that he tends to forget that the office seeker making the promises doesn't have any of these things to give. Neither will he have any of them after he gets into office. The only way the office holder can obtain any of the

items promised is to seize the earnings of one special interest group and distribute those earnings to another such group.

Promises and Payments

But the things promised, at least some of them, do show up in the hands of the promisees; and the promisees continue to give their votes to the candidate making the biggest promises. One candidate promises to get sufficient Federal funds for urban transportation to maintain the artificially low-priced subway ride in New York City. Another promises sufficient funds to guarantee Kansas wheat farmers more income for less wheat than the open market is willing to give. Both candidates win. They meet in the cloak room on Capitol Hill, confess their sins to each other, and each one pledges to help the other deliver on his promise.

As the farmer collects the higher price for his wheat and the New Yorker enjoys his subsidized subway ride, each of them takes pride in the fine representative he has in Washington. As the farmer and the subway rider see it, each representative has just demonstrated that free servants are available, and that the honest citizen can get something for nothing—if he will vote for the right candidate. The New Yorker fails to see that his own taxes have been increased in order to pay the

Kansas farmer to cut down on his wheat production so the farmer can get a higher price for what he sells; so the New Yorker will have to pay a higher price for his bread. In like manner, the farmer doesn't seem to realize that his taxes have been increased in order to subsidize the urban transportation system, so the city dweller can enjoy a higher standard of living while lowering his own level of production; so the farmer will have the dubious privilege of paying higher prices for the tools and machinery he has to buy. The farmer and the subway rider are expropriating each other's productive capacity and paying a handsome royalty to an unruly bureaucracy for the privilege of doing it. In the market place that would be called plundering; in the political arena it is known as social progress.

The wheat farmers and the subway riders are not the only special interest groups in our society. There are numerous others and they are all competing for attention. The skillful politician is the one who succeeds in identifying the special interest group or groups that can be used to put together a winning margin in his constituency. And for this purpose, the group need not be a majority or anything even close to a majority.

Throughout most of the political history of the United States we have

had two major political parties, the voters being in approximately equal division between them. A shift of only a few percentage points is usually enough to win an election. If any one candidate can avoid upsetting that balance and at the same time find some special interest group to whom he can make enough promises to win an almost unanimous support from that group, he can usually be assured of election even though the special interest group is comparatively small. Once that politician is in office, he is in a position to use the powers of government to plunder other citizens for the special advantage of his particular group. The immediate temptation of the competing politician is to seek the votes of some other special interest groups by promising his brand of special privileges to them.

Competing for Favors

As the competition for votes increases, each candidate finds it necessary to broaden his base. He must make more promises to more people. As these promises are fulfilled, more and more people find it advantageous to lower their own level of production so they can qualify for larger appropriations from the public till. Direct payments to farmers for producing less is an example of this. So are rent subsidies and food stamps for the

lower income groups and government loans or grants to failing businesses. The loan or grant to a failing business falls within this category because in its essence it is a financial reward for being an unproductive enterprise. At the other end of the scale some of the less-skilled members of society learn that it is more profitable to them to cease production altogether and rely upon the relief rolls for everything.

As this contest between candidates is accelerated and each candidate makes more and more promises to more and more people, society tends to become fragmented into competing groups. In such an atmosphere there is a tendency to neglect the basic rights, especially the right to equal protection, which the American Constitution guarantees to every human being simply because he or she is a human being. Emphasis is shifted away from the rights of individuals and toward the supposed rights of competing groups where each group is representing a particular special interest of some kind. The individual tends to be ignored or else he becomes swallowed up in the melee of oratory about the rights of farmers, the rights of business, the rights of women, the rights of teachers, the rights of minority races, the rights of the elderly, the rights of the young, and so on without end.

Justifying Failure

As each of the competing groups tries to justify its claim to financial assistance from the government, it bases that claim on its own failure to meet minimum production standards. The failure might have been the result of poor management by the failing party or it might have been the result of a natural disaster or other unforeseen event beyond the control of the individual or individuals concerned. But regardless of the reason, the economic expectations of some special interest group have not been met, and the government is called upon to supply the shortage. That is to say, the government is called upon to supply some "free" services. Unfortunately, the government has nothing to give to any special group except what it expropriates through taxation or otherwise from some other group.

The contest becomes a contest between producers and non-producers with the government aligned on the side of the non-producers. This result has nothing to do with whether government officials are honest or dishonest, wise or stupid. They are mere agents administering a system which the citizens, acting in their capacity as voters, have demanded. It is a system that includes in its own mechanism the seeds of its own destruction. The marginal producer,

whether he is a laborer or a manager, cannot avoid seeing the advantages of allowing himself to fall below the survival line, cease his contributions to those who are still farther below, and qualify for a claim upon his government, and through his government upon his more successful competitors, for his own support. And each individual or business enterprise that takes that step will automatically draw the producer who is only slightly higher on the economic scale just a little closer to that same survival line. Eventually all are pulled below it and are faced with the necessity of beginning over again without any prosperous neighbors upon whom they can call for help and without any backlog of capital they can use as a starting point.

How many servants can you afford? Not many, if the servants are government agents offering their services "free." Their cost is too high. Being a system based upon rewards to nonproducers and penalties for producers, the system's ultimate end is the destruction of both rival groups and itself as well. Servants who are voted into their jobs upon their promises to give something for nothing are too expensive in a world of scarce resources. That which "free" servants give to one must be seized from another. And since the method of seizure is such that it

tends to discourage production, there are fewer and fewer goods available to be seized.

The Exchange Economy

But if human existence is to be maintained in any form other than in its most primitive state, there must be servants. There must be some form of sharing of benefits and burdens. If each individual must retreat to a state of nature and procure his own food, shelter, and other provisions with his own hands, he will be lucky to find time to rear his young, to say nothing of accumulating any of what are now referred to as the amenities of civilization. This is true regardless of the skills or abilities the individual citizen might possess. His economic development cannot advance very far unless there is some sharing of responsibilities, some division of labor.

Our hypothetical citizen of that primitive society might be an especially skilled shoemaker. He might even be the best shoemaker of his generation. But if he has to raise his own vegetables, catch his own game, make all his own clothing, and do all the other things that are going to be done toward his own preservation, he will have very little time left for shoemaking.

If he happens to have a neighbor whose talents lie in the direction of the hunt and the catching of game,

the two of them might work out an arrangement whereby one is to procure and supply the skins while the other makes the shoes. As each neighbor pursues the particular trade for which his skills and inclinations are best adapted, each one of them will be able to have better shoes with less effort. They might even divide the meat that accumulates as a by-product of their shoe business and improve their eating habits. The division of labor will have begun and each of the two participants will have discovered that he is better off than he was before. Each one is a servant of the other and each one is being served by the other. It is a willing exchange that is serving to enhance the material well-being of both parties to the transaction. Just when and how that development occurred is lost to antiquity. But that it or some similar development did occur at some time appears to be a virtual certainty. And as soon as that step was taken, the idea that a trade which results in a gain to one party is necessarily a loss to the other was exploded and a new industrial era was born. Both the shoemaker and the hunter benefited from their trading with each other. Each one gave up a commodity of which he was in long supply, and each one received an item of which he was in short supply. The balance of trade was maintained.

But before such an exchange economy could operate very satisfactorily, a few other conditions had to be met. The shoemaker needed some assurance that his store of skins could be protected while they were waiting to be manufactured into shoes, and that his store of shoes could be protected after they had been made and while they were waiting for trade. He also needed some assurance that his contracts would be honored and that he would be able to walk around outside his shop without being murdered or exposed to other kinds of physical violence.

To meet this need, governments were established whose function it was to prevent murder, stealing, and other forms of violence, as well as to restrain deceit, perjury, the breaking of contracts, and similar forms of antisocial behavior. To enable the government to carry out these functions, it was given the exclusive right to use force upon other human beings. The government became a kind of organized self-defense through which the citizens managed to shield themselves from the necessity of providing their own individual self-defense.

A Considered Risk

In delegating the exclusive right to use force to the government, humanity took a dangerous step. It was dangerous because it clothed

government with the power to use its newly acquired force to impose tyranny, or even slavery, upon its citizens. And when such a power is present in any people anywhere, there is also present a risk that the power might be exercised. While the risk involved in delegating that kind of power to any government is always high, the value of having a government clothed with such a power is also high so long as the government can be confined to its proper function of keeping the peace, protecting private property, and enforcing contracts that have been voluntarily entered into. Humanity chose to assume the risk.

With the protection afforded by an apparently responsible government, the shoemaker and the hunter were ready to continue their convenient trading arrangement with confidence in spite of the high-risk burden they were carrying. It can well be imagined that such an ingenious pair of fellows as these soon located a third neighbor who preferred the growing of fruits and vegetables to either catching game or making shoes. A three-way arrangement was worked out to the mutual advantage of all three participants. As each member of the trio pursued his own chosen occupation, the three of them were able to enjoy better shoes and more meat and vegetables with less effort than was possible as long as each one was

left to the elementary pursuit of all his own needs. There was more time to think, to plan, and to make better tools which resulted in still further improvements in the standard of living for all participants.

The Economy Develops

As soon as the advantages of this limited division of labor were felt, other entrepreneurs began to follow the example set by the three hypothetical industrial pioneers. Other specialties were developed. Each newcomer who entered the field soon learned that there was only one way by which he could gain anything from the arrangement. That way was to produce something that somebody else wanted and offer that item in exchange for something sought by the offerer. No one was offering goods or services "free." It was a voluntary, exchange economy that presented a drastic contrast to the hostile economy of our present era in which each business or occupational group is calling upon government to apply force to compel other producers to share their wealth with the disgruntled party without regard to whether the disgruntled party has anything to offer in exchange.

As the trading community expanded, the three original entrepreneurs were probably amazed at their own success. As the shoemaker's skills became more re-

fined, he found himself making more shoes than could possibly be worn by himself, his family, and his immediate associates. His production was improving in both quantity and quality. By using the excess shoes in trade, he was able to procure his groceries, his trousers, his home, and even his medical care. Other artisans had entered the toolmaking business and were offering to supply the shoemaker with a new and improved line of tools in exchange for some of his shoes. More advanced specialization was on its way. The shoemaker soon found that it was more profitable for him to completely abandon all work except shoemaking. Other things he needed were being offered to him in exchange for his efficiently produced, high quality shoes.

Each artisan, farmer, laborer, manager, or whatever soon learned that when he devoted his attentions to the particular trade that was most adaptable to his particular interests and abilities, he could maintain a higher standard of efficiency than was otherwise possible. With each one concentrating on the thing he did best, the aggregate productivity was elevated. With each member of the community free to trade his surplus commodities for other commodities of which he was in short supply, each one was in a position to elevate his personal standard of living for the mutual

benefit of all. To say that each one was acting as a servant of someone else and each one was being served by someone else would be a gross understatement. The truth is that each one was being served by numerous others, not all of whom could ever be identified; and each one was serving an equally large and equally undefinable group who were out there somewhere and who were unknown to the party or parties rendering the service.

Spreading Competition

Have another look at the shoemaker. It is obvious that he is being served by the suppliers of raw materials, food, clothing, and other commodities that are being traded directly for shoes. But is that all? What about the would-be suppliers who would like to trade their goods for shoes but haven't succeeded in doing so? Their problem seems to be that there is a limit to the amount of food the shoemaker can eat or the number of pairs of trousers he can wear. A competing supplier tries to offer a better quality of goods for the quantity of shoes he wants or else he offers a larger quantity of goods of the same quality the shoemaker is accustomed to receiving.

Whether the new competitor will succeed in his efforts can never be known until after he has tried. But even if he never makes a sale, he is likely to become one of those hidden

or unknown servants of the shoemaker. His presence in the market place with his attempt to make a sale is likely to put sufficient pressure on the old suppliers to cause them to improve their own offerings. The shoemaker is likely to get better food and better trousers even though he continues to trade with the same suppliers. The competitor who failed as a trader will have succeeded in bringing about that indirect result. Unwittingly, he became the shoemaker's servant in a way he had not anticipated.

As the trading community expanded and competition became a more significant factor to be reckoned with, other forces were at work all along the line. Other toolmakers were competing for an opportunity to get their shoes by furnishing the shoemaker with more and better tools for his trade. Since the shoemaker was free to obtain his tools wherever he wished, he tended to do business with the artisan who could give him the best service at the lowest possible cost. The result was that he soon had a vast array of servants competing with each other to determine who could provide the best tools at the lowest cost to the shoemaker.

As better tools at lower cost became available, the shoemaker's cost of production declined. He was faced with the choice of either lowering the price of his shoes or

else leaving the door open for a competitor who might acquire the more efficient tools and place a competing line of shoes on the market at a price designed to undersell the original producer. Whichever route was taken, the resulting advantage was to the people who wore shoes. Now whose servants were all those competing toolmakers, some of whom actually supplied tools to the shoemaker and some of whom didn't? They were at least the servants of all people who wore shoes.

The fact is that the services of the toolmakers extended well beyond the wearers of shoes. As the cost of shoes declined, the wearers of shoes were left with more resources to devote toward improvements in the production of food, clothing, housing, education, recreation, or whatever else they happened to desire. The toolmakers were servants of all these people.

But what happened to the toolmakers who failed to sell anything to the shoemakers? There was no set pattern. Some of them discovered that they were unsuited for the toolmaking trade. They entered other occupations. Most of them probably made only minor adjustments in their designs and made tools for the clothesmakers, the farmers, the hunters, the tanners of hides, or anyone else who might have been in need of tools or

machinery. Their competition with other toolmakers taught them the art of adaptability.

Result: The Free Market

What emerged was a system of cooperation through competition. It was the free market. It was a system in which there was no possibility of gain for anyone without his offering some good or service that others wanted. It was a system where a gain was guaranteed for everyone who did make such an offering. Free trade means the absence of coercion. And in the absence of coercion, no one is likely to consciously give up the goods or services under his control unless he intends to make a gift or else he gives up the good or service he has in order to get something he wants more. There can be no exchange unless each party to the transaction receives something which he subjectively values more than he values the things he gives. Each party is necessarily the servant of the other. And as long as individual choices are left unhindered in the market place, trade necessarily remains in balance. Shortages are avoided. No computer has yet been invented that is capable of keeping an economy in such perfect harmony as is accomplished automatically in an unhindered market.

Thus far all our discussion of the developing market system has been

approached in terms of a barter exchange. Emphasis has been upon the exchange of goods a trader has but wants less for the things he does not have but wants more. No doubt that is the way it all began. But industrial progress cannot advance very far on the economic scale until there is a medium of exchange. Some of the transactions already described would probably not have taken place had there not been a medium of exchange to assist the transaction.

A farmer who was specializing in potatoes might have found that the shoemaker was already supplied with potatoes and therefore not interested in giving up a pair of shoes for any quantity of that commodity. The farmer might have traded his potatoes for some other commodity, maybe corn, tobacco, whiskey, a precious metal, or some other item, that was comparatively imperishable and had a fairly uniform value throughout the community. He then traded that commodity, or a portion of it, to the shoemaker for a pair of shoes. The shoemaker might or might not have been interested in consuming the corn, tobacco, or whatever the medium was, but he had confidence that it would be acceptable in trade for merchandise he did want. He had discovered a commodity that was convenient as a medium for facilitating an indirect exchange

and also convenient as a store of value for future use.

The story of just how a medium of exchange was developed and how it operates is a fascinating one, but it is sufficient for present purposes to say that it did come and that an industrial economy was developed. After several generations and many transitional steps, the lonely shoemaker became the Amalgamated International Shoe Company and the toolmaker became the Consolidated Machine and Foundry Corporation. Both companies were surrounded by other industrial giants of comparable magnitude. Each enterprise was out seeking the greatest gain possible for itself. In such a world as that, how many servants can you afford? How many are already available? Look and see!

Johnny's Servants

Have a look at a man named Johnny who is an individual in a remote section of the United States in the 20th century. He does not own any stock in any corporation, has only a grade school education, and is employed as an unskilled laborer in a small textile plant which, with its 65 employees, is the only industrial enterprise within 50 miles of where Johnny lives. How many servants can Johnny afford?

It has already been observed that in the government-regulated economy where government is in

the business of seizing from the producers to reward nonproducers, servants are pretty expensive and pretty self-destructive. This is especially true of a fellow like Johnny who still has enough pride to continue to work, even at what are probably comparatively low wages. He prefers even that to accepting government aid. By continuing to work, he is paying taxes to support some of his nonworking neighbors who have already given up the struggle.

What would be Johnny's chances in a free market? How many servants could an insignificant fellow like him afford in that setting? How many servants is the market providing him already? First of all, the textile company is serving him by furnishing him a job. Needless to say, Johnny is also serving the textile company by furnishing his labor. That's the way it is in the free market; everyone who is receiving service is also giving service.

It is in the economic interest of the textile company to get as much work as possible from Johnny while paying him as little as possible. But even in that isolated community there are limits to how low the wages can be reduced. The lower limits are not controlled by the textile company either. About 125 miles away there is an automobile assembly plant that is in need of workers and is paying about twice

the wage scale being offered by the textile company. Johnny likes his home and doesn't want to move to the larger city, but he can go there if he chooses to do so. The automobile company is serving Johnny by keeping his wages as high as they are even if Johnny never sees the inside of the assembly plant. Johnny can continue to live with dignity in his home town.

Johnny gets his shoes from the local retail store which gets them from the Amalgamated International Shoe Company. As an individual, Johnny is not very important to Amalgamated. He is only one customer. But if Amalgamated raises its prices or fails to give satisfactory service, there are at least a half-dozen other shoe companies watching for an opportunity to sell shoes to Johnny. The only way any one of them can make a sale to Johnny is by offering him a better shoe at a lower price than Amalgamated is offering. And if any one of them is able to make Johnny a better offer, Johnny will grab it; and so will a lot of other Johnnies who are out there somewhere. When that happens, Amalgamated will be in a difficulty it would prefer not to face.

Although Johnny as an individual customer might not be important to Amalgamated, Johnny plus all the other Johnnies, most of whom are unknown to each other,

constitute the real market Amalgamated will have to satisfy if it remains in business. The result is that Johnny has the services of all the competing shoe companies who are competing with each other for better ways to make shoes for Johnny at a lower price. In their efforts to get business for themselves, they are helping to keep prices down and quality up at Amalgamated.

What has been said about Johnny's job and his shoes is true of his groceries, his automobile, his clothing, and all other goods and services for which he has any desire. The whole world is striving to give him more of the things he wants at lower prices than he is now paying. They are not striving toward that end because of any moral goodness they might have nor because of any special love they have for Johnny. They are striving to please him because that is their only route to their own economic survival.

Coercion or Freedom?

How many servants can you afford? If all depends upon whether you live in a coercive, regulated economy or in a place where the free market is permitted. In the coercive economy where production is penalized and nonproduction is rewarded, your servants are quite expensive and in diminishing supp-

ly. By their very nature, all of them will eventually disappear because the group receiving the rewards will necessarily outlast the producing group from whom the rewards are being seized.

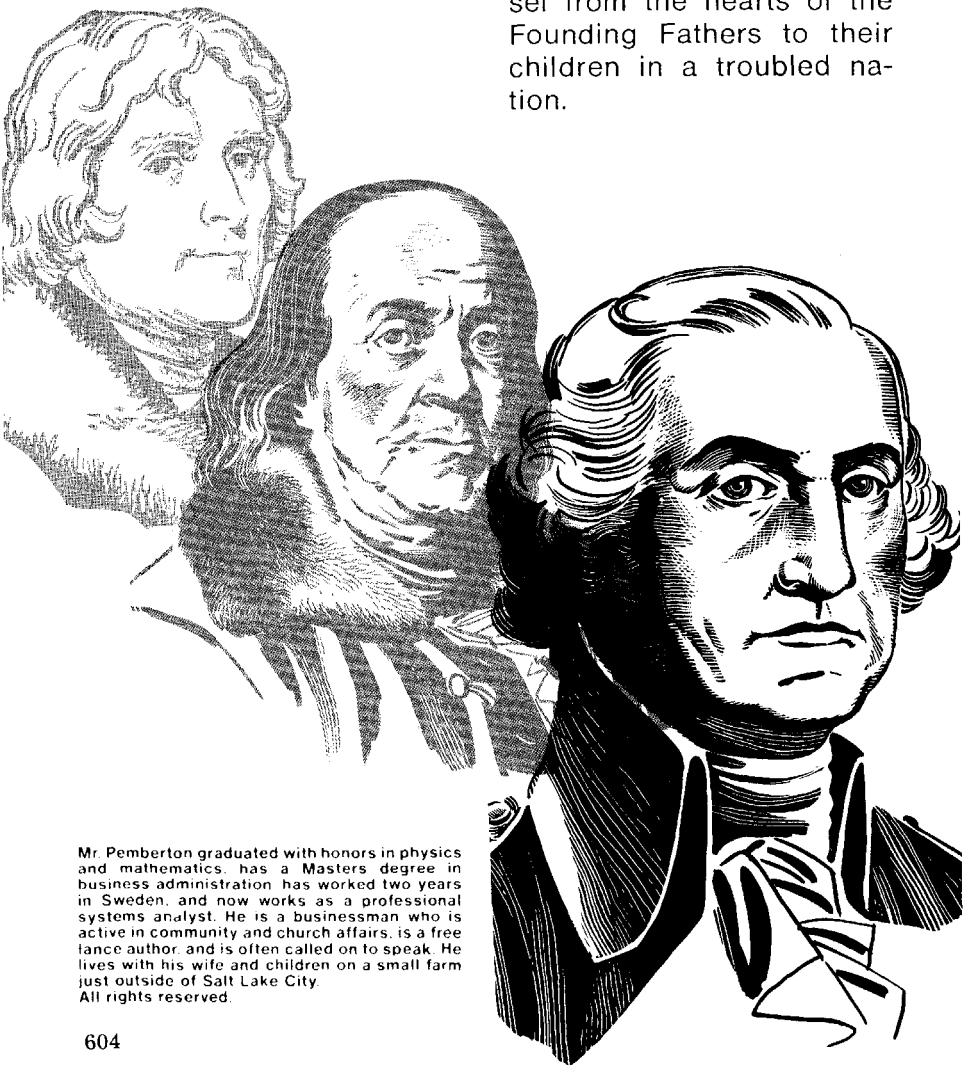
On the other hand, the free market is characterized by an absence of coercion in the economic field. Without coercion there is no way for anyone to enhance his own material well-being except by offering for sale a good or service at a price someone else is willing to pay. Since the only way to improve one's own well-being is by offering better service, the only competition possible is a competition for excellence. Since it is competition for excellence in service to each other, it is a competition that is synonymous with cooperation.

When the individual takes an honest view of his personal well-being, he is likely to find that in so far as the free market prevails, the whole world is competing for the privilege of serving him better. At that point the question is not, "How many servants can he afford?" The question is, "How many servants can he afford to be without?" How long can he afford to allow the coercive power of his government to continue to set roadblocks in the way of the servants otherwise available to him? 

A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City. All rights reserved.

VI. *On Political Philosophy*

This continues a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

ONE OF THE DILEMMAS of the Convention was the need to grant the government authority sufficient to insure domestic tranquility and yet give the people enough control of the government to protect their rights. The solution to the difficulty lay in a careful balance between anarchy (where there is complete freedom but none of the controls required for the safety of rights) and despotism (where there is complete control and no rights).

The establishment of that balance is the victory of the Constitution, and its maintenance is the desire of every thoughtful and upright citizen. The people are unified upon this point, but only a few recognize the depth and import of our religious declaration of that political philosophy which secured our liberty; that "all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness."

You have been told that religious and political philosophies are two distinct matters. This misconception, disguised as separation of church and state, is being used to impose a religion upon you unawares because it comes as a political philosophy and by political means. But in a world without objective proofs of any man's faith, one doctrine is as much a religion as another. In this discussion I wish to clarify the irresolvable conflict between the founding philosophy of the government which we gave you, and that which is coming to being under the careful planning of those so eager to govern.

Freedom of conscience requires that government never dictate the doctrine or the practice of religion, but a government devoid of moral principle is a wanton, capricious, and consuming monster. Therefore, separation of church and state is a necessity while separation of religion and politics is a pattern for destruction. It is a narrow distinc-

tion with broad implications, for a political philosophy always springs from some concept of man.

If we accept the current propaganda that under freedom of religion, government must not infer anything about man which might be considered religious, then we might as well say that man is nothing. It is philosophical paralysis, for we have said that we must not consider the nature of man while we fashion his government. With that sort of absurdity we can form ships without bottoms, policies without principles, and governments suited to the ambitions of aristocracy.

Or, if we place our confidence in the theory that man is only a smart ape (a fact for some, an opinion for others, and a hoax to the rest), we have said that there is nothing sacred about man or his rights. This is a basic tenet of the religion of Humanism, the modern version of the ancient fraud that "might makes right," for it postulates that the capacities of the human body and the size of its brain is the justification for man's dominion of the earth. A pattern for tyranny; for while it purports to liberate man from the supposed "shackles" of Christianity, it declares that the authority to rule is established by the superiority of the intellect.

Thus Humanism lays the founda-

tion for a political philosophy which, for all its beautiful phrases of freedom and fulfillment, gives the scepter of power to the most subtle, ruthless, and despicable. It is the antithesis of all you call good, and a frustration of the noble destiny of man.

If man is monkey, or less, there is no anchor for his politics, and although we may say that the good of society shall determine right and wrong, who shall say what is good for society? Furthermore, since there is no final Judge, who is to care? There are no absolutes; all is a mass of relative expediences. Deceit becomes the servant of the politician, treachery is his gain, and conspiracy is the king of all.

Such are the consequences of the Humanist priestcraft published under the dubious title of "freedom from religion." And Humanism is but the modern name for the doctrines of Communism, whose adherents, as we should expect, surpass all others in their massive crimes of extortion, murder, and unrelenting tyranny.

Clearly, we are considering more than a mere philosophical question: it is also a question of morality, for under one system definite crimes derive from irrefutable rights, while under the others all is uncertain and subject to the wavering opinions of those who decide what is

"consonant with social progress." Life, death, and all activities between are fair game for the hunters of power. And what is worse, as they impose their religion many succumb to the temptation to abandon fixed moral principle, and the resulting erosion of personal integrity justifies increased oppression. Thus we see that the struggle for morality is the very substance of liberty. They are inseparable.

But the godless philosophies have an alternative, and it is not without actual glory; for if we affirm that man is a creation of the Almighty, a child to the Father of Lights, there is suddenly a great equality among men, there are sacred rights, a reverence for life and a respect for death, a striving for dignity and a yearning for excellence. With those ennobling principles come restraints upon government and upon the behavior of a man toward his neighbor: an uplifting framework securing the rights of man.

It is not surprising after thousands of years and as many governments, that a consideration of political philosophy should finally be couched as the most fundamental questions that can enter the human mind: Is there a God? Who is man? You must answer, and your answers must find expression in the control of your government, for if you refuse the self-appointed gods

of your day will happily continue to impose their answers upon you.

They will draw you a picture of a "great people liberated from the blindness of faith in a dead god, free to do whatsoever may be their fancy [so long as it is in harmony with social responsibility], and blessed with equality [of an enforced uniformity]." They proclaim man the center of the universe, the being superior to all others, and then in the midst of that unmitigated pomposity they declare the grand contradiction that man is but a complicated physical mechanism reacting to its world, and that free will is superstition! What profound and abysmal folly! Their religion employs all the lovely words of progress, intelligence, equality and liberty, but denies the source of them all. Freedom without free will? Their sophistry confounds their reason!

I would rather turn your attention to more pleasant subjects, but so many have believed its flattering phrases and not seen the conflict with their own better opinion that I feel it necessary to say a bit more.

There are doubtless many reasons for the confusion of the adherents to these philosophies, but surely one of them is their disdain for the traditional code of personal conduct. They have perceived the principles of a good character as fetters

instead of guides, and long to give their feelings greater freedom (which is to say they wish to put their minds in greater submission to their passions). They find humility too humiliating, rules too binding, and faith too demeaning. They seem to require a foolish sort of independence, and like a runaway youth they flee the standards of strength and happiness.

But I am too harsh, for most of those who promote these defective doctrines only parrot the soothing tones of their like-opinioned friends, and have not the mind to root out the basis of the sophistries they delight to cast in the changing lights of their endless books.¹ I shall not condemn them all, for I cannot know their hearts; moreover, the evil fruits of their theories are condemnation enough.

But in those books you may find the methods they have used to rationalize their misconceptions. Many of their arguments are based upon great abstractions by which they leave the world of reality and discover intriguing theories about things which do not exist. I will give you examples.

First, they accuse institutions for the errors of people. There is much

said of the failings of the home and family, and of free enterprise and the Constitution. They say that those instruments of the nation's success can no longer cope with its problems. Has the home failed, or have parents left the commitment they made when they married and invited children to share their house? Has free enterprise faltered, or have people circumscribed the liberty required for its proficiency? Has the Constitution slipped, or have politicians abandoned its ordained function? Is the error with the institutions or with the people? And to illustrate my point I ask: If a man violate a law, is the proper remedy a repeal of the law? They have left reality and called good evil.

Second, they transfer the rights and powers of individuals to their society and use the mistaken concept to place the citizen in subjection to his society. But society is only an abstraction and has no self-existence, and can therefore possess no rights or powers except by delegation or usurpation. To base political principles upon so-called "rights of society" is to attribute an intrinsic reality to society and to leap from firm reason into a mysticism which leads to oppression.

We contended with the belief in the divine right of kings, the false notion that the one is superior to the others. Now they advance the

¹ I trust you are aware that your federal government has created and widely published these demoralizing books as school texts for pupils of all ages.

more subtle pretext that the others are sovereign above the one. Both are false, for human rights are individual rights and that is the beginning and the end of the matter.

Now I must say a few words regarding philosophies which are near relatives with Humanism and rampant in your world. These are Socialism and Communism. You must be aware that they are based upon the same political philosophy, the chief difference being that the latter is the ruthless and murderous outgrowth of the former—the natural result of the aristocracy obtaining control of all life and property. And the Communists openly declare Socialism as the bridge to their “utopia.”

The leaders of these philosophies seek power and their disciples have not learned the lessons of history. In their eagerness for universal prosperity they have ignored the basic facts of human nature, for they suppose that if man is placed in a “great society” he will as if by magic become a great being. But if you will ask them to produce one instance of the correctness of their theory you and they will both be edified by the lack of example in all human existence.

I am well aware that you do not enjoy my putting Socialism and Communism together, for you have

been instructed that there is a difference, but for each difference you will find more similarities. They are both founded upon the principle of usurpation which gives the state power to withdraw the rights of man and thus places government in a higher order of creation than its creator. They both place an aristocracy over the people. They violate property rights and destroy personal initiative by controlling one's property against his will. Thus they both lower the economic well-being of the citizen, for if initiative be curtailed so is production. A government may promise but only people can produce.

You have been remiss to ignore the parallels of these philosophies. All Socialism wants to become Communism is a successful despot.

Humanism, Socialism, and Communism all propose that for man to be truly free, he must be freed from the mundane toils of life, free to forget the “creature needs,” and free to realize his highest spiritual potentials for charity and human progress; that the proper role of government is to thus “liberate” man. But although the words make a happy sound in your ears, these principles are self-negating.

Man requires the difficulties of earning his bread in the sweat of his brow as a school of experience to teach him wisdom in the affairs of

his physical life before he can begin to comprehend the principles of his spiritual life; the lower order being after the pattern of the higher. For, as the majestic poplar has its roots in the muck, so man, to reach the heights of his divine potential, must build his life upon the dirt and toil of physical and mental struggle.

Any system which denies him that opportunity to attend the elementary schools of life, by withholding the challenges of his physical welfare, thrusts him into a universality of life where he is inadequate and must fail. Without the wisdom born of success in the temporal affairs of life, how shall man even begin to contend with the less obvious but more profound challenges of character?

Nay, if you wish to lift man, you must allow him to live in the truth, and not place him in an artificial society where his needs are supplied by government. He must live in the real world where only work produces, only toil brings blessings, and only true character brings security. He must be free to lift himself and to serve his needy neighbor by his own charity.

Is it not a universal observation that great men are, with but few if any exceptions, the product of toil and adversity; the greatest seeming to come through the severest tests? Leisure begets no honor; and honest

work begets no fools. But if a man has not learned to work, he has not learned to give. If a man has not learned to give, he has not learned nobleness. If he has not learned nobleness, no laws can adequately restrain his abuses. Therein lie the keys to the destiny of man. They may be turned to his honor or his hurt, to his desire or his destruction.

There is also the true cause of your rising crime and perversion. There is the cause of your slackening productivity. There is the source of your sliding morality, your declining arts and your silly music.

I see that you must struggle somewhat to comprehend all these things. Let me encourage you; the more you struggle in your minds the less you will strive in your streets. Now some will call me an alarmist, but I make no excuse. Have I not seen the tyranny of a government grown proud on the stolen rights and riches of the people? Do I not see the same again; crowding and smothering your liberty and your enterprise?

If I am an alarmist so be it! I am constrained to speak the truth in your ears. The political philosophy of the nation is at stake, and it is for you to decide who you are and which philosophy you will require for your government.

If men derive their rights from the Creator then their rights are

inherent and must be kept inviolate, but if you accept their source in any other instrumentality, their very existence is in jeopardy and any man of eager hand and lazy character may trample upon them without remorse for himself or rebuke from you. It is in the nature of the issue that either the one philosophy or the other will gain the upper hand. Each generation, and

perhaps especially yours must answer Mr. Jefferson's question: "Can the liberties of a nation be thought secure when we have removed their only firm basis, a conviction in the minds of the people that these liberties are the gift of God?"



Next: VII. On Amendment XVII

How We Lose Freedom

FEW OF US seem to want to keep government out of our personal affairs and responsibilities. Many of us seem to favor various types of government-guaranteed and compulsory "security." We *say* that we want personal freedom, but we *demand* government housing, government price controls, government-guaranteed jobs and wages. We *boast* that we are responsible persons, but we *vote* for candidates who promise us special privileges, government pensions, government subsidies, and government electricity.

Such schemes are directly contrary to the spirit of the Bill of Rights. Our heritage is being lost more through weakness than through deliberate design. The Bill of Rights still shines in all its splendor, but many of us are looking in another direction. Many of us are drifting back to that old concept of government that our forefathers feared and rejected. Many of us are now looking to government for security. Many of us are no longer willing to accept individual responsibility for our own welfare. Yet personal freedom cannot exist without individual responsibility.

IDEAS ON



LIBERTY

A Bicentennial Prayer

MARY SENNHOIZ

Almighty God, as we stand here on the two hundredth anniversary of our beloved country, we are forever thankful
for the great benefits of our being, our lives, health, and liberty,
for our inalienable rights bestowed by Thee and duties prescribed by Thy moral law,
for our Founding Fathers who showed us the way,
for the concepts of our Constitution, the basic law under Thee,
and for the great material comforts with which we are blessed.
We gratefully acknowledge our origin and destiny in Thee.

Give us, we pray, the power to discern right from wrong, and to perceive
that Thy eternal laws can be reversed neither by political nor social institutions,
that Thy Commandments cannot be revoked by majority vote,
that coercion, theft and covetousness are forever restricted by Thee,
and that we are accountable to Thee for our words and deeds, alone or together.

O Lord, make us an instrument of Thy order,
Where there is lawlessness, reveal Thy eternal laws,
Where there is conflict, give us harmony,
Where there is envy, let us praise,
Where there is covetousness, make us generous,
Where there is corruption, give us integrity,
Where there is tyranny, give us Thy freedom, and
Where there is apathy, give us Thy concern for the good of man, so that we may live and die faithful to Thy laws and Thy glory. Amen

Mrs. Sennholz compiled and edited the series of essays *On Freedom and Free Enterprise* in honor of Ludwig von Mises (1955) and the *Grove City College* publication of *Faith and Freedom*, a biographical sketch of John Howard Pew (1975).



Form 1040

US

Department of the Treasury / Internal Revenue Service
Individual Income Tax Return

1971

For the year January 1-December 31, 1971, or other taxable year beginning _____, 1971, ending _____

Place label on form you file. Correct name, etc., if necessary. Enter social security number (if only if incorrect or not shown on label)

JB 518-04-1492 575-10-1776 D016
JOHN F & MARY BROWN
3700 MIDWAY
HOMETOWN, IL 61802

Your social security number _____
Spouse's social security number _____
Your occupation Clerk
Spouse's occupation Housewife

Filing Status—check only one:
 1 ☐ Single
 2 ☒ Married filing jointly (even if only one has income)
 3 ☐ Married filing separately (attach separate return for each spouse and enter first name here)
 4 ☐ Unmarried Head of Household
 5 ☐ Surviving widow(er) with dependent child
 6 ☐ Married filing separately and spouse is not filing

Exemptions
 7 Yourself ☒ (applies only if item 2 or 5 is checked)
 8 Spouse ☒
 9 First names of your dependent children who lived with you James & Marie
 10 Number of other dependents (from line 9) _____
 11 Total exemptions claimed _____

Regular / 65 or over / Blind / Enter number of dependents

The Power to Tax IS The Power to Destroy

CLARENCE B. CARSON

CHIEF JUSTICE JOHN MARSHALL was at his axiomatic best in the Supreme Court opinion set forth in *McCulloch v. Maryland*. He propounded several interesting and profound axioms in that decision. The strange thing about these axioms is that they have been permitted to remain in the limited context in which he found use for them rather than being given general application. This is strange because axioms are, by nature, universal in extent and everywhere applicable, if they are true. Moreover, these axioms have been given added weight in the United

States by being embedded in and used to buttress a unanimous Supreme Court decision which still stands.

The axioms in question are stated and appealed to in several ways in the course of the opinion. The most direct statement of them is contained in the following clauses: "That the power to tax involves the power to destroy; that the power to destroy may defeat and render useless the power to create..." The implications of the axioms had already been laid down a few sentences earlier:

These are, 1. That a power to create implies a power to preserve. 2. That a power to destroy, if wielded by a different hand, is hostile to, and incompatible with, these powers to create and preserve. 3. That where this repugnancy exists, that authority which is supreme must control, not yield to that over which it is supreme...

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty: The Founding of the American Republic 1760-1800* is now available in a 350-page attractive Bicentennial paperback at \$3.00 from the Foundation for Economic Education, Irvington-on-Hudson, N.Y. 10533.

Before proceeding to the broader application of these principles, or axioms, it is in order first to explain the context within which they were employed by Chief Justice Marshall. The Court had before it a case arising out of a law passed by a state. In 1818, the Maryland legislature had enacted a statute levying a tax on all bank notes issued in Maryland by banks not chartered by the state. A branch of the Bank of the United States, a bank incorporated under the laws of the United States, was located in Baltimore. A man named McCulloch, cashier at the bank, refused to pay the tax on bank notes (currency) issued. The case came to the Supreme Court in 1819.

Two issues were taken up and decided by the Court. The first need not much concern us here. Suffice it to say that it involved the question of whether the United States government was authorized by the Constitution to create such a corporation and that the Court, following the reasoning which Alexander Hamilton had originally used to justify the chartering of a United States bank, held that it was. The other issue was the one which called forth the above axioms in resolving it. The issue was this: Could a state tax an instrument of the United States government created in pursuance of constitutionally permissible objects? The Court held, in as

absolute terms as could be employed, that no state could tax an instrument of the United States government.

Chief Justice Marshall did not, then, restrict himself in writing the opinion to the simple question of whether or not Maryland could tax bank notes issued by the United States Bank. Instead, he explored the whole question of the taxation of any creation of the United States government by any state. Some of this exploration is both interesting and relevant to the even broader issues to be taken up in this article. Before quoting further from the decision, however, something else needs to be got out of the way.

Universal Application?

It is my contention that the axioms and principles set forth in support of this decision, if correct, *apply to all taxation*. That is, the power to tax any one by any government involves the power to destroy and that this power of government by taxation to destroy can defeat and render useless the power of individuals to create and preserve what they have created. Superficially, the conclusion—that the states could not tax the Federal government at all—appears either to rule out all taxation by governments or not to apply to governments in relation to individuals.

It is tempting, of course, to apply

the conclusion literally and rule out all taxation, but it is a temptation that should be resisted. The case for taxation by governments is almost, if not quite, as good as the case for government itself. In theory, governments might be supported by voluntary contributions. In practice, however, the voluntariness of the contributions would always be suspect. Government relies on coercion to carry out its edicts, and there should be no doubt that if it depended on "voluntary" support it would extend its protection mainly, or only, to its benefactors. Moreover, it is unlikely that the power of government could ever be restrained from such confiscations as would enable it to meet its bills. Justice requires that all who can should pay for government. Taxation is probably the only means of achieving this result, or approximating it. In any case, the necessity for taxation is so universally accepted that it should be presumed to be the correct approach in the absence of conclusive proof to the contrary.

It does not follow, however, that Marshall's strictures about the power to tax do not apply to governments in their relations to individuals. Not only are they applicable, but they apply even more emphatically as between governments and individuals than between states and the Federal govern-

ment. If the power of a state to tax the Federal government could destroy the instrumentality taxed, how much more readily could government taxation destroy relatively helpless individuals? There is nothing in logic to prevent the application of the axioms to individuals as well.

On close examination, it comes out that Chief Justice Marshall did not base the *absolute prohibition* of state taxation of instruments of the Federal government on the axioms he adduced in *McCulloch v. Maryland*. Instead, he based the prohibition on the relationship between state governments and the Federal government, a relationship which lacks the *proper limits* on the power to be exercised. It had apparently been argued that the Court should have confidence that the state would not abuse the power of taxation. Marshall rejected this line of reasoning:

...But all inconsistencies are to be reconciled by the magic of the word CONFIDENCE. Taxation, it is said, does not necessarily and unavoidably destroy. To carry it to the excess of destruction would be an abuse, to presume which would banish that confidence which is essential to all government.

But is this a case of confidence? Would the people of any one State trust those of another with a power to control the most insignificant operations of their State government? We know they would not. Why, then, should we suppose that the

people of any one State should be willing to trust those of another with a power to control the operations of a government to which they have confided their most important and most valuable interests? In the legislature of the Union alone, are all represented. The legislature of the Union alone, therefore, can be trusted by the people with the power of controlling measures which concern all, in the confidence that it will not be abused. This, then, is not a case of confidence, and we must consider it as it really is.

Marshall proceeds to point out that if a state can tax one operation of the Federal government, it may tax any of them.

If the States may tax one instrument employed by the government in the execution of its powers, they may tax any and every other instrument. They may tax the mail; they may tax the mint; they may tax patent rights; they may tax the papers of the custom-house; they may tax judicial process; they may tax all the means employed by the government, to an excess which would defeat the ends of government. . . .

Granted that if states could tax one instrument they could tax others. Perhaps, too, such taxation could be used to defeat the ends of government. Strangely, however, Marshall goes on to argue that the Federal government could tax instruments of the states, and that power, so far as his argument had advanced, could be used to destroy the states or their instrumentalities. The difference, he said, is this:

The people of all the states have created the general government, and have conferred upon it the general power of taxation. The people of all the States, and the States themselves, are represented in Congress, and, by their representatives exercise this power. When they tax the chartered institutions of the States, they tax their constituents; and these taxes must be uniform. But when a State taxes the operations of the government of the United States, it acts upon institutions created, not by their own constituents, but by people over whom they claim no control. . . .

The crux of Marshall's argument for prohibiting state taxation of the Federal government, then, was that state taxation lacked the proper base and limits. A part of the people could, at least in theory, be taxing the whole people. If states could levy taxes on the Federal government, there would be no requirement of uniformity. One state might, for example, levy a 5 per cent tax on notes of the United States Bank, another 10 per cent, another 50 per cent, and so on.

An Outgrowth of the System

The reason for the *absolute prohibition* of such taxation was accidental, not essential. That is, it did not arise from the nature of government or of taxation but from peculiar, hence, accidental, features of the federal system of government. The Court's decision in this case, of course, was concerned with

ruling upon acts occurring within this system, and constitutional historians have usually held that Marshall was concerned with asserting the supremacy of the United States government. Be that as it may, it is not my purpose here to enter upon the question of the merits of the decision or of the particular arguments advanced in support of it. These have been brought up only to show that the absolute prohibitions against the taxation involved arose from peculiar arrangements and not from the axioms which were earlier cited. In short, they were brought up in order to get them out of the way so as to give the axioms the examination they warrant and suggest their implications.

The only reason for not applying the axioms—"That the power to tax involves the power to destroy; that the power to destroy may defeat and render useless the power to create"—to government taxation of individuals, then, would be that they are not valid. It is not difficult to test their validity as axioms. It involves only determining whether in the nature of things they are necessarily true. Clearly enough, the power to tax does involve the power to destroy. The power to tax entails the power to take up to 100 per cent of the income from any undertaking. No undertaking, no matter how well it is financed, can

survive indefinitely if all its income is drained away in taxes. Hence, any and every human undertaking, short of breathing, can be destroyed by taxation.

Counterproductive Taxation

If any human undertaking can be wiped out by taxation, it follows that taxation may "defeat and render useless the power to create." There would be no purpose in beginning undertakings if they were certain to be destroyed by taxation. The chances are good that man's ingenuity would not be completely stifled by such government action, but it would surely be rendered largely useless.

The axioms are shown to be valid by this line of reasoning, but, unhappily, they are thereby made very nearly irrelevant. One hundred per cent taxation would dry up all sources of revenue; hence, such a level of taxation would be counterproductive, as the contemporary phrase has it. Or, the government would have to proceed by the enslavement of some portion or all of the population. The evil would then be slavery, though slavery is essentially nothing more nor less than 100 per cent taxation. While the enslavement implications are not entirely irrelevant, they do tend to place anything less than 100 per cent outside the frame of the axioms.

But does the validity of the axioms depend on carrying the argument to its logical conclusion? John Marshall did not hinge his use of them on some potential extremity. He did not even explore much the question of the degree of the taxation. He was very careful to exclude the whole question of abuse, for if he had admitted its relevance he would have been drawn in a quite different direction. In point of fact, he put in his axioms to serve as a foundation and then proceeded to cover them with his edifice of Federal supremacy. Even so, if the axioms have the validity he ascribed to them, they should be valid in the absence of abuses.

All Taxes Affect Creativity

It is my contention that the axioms are valid regardless of the degree of the taxation. The power to tax involves the power to destroy whether the degree is some fraction of one per cent or 100 per cent. It is possible to demonstrate this by marginal theory. The marginal theory as it applies to degree of taxation can be stated this way: *Any level of taxation will make some undertakings unprofitable or sub-marginal.* In practice, any increase in taxes will drive some people out of business, prevent them from going into business, or make it difficult or impossible for them to sustain themselves by whatever

they are doing. The point is of such crucial importance that it should be fleshed out with some details.

This principle of marginality applies to anyone who attempts to produce, provide, purvey, sell, or transport any good or service; it applies to farmers, manufacturers, storekeepers, teachers, artists, industrial workers, or whoever, but the effects may be most clearly seen in business enterprise. The power to preserve what has been created is essential to all constructive human undertakings. Taxation impinges on that power and at the margins always is threatening and destroying undertakings. What happens to business enterprises dramatizes the general principle.

In the first place, taxation affects when and whether a business enterprise is begun. To go into business requires a greater or lesser amount of capital, depending on its size and requirements. To gather the capital, savings must be accumulated. Probably the form of taxation with the most devastating effects on saving is inflation. Government, by increasing money supply, reduces the value of money being accumulated as savings. Indeed, the propensity to save is discouraged by inflation, and the propensity to spend is encouraged.

The progressive income tax is another deterrent to capital accumulation. The tax is often

talked about as if it were devised to take from the "haves." It should be better understood, however, as taking from those who are "getting," or trying to accumulate savings. A graduated income tax does not, *per se*, tax wealth that has been accumulated in earlier times; rather, it taxes current income. It bears particularly hard on potential new enterprisers.

Capital Formation Inhibited

Social Security payments greatly inhibit capital accumulation. Individuals are forced to pay into the "fund," yet all that is paid into it is, in effect, forfeit. It cannot be drawn out for investment. It cannot be used as security for loans. No creative use may be made of all the money that goes into Social Security. Whether it will be available in old age may be questionable, but that it is generally unavailable at any other age is beyond doubt.

Even so, anyone who has managed to accumulate or borrow or persuade others to invest enough to go into business has just begun his difficulties with taxation. The man who enters business discovers all too soon, if he did not know it already, that he has a Senior Partner—government. More precisely, he has a committee of Senior Partners, composed of Federal, state, county, and, depending upon the locale, township and municipal

authorities. Once he opens his doors, these Partners join the firm, so to speak, expecting him to perform special services for which they do not pay, having the first go at any profits that he makes, and besetting him with various costly requirements.

In the first place, the Senior Partners require the businessman to be a tax collector. Though he has not been a candidate for the position, though it may be alien to his nature to do such things, though the citizenry have not elected him to the post, a tax collector he is most apt to be. If he is a storekeeper or otherwise sells to consumers, there are a variety of taxes he is supposed to collect. Both the state and local governments may impose sales taxes which he has to collect. The Federal government imposes excise taxes which he has to collect on certain items. If he employs other people, he has to deduct income taxes from their paycheck. Under most conditions, he must collect the Social Security tax by way of payroll deductions. Some areas have employment taxes which he may have to collect.

In addition to the taxes which he collects from others, the businessman has taxes to pay on his own account. He must pay the fees connected with whatever licenses are required. He has to pay income taxes, if he has sufficient income, to

the Federal government, and, perhaps, to other governmental divisions. Merchandise of all sorts carries with it an array of hidden taxes. If the governmentally prescribed minimum wage is in fact above what the market wage would be, the difference between the two is a tax.

The recordkeeping that must be done in order to account for all taxes which he collects and provides the basis for his own payment of taxes amounts to a tax also. Records must be kept of all taxes collected, of the gross and net income of the firm, of all expenses of operation, of goods in stock and of equipment purchased, sold, and discarded.

Occasionally newspapers carry stories of the failure of some company. Usually, it is some large corporation, such as the Penn Central Railroad. Most business failures, however, are noted only in local papers, if at all, and many of them go unremarked. A study a few years ago found that approximately one-third of all new businesses do not last a year, and about half of those that do are unable to make it through the second year.

There is no way of knowing how many of these failures are directly attributable to taxation. Some of them would no doubt have failed had there been no taxes to pay, none to collect, and no records to keep. But it is safe to say that taxes were

a contributing factor in every failure and a determinative one in many, for taxation adds to the cost of doing business.

Businesses Abandoned

That the power to tax is the power to destroy can actually be viewed, then. All that is necessary to do so is to drive down almost any road. The empty stores, the abandoned filling stations, the factory no longer in operation, the rusting rails on the spur from the main track, the fading signs on the premises, are mute evidence of the destructiveness of taxation. They are the relics of someone's dream and hope. But these visible remains do not tell the whole story of the destruction wrought by taxation. That would have to include all those undertakings that might have been, but were not, were not because inflation and progressive taxation prevented the necessary amount of saving, were not because the cost of the undertaking was made prohibitive at the outset by the necessary recordkeeping, were not because failure in one undertaking forestalled expansion into other fields.

The power to tax, then, *is* the power to destroy. It is not just the power to destroy if states may tax the Federal government. It is not just the power to destroy if the Federal government may tax the states. It is not just the power to

destroy if the degree is great and abusive. It is destructive wherever it falls and in whatever degree the levy may be.

The courts have never seen fit to extend to the rest of us the protection from this destruction that they have given to the Federal government. It is unlikely that they ever will. Nor is it in the least probable that any other means will ever be used to give us absolute protection from the destructiveness of taxation. As already indicated, the case for taxation is strong and probably conclusive. And, if there is taxation, it will have the effect of destroying some marginal undertakings. There is no way around it, if the reasoning and evidence adduced thus far are correct. What application, then, can be made of the principle that the power to tax is the power to destroy?

We can no more deduce the proper course of action from the axiom that the power to tax is the power to destroy than could Chief Justice Marshall in the case before him. The axiom is valid, but it provides no specific guidelines as to what course to follow. To find this, it is necessary to turn to the purpose of taxation. In turn, the purpose of taxation depends upon the purpose of government. The purpose of government is to keep the peace. The mode by which government properly does this is to use whatever force may be required to restrain and

inhibit disturbers of the peace and effect just settlements among disputants who cannot otherwise reconcile their differences. The purpose of taxation is to raise the money necessary to achieve the ends of government.

The Need for Government

The maintaining of the peace by government is necessary to constructive creative efforts and preserving what is thereby produced. In short, government provides a necessary service by its efforts at maintaining the peace. The cost of that service is a proper charge against those producing and providing goods and services. They are the prime beneficiaries of it and may be expected to bear most or all of the cost. If a business cannot survive its proportionate share of the cost of this protection, it might be better thought of as a victim of its own ineffectiveness rather than of taxation. The power to tax is not only the power to destroy, then, but also a corollary of the power of government to preserve by protecting life, liberty, and property.

Nonetheless, the power to tax is an awesome power to destroy. Like fire and water, when it is tamed, confined, and limited, it serves a useful and beneficent purpose. But uncontrolled and unlimited taxation is like a wildfire or rampaging river out of its banks, destroying

whatever is in its path. Chief Justice Marshall noted in his decision in *McCulloch v. Maryland* that taxation by the Federal government was limited by the uniformity requirement. So it was, until the 16th Amendment was adopted in 1913. This Amendment removed the most important of the restraints imposed by the Constitution, or so it has been interpreted by the courts. Almost simultaneously, Congress set up the Federal Reserve System and has given it increasing power over the money supply. The destructive power of taxation was let loose, and when it is combined with the taxing power of all other government units it makes it increasingly difficult to create or to preserve a worthwhile portion of what has been created.

Two kinds of taxation are so potentially destructive and unjust that they should be absolutely prohibited. One of these is taxation by way of inflation, i.e., by increasing the money supply. The power to tax by inflating is the power to destroy the value of the money. Nor is it a potential power only; every increase of the money supply by monetizing the debt—the prevailing mode of inflation—destroys the value of money in existence to some degree. Inflation is an unjust tax. It penalizes savers and creditors, for the value of the new money is subtracted from the value of money

in hand or loaned out. Moreover, taxation by inflation is unreasonable, for both saving and lending are legal, honorable, and sanctioned as good by the highest authorities. No sound reason can be adduced for penalizing them.

The second kind of taxation that should be prohibited is the graduated or progressive income tax. The graduated income tax destroys incentive to produce and provide goods and services. It attacks saving and investment in just those places where they could be most readily accomplished. It is unjust because it penalizes higher earnings, earnings which in the absence of proof to the contrary are evidence of greater service by individuals and corporations.

Both taxation by inflation and by the graduated income tax lead to a vast amount of wasted energy by citizens in order to preserve what they have created. Not wasted in that they may not be successful in doing so. Not wasted, either, in that they may not be able to use effectively what they have preserved. But wasted because it is energy that could have been spent on constructive undertakings. By imposing these taxes, government shifts from primarily aiding the citizen in keeping what is his to confiscating it from him. Much of the citizen's effort, and that of numerous lawyers, tax experts, and investment

counselors, is devoted to finding ways to avoid paying the taxes or losing what they have by inflation. How much better off Americans would be today if this vast amount of energy could be devoted to productive and creative efforts! Such taxation, too, tends to destroy the rapport between the governors and the governed. Confiscatory government becomes an adversary to be outwitted, not a benefactor to be aided and cherished.

At any rate, taxation must be circumscribed and limited else it will "defeat and render useless the power to create." By what principle should it be limited? There is a principle embedded in our system which provides inherent limits to all taxation. It is so basic to our political institutions that it should govern every legislator, every executive, and every judge. It precedes all our constitutions, all our laws, and all our political institutions. It brought them into existence; it sustains them; without it they are a nullity. It is nothing more nor less than this: All governments in the United States derive their just powers from the consent of the governed. This means, if it has its full meaning, that the people are superior to the government. That which creates is necessarily superior to what it creates. The government of the United States was created by the people. They are

the superior; the governments are the inferior. Taxation by governments, then, is levied by inferiors upon superiors.

The Superior Authority

What rule governs the relation of the inferior power to the superior power? To answer this question, we can turn again to Chief Justice Marshall. In a section already quoted, he declared that "a power to destroy, if wielded by a different hand, is hostile to, and incompatible with, these powers to create and preserve," and that when this situation exists the "authority which is supreme must control." It would be easy to obscure this point, in fact it is regularly done by many political theorists, by having it refer to the mechanisms by which the people control the governments in the United States. It needs to be clear, however, that what we are talking about here is not government at all. The mechanisms by which people control the governments, when and if they do, are really mechanisms of the government—the inferior power here. What is at issue here is the power of creating, producing and providing goods and services and the supreme authority which must control the disposal of them.

Who is the rightful supreme authority over what has been created, produced, or provided? It is he who created, produced, or provided

it. The people brought into being the governments; hence, the people are the supreme authority over them. But "the people" did not bring into being the economic goods and services which are at issue in taxation. These are brought into being by individuals, either by themselves or in co-operation with others. The supreme authority over these creations belongs to those who brought them into being, neither the people collectively, nor their political arm, the government. And, the "authority which is supreme must control."

The principle which inherently limits taxes in the United States is now before us, needing only to be stated. It is this: Taxes must be limited to a degree that will not divest the owner of control over his creations, productions, or provisions. They are his by right, and only so much of them may be taken as is necessary to protect him in his ownership of them. If the government, either by taxation or any other device, comes into control it is the control of the superior by the inferior.

There are certain corollary principles which should control taxation and help to keep it within proper limits.

●1. All taxes should be uniform. Whether levied upon income, wealth, or spending—e.g., sales taxes—a uniform rate should apply

in each particular case. This is not only the just approach to taxation but also it removes the lure of redistribution by which many people approve graduated taxes.

●2. Taxes should be tied as closely as possible to the object for which the money is to be spent. The payment of a toll for the use of a road will illustrate the principle, though it is not always possible to link the taxation as closely as that to its purpose.

●3. Taxes should never be levied for any purpose other than raising revenue. If they are imposed for controlling, regulating or prohibiting something, taxes become not only destructive in character but also in intent, and are an abuse of governmental power.

●4. Government spending should be limited to that necessary to maintaining the peace and providing those services to which the use of force is necessary and proper.

All limitation of government action is a limit on spending, hence upon taxation, and those who seek precise limits would do well to concentrate their efforts on placing these on government action.

Principles only serve as limitations, of course, if they are believed and adhered to by people. There are helpful guidelines, however, to those who have in mind the limiting of government. Government, if it is to be limited, must be limited by

prohibitions on it and by the weight of public opinion and the ballot.

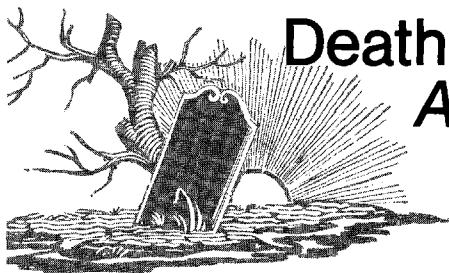
A Congressman once gained a considerable reputation by asking this question after each spending proposal came before the House: "But where is the money to come from to pay for it?" It was, and is, a good question. The axiom that the power to tax is the power to destroy suggests an additional question. Namely, "Who and what is to be destroyed by the taxes to pay for it?" What businesses will fail because of the increased taxation? What services can no longer be offered because of the increased taxation? Whose property is to be confiscated to pay for it? How much of savings are to be subtly seized by the inflation? How many jobs will not be provided because there was no investment to pay for the tools to put men to work productively? What creative energies will be diverted or unreleased because of the taxes to pay for it?

There is no end of laudable objects for which money might be spent. Even children, especially children, are fertile sources of all sorts of spending proposals. In our day, every interest group in the country probably has on its agenda a goodly number of proposals for government spending. Certainly, politicians and bureaucrats bring forth an endless array of notions for

spending taxpayers' money. There are so many goodies to be had if only government would unloose the purse strings and spend, and spend.

Children are so prolific with their spending proposals because their eyes are only on the goodies to be attained, not on the labor, hardship, and even deprivation on which their unwise spending would depend. Many politicians today treat the American people as if they were children, pointing them continually to the goodies to be provided and remaining silent about the price to be paid. They spend and spend to elect and elect, as a New Deal politician was reported to have said. They do something else at the same time: They tax and tax to destroy and destroy. Do they intend the destruction? It hardly matters, for the power to tax is the power to destroy, and there can be no government spending without the taxes to pay for it.

Thomas Jefferson once said that what was wanted was "a wise and frugal Government, which... shall not take from the mouth of labor the bread it has earned." Apropos the axioms announced in Chief Justice Marshall's decision, it is in order to add: "a wise and frugal government which will destroy as little as possible by the taxes it imposes." 



Death and Taxes— A Review

THE IDEA that economic well-being can be created by eliminating means of production is an economic absurdity. The destruction of factories, shops, warehouses, equipment, tools—in short, capital goods—benefits no one. To practice such policies would send man back to struggling for bare subsistence. In view of such obvious consequences, no one could logically advocate policies of capital consumption but rather would encourage capital accumulation. Unfortunately, logic does not always prevail; every day *taxation* destroys existing capital and reduces economic well-being. Dr. Hans Sennholz, in *Death and*

Taxes, demonstrates this impact of taxation and examines especially the results of death duties.

The original role of the federal government was limited to protecting life and property from violence and aggression. Tax laws aimed simply at raising revenue for that purpose. But, as Dr. Sennholz says, "The new America that took shape in our century is a reformatory for man and society. Government has become a powerful agency of reform and redistribution. . . . Our present tax structure openly aims at greater equalization of income and wealth through tax rate progression." His discussion of estate tax history clearly illustrates this transformation.

The first Federal death duty began with a maximum rate of one-

Mr. Spangler of Milton, Pennsylvania, is a student at Grove City College, with special interest in the Department of Economics headed by Dr. Sennholz.

half per cent and lasted between 1797 and 1802 to aid in financing the national debt and the defense program. An estate tax was also used during the emergencies of the Civil War and the Spanish-American War, and the maximum rate was five per cent. However, in 1916 the death duty came to stay, taxing estates at a maximum rate of ten per cent. This maximum rate has been increased on occasion and presently stands at *seventy-seven per cent*. Yet, this rate hardly provides enough funds to operate the federal government for half a week. Certainly the objective of estate taxation is no longer to raise revenue but to redistribute wealth. In the name of social and economic equality, income and wealth are taxed at steeply progressive rates.

Dr. Sennholz concludes that progressive estate and income taxes do not achieve their purpose but actually "aggravate the economic inequality" they are supposed to alleviate. In other words, the government's endeavors to eliminate economic inequality have only made matters worse. To support his conclusion, he points to the nature of wealth and income in a market economy. Insofar as the market is allowed to operate, income and wealth are derived only by producing goods and services for consumers. The greatest income accrues to the most efficient pro-

ducers, who then can acquire additional capital assets and expand operations, income, and wealth. Their estates consist mainly of capital employed in economic production. "A millionaire's fortune does not consist of idle luxuries, but of factories, machines, and equipment that produce for the people, give employment, and yield wages."

By increasing the flow of goods and services, the efficient enterpriser raises the real income of other members of society. In addition, he accumulates capital which in turn increases labor productivity. The fundamental determinant of labor productivity is the amount of capital that a worker uses. As capital per worker increases, his productivity and income increase. To have the most efficient producer manage capital and provide for its formation is in the direct interest of all workers. Any act which destroys and consumes capital must necessarily reduce the productivity and wages of workers.¹

Inasmuch as the income and capital acquired through production make up the fortunes of successful enterprisers, progressive taxation penalizes the most competent producers and amounts to a tax on efficiency and production. Professor Sennholz warns that progressive

¹ See also Dr. Sennholz's "Capital Consumption," *The Freeman*, May, 1976, pp. 282-299.

income taxes, by aiming to expropriate increasing profits, actually restrain three important economic activities.

A portion of profits is "managerial remuneration," which is earned by a proprietor or partner. "That part of a businessman's income which is earned through his own labor is a kind of wage or salary, and as such totally unrelated to economic profits."

A second component of profits is ordinary interest, which is a return on capital. People value their present cash more highly than a claim to future cash in the same amount. Consequently, to induce a cashholder to forgo present consumption and convert his cash into capital which will return his investment only in the future, a premium must be paid. No interest payment means no capital.

The third and remaining part of profits is pure or economic profit. By trying to anticipate changing economic conditions and adapting production accordingly, enterprisers either suffer losses or earn profits. These profits (or losses) result from the risk associated with the uncertainty of the future. Whenever these economic profits are denied, no enterpriser will assume the risk of trying to adapt to future conditions; economic progress ceases.

Progressive taxation of income penalizes the most efficient man-

agement, the accumulation of capital, and the ability of enterprisers to meet future economic needs. Means of production are employed less effectively, the supply of capital dissipates, and the economy stagnates. A society which supports progressive tax rates is doing away with its most productive activities. Is that any way to run an economy?

The 80-page paperback book, **Death and Taxes**, was published in 1976 by The Heritage Foundation, 513 C Street, N.E., Washington, D.C. 20002. Copies also are available at \$3.00 each from: The Foundation for Economic Education, Inc., Irvington-on-Hudson, N.Y. 10533.

Supporters of progressive taxation may concede the uneconomical nature of progressive income taxes, yet may advocate progressive estate taxation: graduated death duties cannot harm a deceased person or penalize the heirs, who benefit no matter how much they inherit. Such shallow analysis avoids all economic issues. Hans Sennholz devotes most of *Death and Taxes* to showing that progressive estate taxes beget the same economic destruction as do progressive income taxes.

"The creator of a taxable estate gives thought and effort to the

impact of the levy that may greatly impair his life's work, . . . and may make adjustments in his actions while he is still alive." A progressive death tax may push a person with exceptional productivity into early retirement. He may prefer leisure to work, because the additions to his estate will be taxed at increasing rates. Society loses the proficient producer. Moreover, "death-tax considerations cause him to be consumption-oriented. Many estate owners are tempted to convert their productive assets that yield income into consumptive assets for their own enjoyment." The estate taxpayer does not increase his capital assets but consumes his substance before the tax collector can get it. Graduated estate taxes retard capital formation and thereby productivity and wages. Furthermore, the estate tax's "potential victims cannot be expected to stand by when their economic accomplishments are to be seized and distributed." The affected estate owner will direct his energies to tax-avoidance instead of productive management.

When the estate owner finally passes on, the estate taxes result in pure capital consumption. Because the bulk of an estate formed under a free market is in productive assets, an estate tax is foremost a levy on capital. "Death duties do not immediately and visibly destroy

such capital equipment as steel mills, railroads, or refineries. But they force the heirs or owners to sell all or part of the taxed estate in order to raise the cash needed for the tax payment. This cash is liquid capital that is consumed by government visibly and noisily." Clearly, estate taxes do consume capital and oppress its efficient management, and must necessarily reduce labor productivity, wages, and living standards.

Recall that government's purpose in imposing progressive estate and income taxes is to reduce economic inequality. *Death and Taxes* shows these policies have the entirely opposite effect: "Taxes imposed on the rich are taxes on economic production. They consume the very capital that creates jobs. . . . To advocate higher taxes on the rich, most of whom are highly productive businessmen and investors, is to expropriate the very means of capital investment that afford jobs and better living conditions for the poor. . . . This is why, contrary to popular belief, *progressive death duties do not diminish economic inequality; they are powerful instruments for creating it. . . .* With every dollar of net (capital) consumption the worker's productivity must decline, as must his wages and living conditions. . . . The rich man, however, may manage through talent, industry, or thrift to

preserve...comfortable living conditions." The government has only nourished what it has set out to erase.

Death and Taxes clearly exemplifies one of the important lessons of the late Professor Ludwig von Mises: "Interference with the market... may in the short run attain ends aimed at by the government. But in the long run such measures always result in a state of affairs which—from the viewpoint of the government—is more unsatisfactory than the previous state they were intended to alter."² Such measures disregard economic laws. Progressive estate and income taxation disregards the economic principle which Dr. Sennholz states as, "*Economic and social inequality is inversely related to economic productivity, income, and wealth. Inequality tends to grow with declining labor productivity; it tends to diminish with rising labor productivity.*"

As if graduated taxes were not damaging enough, government compounds their results by promoting inflation—expanding the money supply. As Professor Sennholz explains, inflation causes prices to rise and expropriates purchasing power from moneyholders. Inflation redistributes wealth and income,

consumes capital, and pushes taxpayers into higher and higher brackets.

Death and Taxes concludes with a particularly enlightening chapter. Hans Sennholz has analyzed recent estate tax alternatives and reform proposals. This reading dispels all wonder as to why progressive estate and income taxes flourish. The proposals of the various individuals and organizations amount to little more than new methods or details of expropriating the estates. Many presentations are merely pleas for exemptions, privileges, and favored treatment. The alternatives disregard economic principles. No mention was made of the economic ruin caused by estate taxation. Moreover, no proponent even questioned the morality of the government's taxing the life's work of one person more heavily than another. What moral right does the government have in confiscating *any part* of a decedent's estate?

A fight for tax relief based on political favoritism only advances the redistributive society, which uses estate taxes for its ends. The question of estate taxes, indeed any taxes, must rest on economic and moral principles. *Death and Taxes* exposes the futility of the estate tax. Dr. Sennholz has presented economic and moral principles which call for the summary abolition of estate taxation.

² Ludwig von Mises, *Bureaucracy* (New Rochelle: Arlington House, 1969), p. 84.



A Heartening Message



from Youth

JOHN A. DAVENPORT

EVER SINCE Lewis Franklin Powell, Jr., now a Justice of the Supreme Court, wrote his famous memorandum on the dangers in which the private enterprise system finds itself, businessmen and their acolytes have been bestirring themselves to improve their public image. As public opinion polls still show, however, these efforts have not been overly successful. And as Irving Kristol has pointed out, one has the uneasy feeling that while defenders of enterprise have been winning the battles they have bit by bit been losing the war. One reason offered by Kristol is that champions of capitalism have all too often tended to think in terms of economic efficiency, whereas mod-

ern and younger critics of capitalism have pitched their attack on its political and ethical defects. Capitalism, in short, still lacks a comprehensive and comprehensible moral philosophy.

In this situation it is news, and good news of the first order, that there is a rising generation of young academic thinkers who understand that capitalism is something more than an "incredible bread machine," important as that is, and who have the wit and learning to articulate a deeper faith.

Confirmation of this new and immensely hopeful development is to be found in a slim volume of essays titled *Free Enterprise—An Imperative*, published in 1975.¹ As

A former editor of *Barron's* and *Fortune*, Mr. Davenport is author of *The U.S. Economy* and a frequent lecturer on political economy.

¹ Available at \$2.00 from the Herbert Hoover Presidential Library Association, Box 359, West Branch, Iowa 52358.

might be expected, the book received little notice from the Liberal press, but it should be on the desk of every businessman who has been suffering under the barbs of his Galbraithian, Naderite, and Marxist critics. For it contains the work of nine young authors who have obviously taken the measures of the detractors of the free market, and have in their different ways shown that capitalism, whatever its defects, does have philosophic credentials of the first order.

A Vulnerable Doctrine

In explicating these credentials it is noteworthy that only one of the young essayists relies heavily on the venerable but highly vulnerable doctrine of Utilitarianism as developed by Jeremy Bentham and other neo-classical economists. For it is precisely the association of capitalism with utility and material progress which has turned off a whole generation of youth from perceiving the free market's deeper contribution to our civilization. Its basic contribution is that it promotes and buttresses freedom or personal self-determination, which as pointed out by Verna Harrison, a student of philosophy and theology at The University of Oxford, "is a precondition for any morality whatever." This is true from the point of view of orthodox Christianity, which allows man to choose between good

and evil, or from a Kantian perspective which makes the free will central to its ethical system.

In viewing freedom both as a value in itself, and as a precondition of realizing other ends and values, the essayists are careful to guard against claiming too much or too little for capitalism. As Alan Stockman, a twenty-five-year-old graduate of Ohio State University, puts it: "No economic system can automatically guarantee a good society [meaning that individuals will necessarily choose the right ends], but some may have effects on people's values and behaviors which make the achievement of a desirable society more difficult."

Where government owns the means of production or "plans" all economic activity, it is obvious that freedom is constricted, and that coercion by the state flourishes. By contrast the market system of economy expands the options of man, the consumer, and man, the bread-winner and producer, since in effect each has a role in voting as to what shall be produced and in what quantities—a vote that is denied under any system of collectivism. Similarly, private ownership of the means of production, and the sanctity of private property, reinforce, and indeed are the preconditions of the maintenance of higher political liberties, including freedom of the press and freedom of

inquiry. This does not insure that all of man's choices will be good. The point is that without freedom of choice, and the diminution so far as possible of coercion, the good can never be realized.

The second test of an economic system is how far it engenders order and social collaboration, and here the detractors of capitalism have obviously sought to confuse discourse. The doctrine of *laissez faire* is equated to dog-eat-dog or to just plain chaos, whereas the fact is that by definition the market *requires* collaboration. As pointed out by most of the essayists, it is impossible to earn a living in a market economy without producing in the form of goods or work *something which another person wants*. Seller and buyer are thus bound together in a collaborative effort as are workers who, each seeking his own reward, collaborate in the output of a farm or factory. This is the underlying wisdom of Adam Smith's doctrine of the "invisible hand" which leads man "to promote an end which was no part of his intention," but which may be of benefit to society as a whole.

The Wisdom of the Market

The doctrine, much vilified in our day by the critics of enterprise, is in fact highly relevant precisely because the modern world is so complex, and because the knowledge of

any one man is by definition limited. The socialist planner assumes that the government bureaucrat is not only omnipotent but *omniscient*. In fact such omniscience does not exist. Indeed a third and potent argument for the enterprise system lies precisely in recognition of this fact. As Roger Michener, a young instructor at The University of Chicago, puts it: "It is because every individual knows so little, and, in particular, because we know hardly ever *who* knows best, that we trust to independent and competitive efforts for the emergence of what we shall want when we see it."

So the market economy is grounded in certain facts and requirements of human nature itself. But is it a just system? Here the argument is more complicated precisely because such an economy distributes its rewards and emoluments not according to the needs or merits of individual workers but according to the needs and requirements of consumers and employers who bid directly or indirectly for the worker's services. The wages paid to a ditch digger are relatively low because the potential supply of ditch diggers is large, whereas demand for this kind of work may be relatively small. The reward of a doctor or lawyer is high because there are relatively few men of such specialized training in relation to demand.

Granted that the law of supply and demand leads to increased and efficient production and use of available resources, does this really create a fair and a just distribution of income and satisfactions in the body politic? Or, as Marxians claim, does it lead to the exploitation of the masses by the classes—the men and women of superior ability?

It is the merit of the young essayists of this symposium that they do not attempt to shove this oldest question of philosophy and ethics under the rug but to meet it head on. In the process, as might be expected, they come up with different answers.

Equality and Justice

Justice, according to Plato, is the “giving to each man his due.” Taking off from this definition of justice, essayist Karl Keating points out that the just society will always be in opposition to an egalitarian society since men are obviously endowed by nature (and inheritance) with widely different capacities. “Enforced equality,” he writes, “means a violation of the dignity of men, for when we try to enforce something that is incapable of fruition, we necessarily violate nature and do violence to ourselves.” Having disposed of egalitarianism, he then argues that capitalism produces justice because it takes account of man’s true nature and

condition since it allows each man to use his talents and his property as he sees fit and hence “allows him to follow his own inclinations in attempting to become a more humane man.”

Others in the symposium are not quite so sure of the justness of the market’s decisions. John H. Beck, who holds degrees in both economics and mathematics, emphasizes that income distribution in a market economy may or may not accord with merit and skills, and that in some cases entrepreneurial profits may come from just plain luck. Still, he shrewdly points out that incomes are the resultant of prices. Prices in their turn are the essential means of communication between consumer and producer as to what is wanted and what should be produced. If we tamper with the price system we shall be left without guide or rudder as to how production and hence incomes should flow.

In a brilliant essay, David Kelley, assistant professor of philosophy at Vassar College, carries this essentiality of the market one step further in examining Marx’s famous proposal of “from each according to his ability, to each according to his need.” For how does the Marxian really determine need?

In posing this question Kelley points out that in his early writings at least Marx made the egregious

mistake of completely separating the "spiritual value" of work from the hard business of earning a living by producing what other people want. On this assumption, man works or should work only to satisfy his inner ego or Self. But, writes Kelley, this injunction really boils down to the mindless injunction of "Do your own thing"—the battle cry, it should be noted, of the New Left as it emerged in America in the late sixties. Such subjectivism will not do. Critical to man's happiness is "a sense of self-esteem," and one source of self-esteem lies precisely in entering into the productive process of a society. (Note the difference in attitude of a boy who gets his first job as compared to one who remains unemployed or only works for fun!)

Sums up Kelley: "The best way to alienate man would be to force him to live in a perfect communist society, where he can have no idea whose efforts are holding him in existence, while he tries vainly to express a self he has had no way of acquiring."

This is a difficult thought but nevertheless a profound one which makes hash of those who deride the market system as inhumane on grounds that it disregards the higher nature of man. The truth of the

matter is that while the market-profit economy may not render perfect justice, however such justice be defined, it comes closer than any alternative system for allowing men to be just in their dealings with one another. It cannot, as noted in the beginning, produce good men, but it can by fostering freedom allow men to be good. And in an imperfect world, that is quite an accomplishment.

It is also quite an accomplishment that the young authors, whose writings are here under review, have been able to see through the pretenses of those who would write off capitalism as a defunct economic system in favor of leading us into some Utopia of their own choosing. The best in this case, as in many others, is the enemy of the good.

The distinction of *Free Enterprise—An Imperative* is that its authors have winnowed the chaff from the wheat in our political thinking, that in stressing the virtues of capitalism they have not neglected its shortcomings, and that they have in one small volume brought philosophy to bear in its ultimate defense. What more can one want of serious academics? What more can one want of the coming generation? 

Herbert Hoover:

President of the United States

THE DEMOCRATS, not content with defeating Herbert Hoover in 1932, campaigned more or less successfully against him for a generation. Well, as Chesterton once said, any stigma will do to beat a dogma. Hoover, through the "smear" campaign instituted by Charles Michelson, the publicity director for a victory-hungry Democratic National Committee, had been identified in the public mind with what was then being trumpeted as the outmoded doctrine of Rugged Individualism, which made him Mr. Dogma personified.

But if Hoover had not been a handy devil to beat about the ears (or horns), the "liberals" would have found someone else. The point is that the counter-dogma of Let-the-State-Do-It was riding high. The Fabian campaign to put collectivism over on a one-bite-at-a-time basis had done its work in the schools and the opinion magazines (*The Nation*, the *New Republic*), and, in the post-1929 atmosphere, no

proponent of classical liberalism could have stayed for long in the White House.

Indeed, no less a person than Murray Rothbard, a shrewd analyst, has indicated that Herbert Hoover himself was so well aware of the power of the Fabian drift that he was intimidated by it. In his uncompromising way Rothbard has condemned Hoover for "anticipating" the New Deal. Hoover created the Farm Board to help circumvent the workings of the free market in agriculture. He also allowed the Reconstruction Finance Corporation to come into being. I remember Isabel Paterson's response to the creation of the RFC. "If J. P. Morgan can have his dole," she said, "then nobody can keep the voters out of the trough. What's fair for one is fair for all."

And so it turned out after March of 1933. But Hoover, even though he had temporized with his own basic philosophy as the social pressures mounted, fought a rather gallant

battle to save a traditional America. Edgar Eugene Robinson and Vaughn Bornet, in a comprehensive account of a single four-year White House term, *Herbert Hoover: President of the United States* (Hoover Institution Press, Stanford University, \$12.95), present a purposeful individual doing the best he could under a snowballing succession of terrifying handicaps.

This is a most lucid book, though its very fairness makes it unexciting. Hoover took office in 1929 with some clear-cut ideas of what a President should do. He wanted to take the tariff out of politics. He wanted to keep the government out of business. At the same time he proposed to be a Teddy Roosevelt conservationist in handling the wealth in the public domain. He hoped that farmers could be brought to solve their own problems with the help, but not the subsidy, of the government. And he had ideas of international cooperation that were calculated to keep the peace without running the risk of entrapment through ill-considered economic embargoes or "sanctions."

A Party Divided

Hoover believed in party government, but the joker in the deck was that Republican "unity" was a mirage even in the Coolidge years. The western insurgents—"sons of the wild jackass"—were always

ready to follow Fighting Bob La Follette of Wisconsin or George Norris of Nebraska off the reservation. Hoover, a Californian, should have been able to get along with the westerners, but Senator Borah of Idaho had stereotyped Hoover as an "easterner" at heart. This was a travesty, for Hoover did not agree with the Pennsylvania Grundys on the tariff. And Hoover was sympathetic with Borah's rural America when it came to supporting Prohibition as long as it was the law of the land.

Where Hoover disagreed with the Norrises and the Borahs was on the subject of compromising rural individualism by invoking State subsidies of all kinds. Hoover was willing to dam a river (as part of the public domain), but he was against using the State to market electric power. And he wanted no truck with export debentures to help farmers get rid of surplus crops.

In 1931 Hoover wrote to a friend that "if you could sit in the middle of the Government and see the tools with which we have to work and the disasters which confront us at all times in the use of these tools, you would not want us to extend the area of government but rather to keep the government as nearly as we can in its greatest function—the safeguarding of human rights." These were brave words. In 1931 they seemed anachronistic to a

growing majority, and nothing that Hoover could do had the slightest effect on the political impasse that followed the mid-term 1930 elections. The Democrats had a majority in the House of Representatives. In the Senate, the Republicans still had a margin—but the sons of the wild jackass might just as well have been Democrats.

From Bad to Worse

Everything broke badly for Hoover. To get his theory of a “flexible” tariff considered he felt he had to temporize with the high Smoot-Hawley rates, which meant that flexibility would have to start from impossible peaks. He could have vetoed the final Smoot-Hawley, or “Grundy,” tariff bill, as hundreds of economists urged him to do. But he thought the times required a settlement of the issue. Robinson and Borah let him off charitably by remarking that “henceforth, tariff policy was numbed by economic uncertainty and would inevitably come to be blamed for contributing to that uncertainty.”

The tariff, which encouraged the world drift to economic nationalism, was a premonition of things to come. Hoover was right when he saw things getting better in the U.S. But after the stormy local American financial waters had been calmed by his declaration of an international debt moratorium,

things kept breaking badly abroad. The “post-war” period ended when the Japanese invaded Manchuria.

In spite of everything, the economic indices in the Summer of 1932 foretold the breaking of depression. But the voters, bemused by a dreadful three years, couldn’t catch up with reality in time for November of 1932. They wanted a different man with a more pragmatic way of doing things, and they found him in Franklin D. Roosevelt. The joker here is that FDR found such Hoover-created or Hoover-tolerated mechanisms as the Farm Board and the RFC made to his hand.

In All Fairness

In being fair to Hoover as a President, Robinson and Borah are playing fair with the present. Hoover’s central philosophy is no longer the laughable thing it was when John Dewey was proclaiming that “President Hoover’s constant appeal to self-reliance, enterprise, private initiative, is simply puerile; it is a voice from the grave in which human hopes and happiness are buried.” Today, with inflation strangling a dozen economies around the world, it is the constant appeal to socialism that is burying our hopes and happiness.

So, Hoover is justified when our present Secretary of the Treasury William E. Simon says, in a notable

essay contributed to a book titled *The Ethical Basis of Economic Freedom* (American Viewpoint, Chapel Hill, N.C., \$12.50), that our home-grown enemies of a free society "have never asked themselves why a country like the Soviet Union, with some of the largest, richest tracts of grainland in the world, but with a government-owned-and-run agricultural system, cannot even feed its own people without turning to American farmers who own their own land, make their own economic decisions, and feed not only their own people, but millions of others as well."

Incidentally, Mr. Simon echoes Herbert Hoover when he says that a successful free enterprise requires a sound ethical base. Simon has a lovely quotation from Benjamin Franklin: "If the rascals knew the advantages of virtue, they would become honest men out of rascality." This would have pleased the Hoover who, in 1931, spoke of "the wrongs and cruelties that take place through greed and selfishness."

After forty years of government-promoted greed and selfishness that has outdone any recorded capitalistic iniquity, we are ready for Hoover's ideas of an ethical free market. It is good that Robinson and Bornet have brought the thirty-first President of the U.S. out of limbo.

►PHILIP MAZZEI: *Jefferson's "Zealous Whig"* by Sister Margherita Marchione. (New York: American Institute of Italian Studies. 1975. 8 East 69th St., New York City 10021) 352 pp., \$9.95 cloth, \$5.95 paper.

Reviewed by Haven Bradford Gow.

ONE OF THE UNSUNG HEROES of the American Revolution was Philip Mazzei, whose writings provided moral and intellectual sustenance to the colonists in their struggle for independence. Mazzei was born in Italy in 1730, received a degree in surgery, but decided to move to London, where he organized a firm devoted to the importation of cheese, wine, and olive oil. Here he met Thomas Adams and Benjamin Franklin, who pleaded with him to come to America.

Mazzei headed for Virginia in 1773, and it was in Virginia that Mazzei, during 1774-1775, one year before the publication of Thomas Paine's *Common Sense*, wrote a series of newspaper articles under the pseudonym "Furioso" for *The Virginia Gazette*. "All men are by nature equally free and independent," wrote Mazzei. "Such equality is necessary in order to create a free government. All men must be equal to each other in natural law."

Like Jefferson, Mazzei was an ardent admirer of the French "philosophes," and shared their commitment to equality. He was a firm

advocate of the belief that every citizen has an equal right to the benefits and honors of his society, and should not be deprived of these benefits and privileges except for some crime. To deprive a citizen of his equal right to the privileges and honors of his society, contends Mazzei, is "an obvious injustice" that should "horrify anyone convinced that *all men are born equally free and independent*." Here he makes the pernicious and common error of confusing "born" and "created."

According to Mazzei, the Declaration was based on the "great truth" that "all men are *born* equally free and independent"; but Mazzei's contention, it seems to me, is wide of the mark. For the Declaration does not say that "all men are *born* equally free and independent"; it affirms that "all men are *created* equal, that they are endowed by their Creator with certain unalienable rights, among these are Life, Liberty and the pursuit of Happiness." One hesitates to criticize so well-intentioned a person as Mazzei, but one would like to ask him what he means by "equality" and by "equally"? What does he mean by "free and independent"? Are men "equally free and independent" because they share a common nature? Or because they are "equal in the eyes of God"? And it is

obviously untrue to say of people living under a dictator that they are all "born equally free and independent."

Mazzei worked to eliminate every barrier that might prevent any person from participating fully in the life of his society. He opposed slavery, championed the rights of women, and contended against those who would limit voting to the rich. He argued, for example, that we often find good parents, who though owning no property, have acquired, through hard work and self-sacrifice, the means of educating their children, thus making them capable of holding leadership roles in society. Would it not be unjust, asks Mazzei, to deprive such persons of the right to vote? Would it not be unjust to exclude such persons from leadership positions in society? Indeed, observes Mazzei, riches and property often "dazzle and hide defects in those who possess them, while poverty encumbers him whose extraordinary merit is not publicized."

America is deeply indebted to the intellectual contributions made by men of other nations, one of whom was Philip Mazzei, whose life and work is worthy of further study. Sister Margherita Marchione deserves thanks for bringing to our attention an unsung hero of the young Republic. 

the Freeman

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TEL: (914) 591-7230

LEONARD E. READ

*President, Foundation for
Economic Education*

PAUL L. POIROT

Managing Editor

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CLARENCE B. CARSON

Reflections on



AMUSEMENT PARKS

Among Other Closed Systems

IT BAFFLES ME why anyone but children too small to go unattended, and for whom there would be no potential escorts, could be persuaded to submit themselves to the indignities of an amusement park. I, for one, do not like heights, do not like to be raised to them on some creaking chain or cable, to be plummeted downward, sideways, or upside down. I do not care to defy the laws of gravity, be spun around at sickening speeds, or be drenched by showers of water in some device propelled through artificially created streams. Spook houses don't spook me, though I do fear for my

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty: The Founding of the American Republic 1760-1800* is now available in a 350-page attractive Bicentennial paperback at \$3.00 from *The Foundation for Economic Education*, Irvington-on-Hudson, N.Y. 10533.

wallet as I pass through dark places with strangers all about. Indian manikins in contrived jungles have extremely limited possibilities for thrilling me.

These thoughts were prompted by a recent visit to one of the more expensive and extensive of such amusement parks in the land, accompanied by my wife with both of us in tow to our two impatient youngsters. My sour reaction may have been the result, in part, of the peculiar circumstances. We were so lacking in foresight as to time our visit for a Saturday in July, a day on which it appeared that all 215,000,000 Americans and an undisclosed number of foreigners decided to turn up at the same park. I didn't count them, but if some were not there, they could hardly have been missed.

It was hot and humid. We sweltered, dried out, parched, and dehydrated. The presence of water in various sorts of streams offered no relief, for it would have been unmeet to drink it, and we were not permitted to swim in it. Whichever way we decided to go, great throngs were headed the other way, throngs which we had to find a way to go through. Even so, they arrived at whatever ride or exhibit we were going to and were able to take their place in line ahead of us.

My thoughts should be read in yet another context, too. Life began at Forty for me a while back. My idea of amusement in July is to sit in a lounge chair under a shade tree and watch the sun go down. Moreover, I greatly admire the venturesome entrepreneurs who conceived this mercifully unnamed project and the speculators who had the foresight to invest in it. Nor have I anything but compassion for the intrepid "visitors" to the park who labored so hard to get their money's worth once they had got there. If there are any adults anywhere who enjoy such experiences, I would appreciate hearing from them, since I am even now setting aside a fund to pay someone to take my children the next time their clamor to go reaches an irresistible pitch.

However, "All things work together for good to them that love the Lord," as the Apostle Paul said, and

this experience did lead to some reflections which I would like to share. After pondering the day, I focused upon several aspects of the park which were particularly irritating. One was the long waits in lines before we could take the rides or get into the exhibits. These waits often lasted considerably longer than the rides or the trips through the exhibits. A related irritant was that if you liked the ride and wanted to go again, it was necessary to go back to the end of the line in order to do so. Another was their penchant for measuring the children to determine if they would be able to go on the rides. One of my children was a little too tall for some of them and was excluded from pleasures which the smaller child could enjoy. Then, there was the universal irritant of such places: the high prices of candy, food, and drink, particularly drink. We paid fifty cents for slightly more than a thimbleful of some sort of fruit drink.

A Closed System

These irritants can be attributed to one or both of two aspects of the organization of this amusement park: it is a closed system, and price is not used in allocating many of the goods. The closed system is frequently used to raise prices by eliminating competition. Most of us are familiar with its use when

access to alternative sources is not available or is deliberately shut out. Most stadiums, parks, and other places where ball games are played are more or less closed systems. Refreshments are usually higher than in the open market, and the prices charged at concessions are regulated. The same generally applies to fairs, circuses, and many other special events. Almost any kind of public transport—trains, boats, airplanes—constitutes a potential closed system, though competition has thus far been so vigorous among airlines that they have rarely taken advantage of the possibilities.

The operators of the amusement park in question have apparently deliberately devised a closed system. The park is at some distance from any alternate sources of refreshment. This has been made irrelevant, however, by the admission practices. The entrances and exits are by way of turnstiles. The entrance fee is \$7.50 per person, and includes the cost of all rides and exhibits. Once inside, the only way to reach alternate sources of refreshments would be to make an exit from the park. To get back in, it would be necessary to pay the fee again. No rain checks are given. This tends to make the park a closed system.

Most of the irritants can be attributed directly to these admis-

sion policies. Once the price of admission has been paid, the rides and exhibits are "free." A kind of contest then develops between the "visitors" and the operators of the park. The visitors attempt to avail themselves of as many of the attractions as possible, to get as much for their money as possible, to make the price of admission a bargain, if that is possible. This helps to explain the waiting.

True, I visited the park at the height of the season, and on a Saturday, but there was evidence that lines are common and usual, except at the ticket windows in front of the entrance. Most rides and exhibits can only be reached by threading one's way through a maze of elongated "stalls." These mazes are used to confine the waiting lines to relatively small areas and keep them from interfering with the flow of traffic generally, among other things.

Waiting Is the Price

What has happened can be readily explained in economic terms. Inside the park, prices are not used to allot these rides and exhibits to the customers. The result is a "shortage" of rides and exhibits and a "surplus" of "customers." Waiting in line becomes a means of paying for the "free" rides and exhibits. It also becomes an effective means of reducing the amount of goods one is

likely to acquire by paying the general price of admission. For most people, at some point, another long wait in line outweighs any anticipated thrill or pleasure. They may not be sated with rides and exhibits, but they are with waiting in line.

Have the operators of the park deliberately contrived it so that it works out this way? Undoubtedly. I have been to a number of carnivals and the like, where admission is paid to each attraction separately and individually. At these, one can ordinarily purchase as many tickets as he wants, and repeat the ride, or whatever, as long as his tickets last. It is not necessary to get out or off and stand in line again. Moreover, the "free" ride accounts for the eligibility requirements for the children's rides. I have never seen children measured to determine if they were the right size when tickets for individual attractions were purchased.

There are many advantages to any purveyor of goods of having a closed system. It reduces greatly the effort that needs to be put into selling. In the case of the above amusement park, once the admission ticket has been sold, no more tickets need be sold. It reduces competition. The attractions do not have to compete with one another for customers; the customers compete to get into the attractions. The burden is shifted in significant ways

from the seller to the buyer. From pushing his goods and wares, the seller can turn his attention to regulating the conditions in which his goods and services can be attained. In short, the seller can shift from attracting to regulating. The advantages to the seller are considerable. The advantages to the buyer are largely illusory or nonexistent. And, thereby hangs a tale.

Aspects of Monopoly

There are closed systems and closed systems. Every merchant attempts to create at least a miniature closed system. He seeks to establish an environment that will induce people to trade with him and not with someone else. He may give trading stamps, offer prizes, give guarantees and warranties, or distinguish his goods and services in whatever ways he can from others. Ordinarily, these miniature closed systems are of no particular interest or concern. If entry to the market is free, they are simply experienced as competition among purveyors of goods. The greater the effort put into establishing a closed system, the more vigorous the competition is likely to be.

Even so, the buyer should beware. What is here being called a closed system is what is ordinarily referred to as monopoly. The advantage of the phrase, "closed system," is that it refers to that aspect of monopoly

which is disadvantageous to the consumer. Much of the discussion of and action against monopoly has been confused and misguided, confused because monopoly is a generic term which can only be specialized to refer to its harmful aspects by ignoring its basic meaning, and misguided because it aims at effects rather than causes.

There are aspects of monopoly which are essential to freedom and to the free market. Monopoly is the exclusive right to sell. Though it may not be immediately apparent, all ownership of anything constitutes a monopoly, at least all private ownership. The exclusive right to sell one's services is a monopoly of them. It is also a most vital aspect of freedom. Property in real estate or chattels is a monopoly. The right to have such monopolies is vital and essential to freedom.

There is another aspect of monopoly, too. Every effort to improve goods or services by any vendor has as its tacit aim becoming the only seller in the market. Every enterprising entrepreneur is a potential monopolist, then. But the face that his effort bares ordinarily is competition. The tacit aim is monopoly, but the visible result in a free market is competition. Any general assault on monopoly, such as that of the Sherman Antitrust Act, becomes in effect an assault upon quality goods

and services and upon effective competition.

Monopoly is not the villain of the piece, then, but that aspect of it that is here called a closed system is. A closed system is one which shuts off alternative sources of goods, services, employment, land, or whatever. "Alternative" is the key word. It is of no untoward consequence that I am the only seller of my services, of this particular apple, of that particular knife, of a given house and lot, or whatever, so long as there are alternative sources of similar goods and services. When we are cut off from alternatives, it is then that we experience the notorious consequences that have been improperly attributed to monopoly in general. The closed system produces high prices, low quality, shortages, surpluses, busybody regulations, and a hundred other unwanted results.

Buyers Keep System Open

Each of us is inclined—more deeply than we are apt to suppose—to want and to seek a closed system within which to operate. It would free us of the necessity to compete. It would enable us to order people around rather than having to appeal to them and attract them. Think how effectively we could plan our lives if we only had a closed system! The ideal position would be

similar to that of, say, a Federal judge: appointment for life, a jurisdiction from which others were excluded, the power to compel "customers" to use our service, and the authority to punish those who disobeyed our orders. This is the motive power behind the thrusts toward building closed systems.

The buyer must beware, as I have said, if he wishes to avoid the tangles of a closed system. Indeed, it is the awareness of buyers that turns the thrust of merchants to make closed systems into competition. The fear of large corporations and other such conglomerates in the latter part of the nineteenth and in the early twentieth century arose from a sound instinct. The instinct was that a large business operating over extensive territory had the potentiality for erecting a closed system. So it does, but there is a counterweight to it in the open market. Other entrepreneurs can and do enter the market on a similar scale to put at naught the efforts of those who appear about to succeed in establishing a closed system. In short, customers are a match for the makers of closed systems in a free market. Customers may indeed tolerate some degrees of closed systems, but they will limit the extent and sway of them.

Closed systems are a threat in direct proportion to the duration of their hold and extent of their sway

and in inverse ratio to the ease with which the hold can be broken and the sway be limited. If one can refuse the good or service, walk out, turn off, or quit without drastic consequences, the system is not really closed and poses no great threat.

The buyer should beware in the market place, then, beware not only of the price and quality of what he buys but also of the extent to which he entangles himself in some system. But there is an arena where he needs to beware much more than in the market place. It is the arena of the epitome of closed systems, the closed system to top all closed systems—the State. Note, I say "the State," not government, is the epitome of closed systems.

The Power of the State

The State is that area, any area, ruled over by a single independent power. The State is an abstraction, but the area is quite real. It is the nature of the State to be an absolutely closed system, to have boundaries which outsiders may not cross to enter and insiders may not cross to get out. The existence of the State consists entirely of these boundaries which are usually invisible and are largely imaginary. The more firmly the boundaries inhibit entry or exit, the more nearly the State approaches the realization of its "stateness." To put it another

way, the State becomes a visible reality, as much as any abstraction can, when its boundaries are marked with high walls or barbed wire fences and the openings guarded by cannons and machine guns. The amusement park, with which this essay began, is, of course, a miniature state, but only a temporary one.

Government exercises power over the people within a state. Government determines the extent to which the State is a closed system. We have no choice as to whether or not we will reside in a state. We have no choice as to whether or not we will have a government. We can choose what kind of government we have and how extensive and restrictive it will be. It is in these choices that the buyer must beware. By nature, the State is a closed system. By nature, whatever government regulates or controls it tends to make of that area a closed system. Government is not a closed system, but its method of operation makes it force out alternatives.

The necessity for government is to maintain the peace within the State. It is interesting and encouraging that so long as it does this task well, and is restricted to this task, it opens rather than closes the system. Freedom can only be exercised effectively where life and property are reasonably secure. Liberty is broadened to the extent

that men are not greatly threatened by murder, theft, fraud, and conspiracies against them. The free market is a phenomenon of the security of life and property.

Nor does a government which maintains the peace, and is restricted to that, produce the infelicities associated with a closed system. There is no crush of people willing and waiting to have government exercise its powers upon them. No lines form to get arrested. Men present themselves before courts under the threat of dire consequences if they do not. The number seeking to be imprisoned is surely infinitesimal, if there is any such number. Prudent men avoid occasions of contact with government which may bring them to the unfavorable attention of those who enforce the law.

Government in the Market

In short, the *basic* task of government is such that there is no market for the activities which it engages in. In the performance of its basic task, government offers nothing for sale in the market and so far as it makes purchases in the market may do so in a non-governmental way, that is, without the use of force.

All this changes when government becomes an active factor in the market. Then, the movement is toward a hampered market and a closed system. Government can be-

come an active factor in the market in two ways: it can offer goods and services in the market or it can regulate and control those who do. In either case, it makes entry to the market more difficult and reduces the number of alternative sources of goods and services.

Let us deal first with government as a provider of goods and services. Let it be noted that there are no free goods. There are no free rides, even in an amusement park. There are no free lunches. There is no free medical care. There are no free schools.

A sound instinct tells us that when a salesman in the market tells us that he is going to give us something absolutely free, we had best beware. At the least, he is trying to break down our sales resistance to something else by making us feel obligated to him. Quite likely, he may be going to give us something whose use is going to depend on something he has for sale. It is a "come on," we say, and we have learned to be wary of these. It is even more important that we beware of "free" goods offered by government, for they carry with them a lot of hidden costs.

"Free Goods" Become "Rights"

If goods were free, they would cease to be goods. This is an economic fact. But the psychological and political dimensions need to be explored a little further. We say

with confidence that there are no free rides or free lunches. Our meaning is clear to us: we mean that they have to be paid for by somebody, somewhere, at some time. True enough, and a most important truth. But it is also true that a situation can be created where rides become "free," so far as any direct charge for them is concerned, and lunches can be and are given away.

It has been little noticed, but there is a tendency for these free items to become something other than or different from goods. Free lunches or free rides become not so much goods to be sought as rights to be asserted. If my impression was correct, many people in the amusement park were not being amused; they were asserting their rights to the rides and exhibits. Certainly, it is this that leads to the legalistic approach of establishing eligibility requirements for certain of the rides.

Much more importantly, welfare payments, food stamps, and such like, are now commonly referred to as rights. There are now welfare recipients who bend every effort to get everything that is coming to them. They are not the only ones. School systems frequently employ a person whose task is to discover government aid programs and make sure that the system receives them. "Free" goods have become rights, and there are people determined to

have all that is coming to them whether they need, want, or can use them or not.

Some "free goods" cease to be thought of as goods at all by recipients; they become "bads." This is so for many of the children in "free" schools much of the time and for most children some of the time. In fact, governments do not simply offer schools in the market but compel attendance at some school. The government determines what is "good," not the child or even his parents. In consequence, some schools take on the aspect of part-time prisons with armed guards and some of the other paraphernalia of compulsion.

Alternatives Reduced

The schools, too, are a good example of how government in the market reduces alternatives and tends to close the system. Government not only compels school attendance but also prohibits the young from working in many employments until they reach a certain age. They have very few alternatives to going to school even if they were not compelled to do so. Most states have lengthy prescriptions for what must be taught in any acceptable school, public or private. The result is severe limitation of what is appropriate to education. Moreover, the Federal courts, Congress, and HEW have in significant ways federalized

the schools with regulations, prescriptions, and rulings. The direction is toward a standard school for all America.

The Post Office is an even better example of closing the system when government offers a service. The government long ago eliminated all competitors in delivering first class mail. It behaves in a fashion which is typical of monopolies. It continually raises prices, reduces service, and regulates the customers. More and more of the services once performed by clerks are now performed by the patrons.

How customers are regulated can be illustrated by a homely example. The local post office which I use often has fairly long lines. Post offices are not the only places where lines form, of course; they form at banks, checkout counters of grocery stores, and other places. There is a difference, however, as I discovered. In private establishments, customers often shift from line to line in the hope of getting service sooner. Indeed, it is not uncommon in grocery stores, when another checkout counter is opened, for the clerk to beckon to those at the end of the line to come and be served. Not so, in this post office. I was near the end of the line one day when I observed that another window had been opened. I moved toward it, as I probably would have done in the grocery store. I was ordered back

into line by an officious clerk, who thereafter took the people one at a time who were nearest to the originally open window. The post office has since roped off an area to assure that everyone stays in a single line. It may be that they will shortly install a maze of stalls through which the patrons must proceed.

It is debatable, I suppose, whether in strict justice a newly opened counter should be used to serve those nearest to the original counter before which the line had formed or the newest comers to the line. I have observed, however that when the customers are free, those about to be waited on will stay in the original line while those furthest back are most likely to shift to the new line. The clerks at the grocery store attempt to keep the lines short and see to it that everyone's wait is as brief as possible. The grocery clerks are attuned to service. The line in this post office has been politicized. Everyone is going to have as long a wait as anyone else, if possible, regardless of race, creed, color, religion, age, infirmity, or what not. The grocery clerk beckons; the postal clerk orders. The grocery store competes in the open market; the Post Office operates as a closed system.

Examples are abundant of how government acting in the market tends to close the system. If all that

come to mind were reported this would become a book instead of an article. Suffice it to say, then, that wherever government intervenes in the market it tends to reduce alternatives.

When government franchises, licenses, regulates, prescribes, inspects, sets standards, or in whatever manner intervenes in the market it reduces alternatives. When it offers goods or services in the market it tends to eliminate all competitors. Its activities produce surpluses, shortages, and imbalances. It turns its power on its "customers" to make them conform to its rules and winnows them through sets of eligibility requirements. The more government acts on the market in these ways the more hampered it becomes, the less open, and the more nearly closed. The thrust toward intervention in our day is socialistic, and the end result is the closed system.

State vs. Market

It is common in our day for economists to speak of the market in terms of the "public sector" and "private sector." These phrases have never struck me as particularly apt, and I have always avoided the use of them. For one thing, they smack of jargon which it is usually well to avoid. But there is a much more important reason than this. They do not fully describe what is involved

nor do they reveal the character of the actions they purport to bring to our attention. Much better distinctions are available, but they need a little introduction.

Man lives out his life within the orbit of two great abstractions. One is the State. The other is the Market. The State, as already indicated, is the epitome of the closed system. By nature, it is a barrier, confining those within its boundaries and shutting others out: restricting, limiting, and inhibiting all activity. The Market, on the other hand, is by nature open and free. The consumer welcomes all to the market, seeking as he does to buy the highest quality he can discover for the lowest price. He can do this best if all who have goods or services are available to him in the market. Any appearances to the contrary, the Market is the arena of the buyer or consumer. The seller is there at the consumer's behest and is tolerated only so long as he pleases.

Government is the instrument of force which determines whether and to what extent the State or the Market holds sway. If the Market is to prevail, the government maintains the peace and allows freedom for it to unfold and helps to remove the barriers to its expansion. If the government throws its weight behind the State, it acts to inhibit

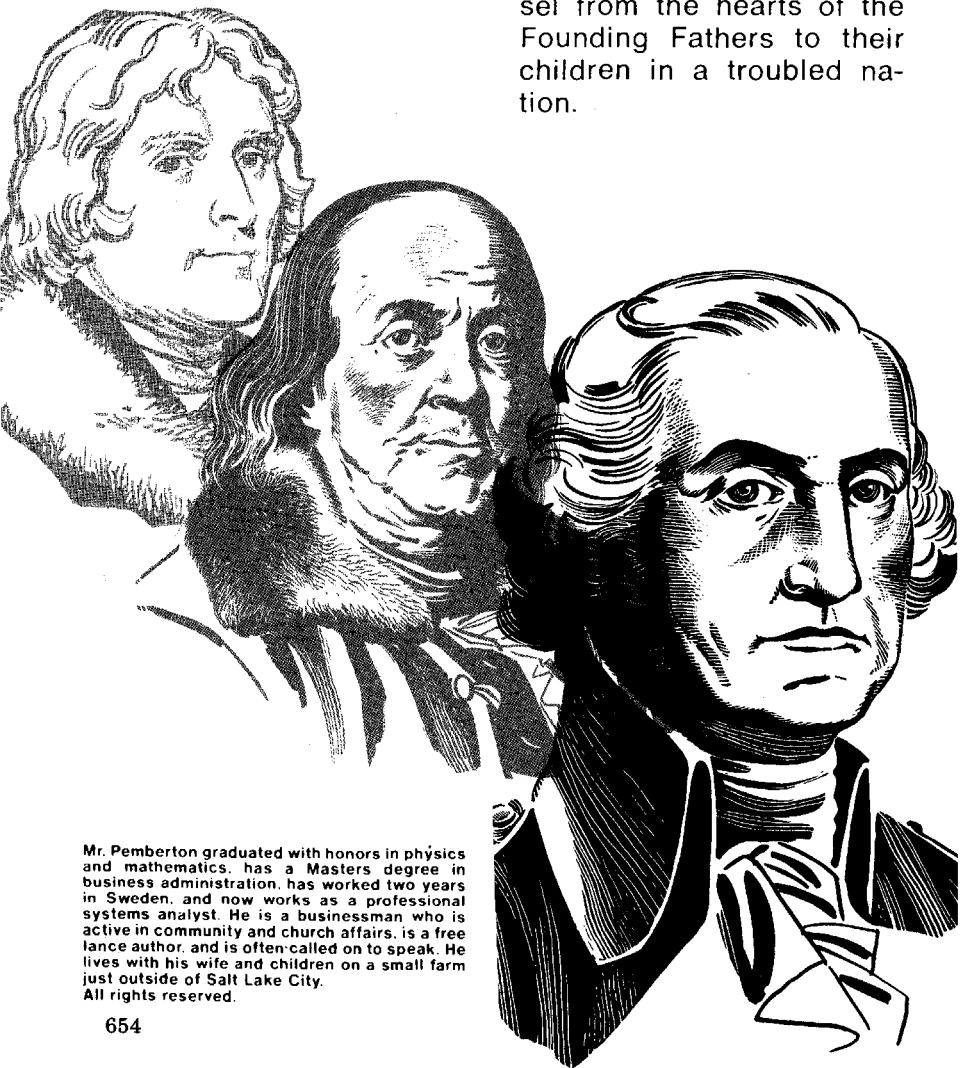
the Market and increase the barriers. The more government intervenes in the market the more it increases the power of the State. The "public sector" is, in reality, Statism. The "private sector" is none other than Freedom. The issue is not between the "public sector" and the "private sector." It is between Statism and Freedom. The end toward which Statism moves is the totalitarian state with its massive barriers at the frontiers to prevent entry or exit of peoples and goods. Its appropriate symbols are the Berlin Wall and the fugitive shot down as he tries to escape.

Amusement parks do not matter much. I can take them or leave them. Hopefully, my children will grow up and can do likewise one day. In any case, life is long and visits to them are brief, and you can leave any time you wish. It is not so with the State. To move from one state to another is a great inconvenience, is costly, and frequently requires the mastery of another language and the adoption of another way of life. Moreover, the likelihood today is that Statism will be as prevalent, or more so, in the new state as in the old. Better to focus on government, limit its functions, beware the siren song of the State, and recover the freedom of the Market. 

A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City.

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VII. On Amendment XVII

This continues a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

WHEN WE MET in convention in Philadelphia that summer of 1787, our new land was in the throes of civil turmoil and economic emergency. Mobs had driven the Congress from the city, court houses in Massachusetts had been fired upon, inflation had wasted ninety-eight cents of our dollar, general disorder and dismay reigned in the cities and hearts of the people. Our urgent intent was to assuage those ills, and neither our feelings nor our view of our troubles was so different from a hundred similar gatherings assembled in history by the press of political problems. At first we were largely unaware of the far-reaching consequence of the seemingly natural events of the Convention.

While most of us saw only the grave conditions around us, there were a few great ones who saw in those troubles the seeds of a better and more enduring system. But

faintly did we sense the full stature of the giants who sat among us; those few whose wisdom pierced the gathering gloom and fastened upon the vision of a liberty wherein the powers of the people would balance the powers of government, and the frailties of human government would be balanced against themselves, and the written Constitution would fix and protect them all.

By the persistent consideration of conflicting but equally worthy objectives we worked our way to a new understanding and a balancing of those objectives which loosed the powers and enterprise of the citizens while it protected them in their rights and gave them control of their protector. The resulting Constitution was an instrument of somewhat delicate but well-guarded balances, a framework which has proved its worth in the nation's unparalleled successes.

You may think I too frequently remind you of that, but I have seen your ignorance and am resolved that you shall learn well the single most obvious fact of your two centuries: that the balances of the Constitution specifically and the goodness of the people generally are the towering columns which raised you to your present glory. My children—be careful lest the relentless drumming of the philosophy of “something for nothing” bring you down like the walls of ancient Jericho, for now it jars both pillars and the nation shudders in the din.

The Constitution has been called the result of many compromises but I prefer to call them balances. We balanced anarchy against oppression, nationalism against federalism, and the branches of government against each other. Each of these balances is supported by others, and all of them are necessary to the proper function of your government. But some of them have been badly disturbed or altogether removed, and you now feel the consequences.

One of those most critical to the welfare of the nation was reached in the design of the bicameral Congress. We preferred the advantages of democracy but declined to suffer its errors. We desired to protect our States and our local governments and minorities among the people

from the oppression of strict popular rule; that defect being clearly discernible in the cracks that wrecked the foundations of the ancient Greek nations. On the other hand, we wanted no part of Plato's republic with its established, tyrannical aristocracy. But between those extremes we founded a Congress which was at once a direct representative of the people (the House) and a direct advocate for the States (the Senate).

It is an obvious principle that the greater the facility with which the people may control their government, the less it will be allowed to oppress them (except when the political ignorance of the electorate permits politicians to successfully espouse impossible programs). Likewise, the closer the government function operates to the public, the easier their control thereof.

These considerations lead naturally to a universal principle of good administration: each problem should be treated at the lowest possible level. Thus school books should be selected by the teachers and parents of the pupils who use them, fence lines should be the concern of the county surveyor, laws prohibiting crimes of all types are the correct domain of the State, and national security must be attended by the United States. It is an interesting exercise in what you call political science to write oneself a

list of those operations which cannot be performed by the States or lower agencies, and which must therefore be handled by the Union. I heartily encourage you to attempt it!

Some have thought that our jealousy for the sovereignty of our States was an emotional nationalism, and there is some truth there, but we were also concerned to keep the execution of the powers of government as close to the populace as possible. International concerns want to be administered by the United States. An assurance of equal justice and the protection of rights are also proper questions for the Union, as are provisions to prevent the States from economic chicaneries against their sisters. But all other powers were reserved to the States and their inhabitants. We adopted that plan not so much in fear for the sovereignty of our States, but because that supremacy is actually a reflection of its source which reposes in the individual citizen.

In order to safeguard all his rights, each person delegates a portion of them to his State. The Constitution provided that most of those powers should remain there and they came to be known as States' rights although their origin continues in the citizen. The nature of that source requires devices to

shield them from the constant threat of encroachment by the more comprehensive federal government.

We noted with concern that the universal nature of legislatures is to legislate too much, and that unless some opposing force were supplied, the United States Congress would eventually infringe every State prerogative until the rights of the people vested in the States were consumed. We talked much of the need for Senators to preserve the sovereignty of their States because they were the best defenders of the rights the people had already lost to their States' governments. Hence, Senators were elected by the State legislature, were to answer to the State, and were to represent the interests of the State in the Congress. Amendment XVII destroyed that balance and the Senate became another House.

There is a point of possible contention in this discussion, for one might correctly ask: If States' rights are really the delegated rights of the people, then is it not clear that the people can best see to their own interests by electing their Senators directly as they do now? Ah, there is also a need to balance political principle with the realities of human nature. It would be well enough if each citizen understood that States' rights are people rights (which they do not) and if they could remember to apply the fact to

each political decision (which they cannot). But once those rights are granted the States and new generations come and go scarcely questioning the authority exercised over them, it is natural that the people will little concern themselves with the finely decisive lines of human rights.

The men of the State Legislatures sense more keenly the problems of the State than do the public. This relative ignorance (which arises from no lack of diligence but from the effect of a different occupation) practically disqualifies the ordinary citizen from the task of choosing a Senator who can properly represent his State. The people are more likely attracted by policies which, although they seem fraught with blessings, contain the seeds of the loss of their independence.

Far wiser to treat the rights of the citizens delegated to their States as they are usually perceived and more conveniently described, as States' rights, and to place officers in such positions as to foster a natural jealousy for those rights. Because your Senators are elected by the people, their desire is to please the people, an operation belonging to the Representatives. If Senators were elected by the State's legislature, as they ought to be, their natural impulse would be to please the members of that body,

and what would please them most is that the Senator learn and respond to the needs and rights of the State as a political entity. This technique allows the Senators to forget the origin of the rights they nonetheless anxiously guard, for, as deputies of the State, they feel directly that responsibility and instinctively position themselves in defense of the power they represent.

You have witnessed an increasing intrusion of the federal government upon the States, and a usurpation of those powers which properly belong to and ought to be administered by the States. You have even seen Federal *bureaus* present ultimatums to State *legislatures*. Such arrogance surely indicates a serious disease, and although you are generally aware of the malady, you have not perceived its cause. What? Do you think a Federal bureaucrat could dictate law to a State legislature if that State were correctly represented in the Congress? Can you hear the words of a true State Senator on such a topic? Would there not then be a sweet commotion in the Senate? I know you can sense the virtue of the principle!

But who is now the protector of the sovereignty of the States? Where now are those guards? Who is the advocate in the federal council for the rights the people entrusted to the States? Who car-

ries the charge to keep the government of the United States from swallowing her own members? The States formed the Union to serve their mutual needs and cast themselves under her wings for their common defense. Now the creature has turned on her creators, the servant upon her masters; and all because the carefully set balances of the Constitution were thrown awry by the Seventeenth Amendment!

And whence your concern that the laws of one State are not the same as another? Who shall write the law for a State if not her own citizens? Anything less is tyranny.

You have nearly forgotten the vision of the *United States*. Had wisdom decreed that this land should be one state, we should have named it the Consolidated State, or a similar singular noun, but that was not our intent. And while you followed our plan you prospered, but since you put the States out of Congress they have lost their *only* defense, their powers have been usurped and centralized and you have steadily forfeited the freedom we gave you. Your experiment has verified our wisdom.

Nay, the United States were not meant to function as a single nation, except in relation to states outside her boundaries, but rather as a federalization of sovereign

nations bound together in only the most essential ways and otherwise free and independent. You recoil somewhat at the concept, yet I have not come to dissolve the Union, but to restore it by returning the strength to her members. You are offended because you have lost the understanding of our work. We wanted the nations in the federation small so as to keep the exercise of the powers of government close to their only legitimate source, the people. You have come to see the States as convenient subdivisions for the administration of the central government and not at all as the protectors of your sacred rights.

Can you see what has been done? A portion of your rights were delegated to your States. The federal government, having no opposition from the States in its Congress, has nearly absorbed all those rights and now inflicts your own authority upon you and against your will. That your grievances derive almost exclusively from your federal government should teach you the truth of these principles.

Our day and our times required much careful thought and action, which, though inconvenient, were necessary to the establishment of an enduring system of human liberty. Your day and your times are too much like ours. You too must put selfishness and immediacy behind

you. You too must listen and strive for the visions of your wise ones, and they are among you for every battle has its conqueror. The full destiny of the nation and the highest use of the Constitution have only begun to appear. Never before has the world been so dark or so hungry for the sweet fruits of freedom. But how will you hold aloft the light of liberty while the ship of state lists under the unbalanced load of a federal government unchecked by the sovereign States? And how shall you bear abroad those fruits in a ship so out of trim?

What is to be done? Restore the balance! Put the guardians of the rights of the States back in Congress! Stay the growing intrusions of the federal government! Reverse the trend and let the rights flow

back to their proper place. Repeal the amendment and begin the restoration of the Constitution!

Consider the effect! With the Senate restored to its correct authority, many of the reforms you seek would begin to be effected as a natural consequence of the composition of the Senate and in a manner slow enough to insure that some other portion of the political machinery would not be thrown awry. And all that in concert with the restoration of the rights of the people vested in the several States. The principle points its own goal and pleads its own case while the rising indignation of the people provides the power for its attainment. Is it not a matter worthy of your most sober deliberation? 

Next: VIII. On the Destiny of Liberty

Home Rule

TO BRING about government by oligarchy masquerading as democracy it is fundamentally essential that practically all authority and control be centralized in our national government, the individual sovereignty of our states must first be destroyed...

We are safe from the danger of any such departure from the principles upon which this country was founded just so long as the individual home rule of the states is scrupulously preserved and fought for whenever they seem in danger. Thus it will be seen that this home rule is a most important thing—a most vital thing if we are to continue along the course on which we have so far progressed with such unprecedented success.

IDEAS ON



LIBERTY

FRANKLIN D. ROOSEVELT, March 2, 1930
From "An Address on State Rights" while Governor
of New York.

The *PROPER* Role of Government

EZRA TAFT BENSON

DURING this historic celebration of our nation's Bicentennial, it seems appropriate to say something about the principles, functions, and role of government which these Founding Fathers established.

I am humbly grateful to God for the blessings we all enjoy as citizens of these great United States of America. I am grateful for our Founding Fathers who were raised up with the courage to give their lives, with the unselfishness to give their fortunes, and the vision to pledge their sacred honor in order to establish a new kind of government of their own choosing where men might be free. I am additional-

ly grateful that these Founding Fathers had the faith and humility to accept the divine inspiration so necessary in setting forth the Constitution as the foundation for their new Republic.

Men are often asked to express an opinion on a myriad of government proposals and projects. All too often, answers seem to be based not upon solid principles, but upon the popularity of the specific government program in question. Seldom are men willing to oppose a popular program—especially if they seek public office.

Such an approach to vital political questions of the day can only lead to public confusion and legislative chaos. Decisions of this nature should be based upon and measured against certain basic principles regarding the proper role of government. If principles are correct, then they can be applied to any specific

Mr. Benson, former Secretary of Agriculture, has long been active in agricultural affairs and on behalf of The Church of Jesus Christ of Latter-Day Saints, which he now serves as President of the Council of Twelve.

This article is from an address of June 26, 1976 at a meeting of the National Association of Counties Officials.

proposal with confidence. Unlike the political opportunist, the true statesman values principle above popularity and works to create popularity for those political principles which are wise and just. How much this country needs men with a mandate higher than the ballot box!

It is generally agreed that the most important single function of government is to secure the rights and freedoms of individual citizens. But what are those rights? And what is their source? Until these questions are answered, there is little likelihood that we can correctly determine how government can best secure them.

Origin of Rights

Let us first consider the origin of those freedoms we have come to know as human rights. Rights are either God-given as part of the divine plan, or they are granted by government as part of the political plan. Reason, necessity, tradition, and religious convictions all lead me to accept the divine origin of these rights. If we accept the premise that human rights are granted by government, then we must be willing to accept the corollary that they can be denied by government.

I support the doctrine of separation of church and state as traditionally interpreted to prohibit the establishment of an official national

religion. But this does not mean that we should divorce government from any formal recognition of God. To do so strikes a potentially fatal blow at the concept of the divine origin of our rights and unlocks the door for an easy entry of future tyranny. If Americans should ever come to believe that their rights and freedoms are instituted among men by politicians and bureaucrats, then they will no longer carry the proud inheritance of their forefathers, but will grovel before their masters seeking favors and dispensations, a throwback to the feudal system of the Dark Ages.

Since God created man with certain inalienable rights and man, in turn, created government to help secure and safeguard those rights, it follows that man is superior to the creature which he created. Man is superior to government and should remain master over it, not the other way around. Even the nonbeliever can appreciate the logic of this relationship.

A government is nothing more or less than a relatively small group of citizens who have been hired, in a sense, by the rest of us to perform certain functions and discharge certain responsibilities which have been authorized. The government itself has no innate power or privilege to do anything. Its only source of authority and power is from the people who created it.

Keep in mind that the people who have created their government can give to that government only such powers as they themselves have. They cannot give that which they do not possess.

In a primitive state, there is no doubt that each man would be justified in using force, if necessary, to defend himself against physical harm, against theft of the fruits of his labor, and against enslavement by another.

Indeed, the early pioneers found that a great deal of their time and energy was being spent defending themselves, their property, and their liberty. For man to prosper, he cannot afford to spend his time constantly guarding his family, his fields, and his property against attack and theft. When he joins together with his neighbors and hires a sheriff, government is born. The individual citizens delegate to the sheriff their unquestionable right to protect themselves. The sheriff now does for them only that which they had a right to do for themselves—nothing more.

From Whence This Claim?

But suppose pioneer "A" wants another horse for his wagon. He doesn't have the money to buy one, but since pioneer "B" has an extra horse, he decides that he is entitled to share in his neighbor's good fortune. Is he entitled to take his

neighbor's horse? Obviously not! If his neighbor wishes to give it or lend it, that is another question. But so long as pioneer "B" wishes to keep his property, pioneer "A" has no just claim to it.

If "A" has no proper power to take "B's" property, can he delegate any such power to the sheriff? No. Even if everyone in the community desires that "B" give his extra horse to "A," they have no right individually or collectively to force him to do it. They cannot delegate a power they themselves do not have.

The proper function of government is limited only to those spheres of activity within which the individual citizen has the right to act. By deriving its just powers from the governed, government becomes primarily a mechanism for defense against bodily harm, theft, and involuntary servitude. It cannot claim the power to redistribute the wealth or force reluctant citizens to perform acts of charity against their will. Government is created by man. No man can delegate a power that he does not possess. The creature cannot exceed the creator.

In general terms, therefore, the proper role of government includes such defensive activities as maintaining national military and local police forces for protection against loss of life, loss of property, and loss of liberty at the hands of either foreign despots or domestic crimi-

nals. It also includes those powers necessarily incidental to the protective function.

We should recognize that government is no plaything. It is an instrument of force; and unless our conscience is clear that we would not hesitate to put a man to death, put him in jail, or forcibly deprive him of his property for failing to obey a given law, we should oppose that law.

The Constitution of the United States, an inspired document, is a solemn agreement between the citizens of this nation that every officer of government is under a sacred duty to obey.

Local Control Preferable

The Constitution provides that the great bulk of the legitimate activities of government are to be carried out at the state or local level. This is the only way in which the principle of self-government can be made effective. The smallest or lowest level that can possibly undertake the task is the one that should do so. The smaller the governmental unit and the closer it is to the people, the easier it is to guide it, to correct it, to keep it solvent, and to keep our freedom. Remember that the people of the states of this Republic created the federal government. The federal government did not create the states.

A category of government

activity that not only requires the closest scrutiny but that also poses a grave danger to our continued freedom is the activity *not* within the proper sphere of government. No one has the authority to grant such powers as welfare programs, schemes for redistributing the wealth, and activities that coerce people into acting in accordance with a prescribed code of social planning. There is one simple test. Do I as an individual have a right to use force upon my neighbor to accomplish this goal? If I do, then I may delegate that power to my government to exercise it in my behalf. If I do not have that right, I cannot delegate it.

If we permit government to manufacture its own authority, and to create self-proclaimed powers not delegated to it by the people, then the creature exceeds the creator and becomes master. Who is to say, "this far, but no farther?" What clear principle will stay the hand of government from reaching farther and farther into our daily lives? Grover Cleveland said that "though the people support the government, the government should not support the people."

An Instrument of Plunder

Once government steps over this clear line between the protective or negative role into the aggressive role of redistributing the wealth

through taxation and providing so-called "benefits" for some of its citizens, it becomes a means for legalized plunder. It becomes a lever of unlimited power that is the sought-after prize of unscrupulous individuals and pressure groups, each seeking to control the machine to fatten his own pockets or to benefit his favorite charity, all with the other fellow's money, of course. Each class or special interest group competes with the others to throw the lever of governmental power in its favor, or at least to immunize itself against the effects of a previous thrust. Labor gets a minimum wage. Agriculture gets a price support. Some consumers demand price controls. In the end, no one is much further ahead, and everyone suffers the burdens of a gigantic bureaucracy and a loss of personal freedom. With each group out to get its share of the spoils, such governments historically have mushroomed into total welfare states. Once the process begins, once the principles of the protective function of government give way to the aggressive or redistributive function, then forces are set in motion that drive the nation toward totalitarianism.

It Can Happen Here

You say, "It can't happen here." I have just returned from Great Britain, that nation which has provided

the free world with a tradition of freedom and democratic rights, stemming from the Magna Carta and coming down through other important historical documents and statements by famous Englishmen. Yet England today is losing her freedom and democracy. She has become a giant welfare state. Today government spending in Great Britain amounts to sixty per cent of her national income. This has led the renowned University of Chicago economist, Dr. Milton Friedman, to forecast: "I fear very much that within the next five years the odds are at least fifty-fifty that British freedom and democracy as we have seen it will be destroyed." Recognizing the past record of the British people for stamina and courage, I am hopeful—even confident—that they will disprove this prediction. I hope and pray they will meet the serious challenges facing them.

The lesson of New York City should tell us that this same thing can happen here—to us—*now*. New York City is no longer governed by its elected officials. It is governed by a committee of overseers appointed by the State of New York. New York City has partially lost its freedom! When will we learn the lesson that fiscal irresponsibility leads to a loss of self-government?

A recent study by the Ford Motor Company economists showed that there are more people being sup-

ported by taxes in the United States (80,655,000) than there are people working in the private sector of the economy to pay the taxes (71,650,000).

Among those living on *your* tax dollars, according to the Ford study, were those on welfare and retirement programs, government employees, military personnel on active duty, and the disabled and unemployed. "A new American majority is being created," the study states, "who are exploiting the fact for their own political and professional purposes." Such was a major factor in the fall of Rome.

To pay for this and other beneficiaries of your tax dollar, almost one-third of the average income goes for taxes for the operation of government at one level or another. Put another way, you now work from January 1 to April 28 to pay for your federal, state, and local taxes.

Downgrading the Individual

According to Marxist doctrine, a human being is primarily an economic creature. His material well-being is all-important; his privacy and his freedom are secondary. The Soviet constitution reflects this philosophy in its emphasis on security; food, clothing, housing, medical care—the same things that might be considered in a jail. The basic concept is that the government has full responsibility for the

welfare of the people and, in order to discharge that responsibility, must assume control of all their activities. It is significant that in actuality the Russian people have few of the rights supposedly "guaranteed" to them in their constitution, while the American people have them in abundance even though they are not guaranteed. The reason is that material gain and economic prosperity and security simply cannot be guaranteed by any government. They are the result and reward of hard work and industrious production. Unless the people bake one loaf of bread for each citizen, the government cannot guarantee that each will have one loaf to eat. Constitutions can be written, laws can be passed, and imperial decrees can be issued, but unless the bread is produced, it can never be distributed.

Why America Has Prospered

Why then do Americans bake more bread, manufacture more shoes, and assemble more TV sets than Russians do? They do so precisely because our government does not guarantee these things. If it did, there would be so many accompanying taxes, controls, regulations, and political manipulations that the productive genius that is America's would soon be reduced to the floundering level of waste and inefficiency now found behind the Iron Curtain.

God has prospered this land! Though the United States has only about six per cent of the world population and seven per cent of the land area, our gross national product is about forty per cent of the world total. The principles behind this prosperity can be reduced to a rather simple formula:

1. Economic security for all is impossible without widespread abundance.

2. Abundance is impossible without industrious and efficient production.

3. Such production is impossible without energetic, willing, and eager labor.

4. This is not possible without incentive.

5. Of all forms of incentive—the freedom to attain a reward for one's labors is the most sustaining for most people. Sometimes called the profit motive, it is simply the right to plan and to earn and to enjoy the fruits of your labor.

6. This profit motive diminishes as government controls, regulations, and taxes increase to deny the fruits of success to those who produce.

7. Therefore, any attempt *through government intervention* to redistribute the material rewards of

labor can only result in the eventual destruction of the productive base of society, without which real abundance and security for more than the ruling elite is quite impossible.

A Heartless Approach

This may sound heartless and insensitive to the needs of those less fortunate individuals who are found in any society, no matter how affluent. "What about the lame, the sick, and the destitute?" is an often-voiced question. Most other countries have attempted to use the power of government to meet this need. Yet in every case, the improvement has been marginal at best and has, in the long run, created more misery, more poverty, and certainly less freedom than when government first stepped in.

As Henry Grady Weaver wrote: "Most of the major ills of the world have been caused by well-meaning people who ignored the principle of individual freedom, except as applied to themselves, and who were obsessed with fanatical zeal to improve the lot of mankind-in-the-mass through some pet formula of their own... The harm done by ordinary criminals, murderers, gangsters, and thieves is negligible in comparison with the agony inflicted upon human beings by the professional 'do-gooders,' who attempt to set themselves up as gods on earth and who would

ruthlessly force their views on all others—with the abiding assurance that the end justifies the means.” (*The Mainspring of Human Progress*.)

America was built on the principles of self-reliance, the profit motive, individual action, and voluntary charity. It was built by those who believed that the surest helping hand was at the end of their own sleeves. These forefathers of ours shared one thing in common—an unshakable faith in God and a faith in themselves.

It was heartening for me to see recently a testimony of the principles of faith in God and individual initiative in action. As you know, the eastern sector of Idaho was devastated by the Teton Dam flood. Immediately, government relief agencies were dispatched to the area. Government officials, veterans to the scenes of national disasters, were amazed at the reactions of these people to this seeming tragedy. Though victims of property loss, they are not victims of despair, despondency, and defeat. They collectively met in their Church meetings and thanked God for their lives, then they organized themselves and rolled up their sleeves and went to work. Even though welfare assistance and government food stamps were made available, these victims, by and large, chose the route of self-reliance. Because of

this, they will emerge from this catastrophe stronger and more faithful.

I have great faith in America and its people. This is a choice land. If we live and work so as to enjoy the approval of a Divine Providence, we will endure as a nation. Without God's help, we cannot long endure.

Today we face a crisis situation in our beloved Republic. There is first of all a spiritual crisis among our people. In our quest for material things, we have forgotten God. There is a crisis for competent, honest, and moral leadership in government at all levels. There is an economic and political crisis, where our basic freedoms stand in jeopardy because of a departure from fundamental principles. We must return to these basic principles if our free Republic is to survive.

Yes, in the words of Thomas Paine, “These are the times that try men's souls. The summer soldier and the sunshine patriot will in this crisis, shrink from the service of his country, but he that stands it *now*, deserves the love and thanks of man and woman.” That was said on December 23, 1776. Now, 200 years later, Paine's words are even more apropos to our situation.

The days ahead are sobering and challenging and will require the faith, prayers, loyalty, courage, and moral integrity of every American citizen.



The following was a talk delivered October 3, 1943, by C. F. Kettering, then Vice President of General Motors and Directing Head of its Research Laboratories, on General Motors "Symphony of the Air" program.



The Birth of an Idea

CHARLES F. KETTERING

THIS AFTERNOON, in every part of the country, people are listening to this great orchestra. Radio can carry this music to any place in the world.

How long has it taken man to do this? The records show we have been developing the elements of radio for about a hundred years. But, if we made a more careful study, we would find the thing really started in the year 600 B.C.—more than 2,500 years ago.

It really started as a *thought*—a very weak, vague idea. In the year 600 B.C., a Greek philosopher, Thales of Miletus, found that by rubbing amber he produced a force that would pick up straws. Two

thousand two hundred years later, Sir William Gilbert, Queen Elizabeth's physician, did a little more thinking and experimenting with the idea and called the phenomenon *electricity*. Sixty years later, von Guericke, a German, built a machine to generate static electricity. One hundred years later, Benjamin Franklin identified positive and negative electricity and proved lightning and electricity were the same thing. In 1820, Oersted, a Dane, proved that electricity would produce magnetism. And about the same time, Faraday did some experimenting and discovered the principles of the electric motor.

Now, here is what happened. After Faraday, came Morse and Bell, who used the idea as a means of communication—the telegraph

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and the telephone. Edison made the idea glow and lit up the world. Marconi and deForest went Morse and Bell one better and laid the foundation for radio.

But here is the point—for over 2,500 years, that electrical thought had been growing. It had been carefully cultivated and expanded by a few straight-thinking men—a Greek, an Englishman, a German, a Dane, an American and an Italian. Often these men were working at the same time, unknown to each other. And this small, apparently unimportant idea in the year 600 B.C. has grown until it has literally changed the face of the earth and the habits of its people.

Here is an interesting thing about intangible ideas like this one. Once they occur, they are indestructible. Wars, plagues and persecutions may drive them out of sight for a while but they always spring back again—perhaps in another man's brain, perhaps in some other part of the world, to be cultivated and enlarged. And I cannot feel but sometime there will be another mentality similar to Schubert's that will catch the same theme that he had, and write the finishing part of that great symphony.

There have been only a few thousand of these thought cultivators in the history of the world. It has been said that except for about 1,500 of these thinkers living in the last

3,000 years, we might still be living in caves.

Now, somebody might say that if these people are as rare as all that there isn't much that can be done about it. We'll just have to wait until one happens to come along. But that isn't true. We can develop thinkers just as we can educate people in other lines. If no one practiced playing the violin, there wouldn't be any great violinists. Through practice, we can develop this ability to think.

Along with these original thinkers, we have millions who are afflicted with *mental laziness*—those who are *satisfied*. They are the *easy* thinkers. When a new thought is given them, they find it much easier to agree than to question it. And that is dangerous, especially if the idea is a *bad* one.

We are fighting the world's greatest war because millions of people were sold one of these *bad* ideas. But I am still in hope that we can some day put as much energy into the development of *good, constructive* ideas as we are now putting into the fighting of a *bad* one.

And speaking of *good, constructive* ideas, we might still go back to 600 B.C. and find out why the amber picked up the straws. We don't know that yet. If we did, I believe we could open up new fields that might be quite as important as the electric light, the telephone or the radio. 🌐

IS OUR ECONOMIC FUTURE LIMITED?

WARREN T. BROOKES

An economic Armageddon has been regularly predicted as imminent for centuries. Despite an almost continuous seeming decline in our material resources, it has not come because there is no limit to the greatest wealth-producing and energy-abundant asset of mankind—know-how.

ONE of the more persistent arguments of our time is the doomsday prophecy that America's economic future is limited and that, in Governor Jerry Brown's words, "We must lower our expectations."

The basic premise of this scenario is that America became rich in the first place because of our rich material resources, particularly *oil*; and, now that our oil seems to be running out, it is time for Americans to begin scaling down their economic growth.

More than a call for conservation, this new economic "doomsdaying" tells us that we must begin to "rethink our whole lifestyle," and to damp down the fires of our high-

powered economy—to accept a more ascetic way of life. A fundamental part of this argument is strong pressure for more central government planning and control over our economic resources and decisions and new "bureaucratic structures" to help us "rethink our lifestyles."

These ideas were well summed up in a recent special section dealing with the Energy Crisis prepared by the editors of *The Christian Science Monitor*. (June 28, 1976)

In their words, "The United States' dominant position in the world today is largely due to the historical fact that the potential of oil as a cheap energy source was realized during the nation's industrially formative years and the country has been blessed with large domestic reserves."

With these reserves now seeming

Mr. Brookes writes regularly for the *Boston Herald American* and contributes a column, "A Taxpayer Speaks," to the *Boston Sunday Herald Advertiser*. This article has been reprinted by permission from the *Sunday Herald Advertiser* of July 18, 1976.

to decline, the *Monitor* goes on to purport that, "Americans, as a people, rethink many of their national and personal priorities. It is clear that the consumptive lifestyle which has developed in the U.S. in the last quarter century cannot continue indefinitely."

In short, we are told that Americans must begin to scale down their standard of material livelihood—and hold down our economic growth—because our material resources are "limited."

With all due respect to the editors of the *Monitor*, it is difficult to accept what has become "the politics of poverty" and the "economics of limitation." Not only do such concepts grate sharply with America's basic mental posture as the land of unlimited individual opportunity, but they do not square with historical or economic reality.

If, for example, America's position of economic power and vast distribution of wealth were solely the result of our "vast material resources," how can we explain the extraordinary economic backwardness of Russia, sitting on even more natural resources than ours?

Why The Unused Resources?

Why is it, for example, that Russia, with greater agricultural potential even than ours, must now import *our* wheat? Why is it that Brazil, with some of the richest

natural resources in the world, has a standard of living only one-eighth of ours? If our natural resources really were the primary source of our wealth, why is it that native American Indians lived in such abject poverty, frequently in hunger and starvation, sitting on plains that now feed the world? And, why did some early farmers in our great plains grow rich, while their neighbors with the same land fail?

The answer is, of course, wealth is only partly dependent on material resources. It is much more dependent on the knowledge and ideas that put those material resources to work. In this respect, the greatest source of our energy is not oil but *ideas*, not the ground, but the *mind*.

Certainly the *oil*, which we now regard as so precious, was utterly worthless to the American Indians who did not even know it was there—and only a little more valuable to the white men who first discovered it, but had few uses for it.

What gave oil its value was the creative genius and resulting technology of those who found ways to use it, to make it serve us, to increase our freedom, our mobility, our standard of living, and our economic comfort and well-being.

Similarly, uranium was utterly unknown and therefore worthless until Einstein, working alone, and removed from material considerations or economic necessity, com-

prehended the nature of the material universe, and thus released us from bondage to old and limited ideas of energy. We can, of course, only imagine what new, untapped resources are still waiting to be discovered and developed.

The Creative Imagination

Clearly, the primary reason for America's great wealth today is not its physical assets, but the political, economic, and spiritual freedom which released the greatest source of wealth and energy of all—the individual mind, the creative imagination and the ability to comprehend and to master the material universe around us.

Or, as the great scientist-philosopher, R. Buckminster Fuller, says, "Wealth is the product of the progressive mastery of matter by mind." He further refines this definition by telling us that "Wealth is our organized ability to cope effectively with the environment." (*Operating Manual for Spaceship Earth*, Pocket Books, 1970)

In short, Fuller rejects the notion that wealth is primarily the result of material resources, and says that it is due primarily to our "metaphysical ability" to cope with these resources. He says, in effect, that the greatest source of energy is *mind*, not matter.

Fuller's fundamental thesis is that both the capitalist and

socialist ideologies are wrong because they continue to approach the material world from the standpoint of limitation—of "not enough to go around," of thinking that matter itself is wealth, that material energy is the only energy. The result of this, he says, is that the world has too long been dominated by the "pirate mentality," the race for control by nations and enterprises over specific and seemingly finite material resources—a constant "Malthusian-Darwin-you-or-me-to-the-death struggle," all on the assumption that some kind of "economic Armageddon" was just always around the corner.

The fact is, Fuller says, this "Armageddon" or doomsday, which has regularly been predicted as "imminent" for centuries, has not come because *it does not have to*. Why? Because there is no limit to the greatest wealth-producing and energy-abundant asset of mankind—"know-how," or what Fuller calls the "metaphysical component" of wealth. This, according to Fuller, explains why, in this century alone, "we have gone from less than one percent of humanity being able to survive in any important kind of health and comfort to 44 percent of humanity surviving at a standard of living unexperienced or undreamed of before."

What makes this "utterly

unpredicted success" so meaningful to Professor Fuller is that it happened "without being consciously and specifically attempted by any government or business." More important, it happened despite an almost continuous seeming decline in our material resources. The reason for this, Fuller says, is that the discoveries of Einstein and subsequent physical scientists have released us from the primitive idea that our "universe is running down," or that our energy "is running out."

Indeed, Fuller says, the result of the work of Einstein and those who have followed him is to prove that "energy can neither be exhausted, nor originated. Energy is finite and *infinitely* conserved." To the layman, it means that even as we *seem* to use up one form of energy, it is turning into another. The only thing limiting our ability to find or develop the energy we need is our technological competence. In other words, while material energy is always conserved, mental energy is unlimited, and as yet largely untapped!

The Metaphysical Part of Wealth Has to Grow

The significance of this is that while the physical or energy part of our wealth can never be depleted, the metaphysical or "know-how" part of our wealth can only *increase*. Thus, our wealth *has* to grow. Even

when we make mistakes we learn more, and the more we learn, the more we understand, and the wealthier we get! The reason for this, Fuller says, is that we are always being taught by the metaphysical process how to *do more* with less.

This process, which Fuller calls "synergy," is nothing more than a restatement of the old postulate that "the whole is greater than the sum of its parts," that a *whole idea* is more valuable and powerful than its individual components. Man is obviously more than \$2.70 worth of chemicals. A computer is clearly more than a few hundred pounds of metal, plastic and wire. A car is more than 4000 pounds of metal, rubber, and plastic.

Synergy, in sum, is the description of the process by which *ideas* transform otherwise useless matter into valuable products, or services. The wealth is produced, not by the matter but by the *ideas* that transform it. The extension of what Fuller calls this "synergistic process" is that as the idea of any product becomes better understood, *the less matter is needed*, and the more real wealth or value is created.

Thus, today a small desk-sized computer can do more than it took a whole room full of wire, metal and parts to accomplish 30 years ago.

A tiny, three-ounce hand calculator can do more than a 60-pound

desk-machine did 30 years ago, and with much less energy.

Thirty years ago, in its infancy, television was a tiny screen in a huge box. Today it is a large screen with a much smaller box of longer lasting parts.

Forty years ago, the average radio was a big three-foot box with a separate speaker and a small sound. Today it is a three-inch rectangular cube, held in the palm of your hand with enough volume to make dogs scream in terror, and using much less energy.

Twenty-five years ago, it took 15 pounds of feed and 14 weeks to raise a three-pound frying chicken. Today it takes five pounds of feed and seven weeks to raise the same bird for market.

Examples like these are endless. The inevitable evolutionary trend of most material invention is to start out using a lot of matter to create a product—and gradually, as the idea and the technology get refined—that is, as the “metaphysical know-how grows,” that we use less matter, and get a bigger, better result—we do more with less.

The promise of synergy is that as we increase our “metaphysical capital,” our know-how, our understanding of the world around us, our economic wealth can only grow, it can never decline. Or, as Fuller puts it, “The physical constituent of our wealth—energy—*cannot decrease*,

and the metaphysical constituent—know-how—can only increase. This is to say that every time we use our wealth it increases.” Every time we get a better idea of anything our economy and wealth grow. The plain fact is we have not yet begun to tap the enormous potential of the mind, and therefore have not yet probed the greatest source of energy and wealth.

Tying Material Resources in Bureaucratic Red Tape

The danger Fuller sees is that we will fall back into the trap of “pirate politics,” and begin to restrict our economic progress by hoarding our material resources, tying them up in bureaucratic structure and red-tape, and by limiting our greatest wealth-producing asset—our individual mental capacities—through the “heavy hand” of bureaucracy, limitation, and human accounting. Fuller warns, “Because our wealth is continually multiplying in vast degree unbeknownst and unacknowledged formally by human society, our economic accounting systems are still unrealistically identifying wealth as matter...”

Such an approach not only leads to hoarding and to impoverishment, but it also leads to the establishment of the very bureaucratic structures, controls and regulations that will stifle the economic and tech-

nological progress of which we are truly capable.

It seems clear that a nation which can put a man on the moon can, through the same "metaphysical process," the same devotion to the mastery of material limitations, break down the presently assumed limitations on our material energy resources—either by discovering whole new reserves of current fuels, or breaking ground into entirely new sources of energy not even now understood, or both.

The only impediment to our doing this is a fearful or limited concept about the real source of our wealth, a lack of faith in our ability as free men and institutions to find what we need. Fuller reminds us that every time mankind has been threatened by a real immediate need, we have been able, through the "metaphysical process" to meet that need, usually in ways wholly unpredictable.

One of the best examples of this was in World War II, when Japan cut America completely off from raw rubber. A Massachusetts man, Bradley Dewey, Sr., formed a team of private researchers and, within two years, came up with synthetic rubber, completely obviating the need for natural rubber resources.

In more recent times, the decline in uranium prompted the development of the "breeder-reactor" which produces new fuel faster than it

uses up old! Many scientists now predict that it will become one of the main sources of electric power in the future.

Recently, we have learned that vast new undiscovered oil fields exist in Mexico—potentially larger than anything yet discovered in any country except Saudi Arabia. And most experts agree that the reserves under the Continental Shelf are too large to be estimated accurately.

In Detroit, a former General Motors executive has developed an engine that can turn water into combustible fuel, and in California, work on fuel cells promises whole new areas of energy development as yet untapped. No one yet knows the full potential of solar energy, or of geothermal energy, or even of nuclear fission, since all these fields are still relatively early in their development.

Our Untapped Potential

The point is, our economic future is not tied to the physical assets we *now* know about—but to the vast *untapped* potential of creative thinking—of the "metaphysical process" which will not only show us whole new reserves and new potential fuels, but will also show us how to extend their value—to do even more, with even less—to increase our wealth without depleting our planet.

There is, however, a serious poten-

tial roadblock to the unfoldment of this creative "metaphysical" process. Throughout history, the enemy of creative ideas has always been organized *bureaucratic structure*—the committee that designs a camel instead of a horse, the red-tape and organizational charts that keep ideas from coming to fruition, the government agency that throttles small business, or new product development.

This explains why free nations like the U.S. have grown rich, while totalitarian nations like Russia with equally great physical resources have stayed relatively poor. The free society turns loose its metaphysical energies—the totalitarian societies throttle theirs.

Today, unfortunately, the devastating combination of big government, big labor, and big business is beginning to inhibit our own nation's metaphysical energies and creative resources. Structure is now beginning to "swallow up" ideas. Individual potential is being throttled by collective processes.

This is why so many large corporations have discovered that to remain vital and growing, they have had to *decentralize*, or to merge with the small companies where creative thinking still goes on. In short, they have had to turn more and more to small groups of individuals to regenerate their entrepreneurial

drive and spirit, remembering that every big corporation was once small and grew big only because of the breadth and energy of the thinking of individuals.

Growth in Massachusetts

Nowhere is this more evident than in Massachusetts, which is full of companies, big and small, that have arisen from the fertile imagination, energy, and technical skills of individuals.

In Cambridge, Polaroid now employs over 12,000 people, largely because of the creative genius of one man, Edwin Land, whose inventions have brought economic progress and jobs to our state, and satisfying products to hundreds of millions of people around the world. He has done this by transforming relatively low-cost metal, paper, chemicals and plastics into tremendously valuable and useful photographic products, through the genius of his *ideas*. That economic potential of Polaroid is not limited by material resources. It is limited only by the breadth of Land's vision and the technological genius of those who run his company and develop its products.

So, too, Digital Equipment Corporation, another of Massachusetts' largest employers, has grown to its present size because its founders learned how to turn metal, wire, plastics, and glass into complex and valuable computers, whose

\$100,000-plus price tags have very little to do with their raw physical content but have everything to do with their "metaphysical quotient," that is, the ideas that made them possible.

So it is with so many of this state's and the nation's "growth industries" which depend more and more on sophisticated technology, and less and less on raw physical resources.

Clearly, our wealth in the future, even more than in the past, will come from individuals, not from the ground; from the untapped potential of thinking, not from the obvious reservoirs of present fuels; from mental energy not physical.

In this respect, the current situation in Massachusetts is instructive. In spite of our present problems, it is well to remember that this is still one of the wealthiest per capita states in the nation. It is wealthy not because of our physical resources, but in spite of our apparent lack of them. It is wealthy because the state is, still, unusually blessed with a large "metaphysical base" of creative, inventive, technologically-advanced thinkers and vast "metaphysical assets," such as universities and research institutions.

Unfortunately, we are busy paralyzing this economic potential today because the heavy and expensive hand of government taxation

and bureaucratic red-tape is driving out the very individuals who can give us real economic progress. This is particularly true of the dynamic small companies which have the potential to be great tomorrow. And, yet, like the nation, we complain that our economic picture is deteriorating because of a lack of physical resources; our future is limited "because we don't have enough oil."

In this respect, we are a little like the small chick inside the egg, bleating because its food has run out, but afraid to break out of the shell of limited thinking into a new and seemingly dangerous world where we live by our mental resources rather than immediate physical assets.

As Professor Fuller puts it, "My own picture of humanity today finds us just about to step out from amongst the pieces of our just-seconds-ago broken eggshell. Our innocent trial and error, sustaining nutriment is exhausted. We are faced with an entirely new relationship to the universe.

"We are going to have to spread our wings of intellect and fly, or perish; that is, we must dare immediately to fly by the generalized principle governing the universe, and not by the ground rules of yesterday's superstitious and erroneously conditioned reflexes."

Massachusetts, today, is in a unique position to throw off our "superstitious and erroneously conditioned reflexes," to show the rest of the nation that our economic progress is not limited by yesterday's lost resources, but is as large as tomorrow's vision. We have an abundance of the most vital energy resource known to mankind—the metaphysical capital of enlightened thinkers. They are involved in the exploration of yet undiscovered technologies and resources for the nation's future, in all fields from solar energy to the laser beam, from cybernetics to synthetics.

The nation and the world desperately need these "metaphysical resources" and will pay for them handsomely.

The problem is: will our politicians and their overweening government drive them away to friendlier regions? Or, will they "tie them up" in some impossible new bureaucratic structures under the meaningless label of "Economic Development Agencies"?

The same questions can be asked of the national government, as well. Should we, as the *Monitor's* editors propose, organize new government agencies from the standpoint of limitation, and, in the process, freeze the metaphysical potential of our free society? Or, will we have faith in free individuals and free institutions to bring us the re-

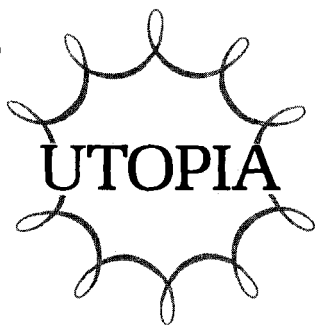
sources we need for our future?

We would do well to remember that, throughout history, mankind has worried about some form of limitation, some lack of material resource. Primitive tribes and people perished not because there were no resources, but because there was not enough know-how and too much fear and superstition. Remembering this, we should refuse to be taken in by the "politics of limitation and despair" and refuse to adopt the kind of bureaucratic enterprises and governmental structures that will only limit us more.

We can not possibly now know where our energy for the next century may come from—any more than Malthusian thinkers of the 19th century knew how we could possibly feed the billions of people we now do feed. But, we do know that, so long as there is the *freedom* for individuals to develop the "metaphysical" know-how of mankind, our wealth can only increase, and our economy can only grow.

The only way this economic progress can ever be stopped is by destroying freedom—and by throttling the "metaphysical process" in the mire of well-meaning bureaucratic planners and politicians who are still dealing in the "pirate theories" of "not enough to go around." 

The Demand for Instant



HENRY HAZLITT

THE OTHER DAY I received a letter from a correspondent previously unknown to me, which began by saying how much he had learned from and agreed with some of my books. But then he went on to say that a large number of questions were bothering him that my books had failed to answer. There followed a long list.

The writer declared that he rejected socialism, and implied that he admired free enterprise. But all of his ostensible questions revealed that he had in fact accepted most of the socialist criticisms of the free enterprise system.

The noted author of *Economics in One Lesson* here applies that lesson to some of the fallacies of socialism.

I answered his letter politely and briefly. But it was so typical of many I receive, and so typical of much thinking and writing in the daily press, that I felt tempted to expand my answer and make it more explicit, even at the cost of being a little less polite.

If I had done this, my answer would have run somewhat as follows:

Dear Sir: I very much appreciate your kind remarks about some of my books and articles, and your expressed agreement with them, but I am surprised by how easily influenced you seem to be by so many of the current anti-capitalist criticisms. Most of these are carping or groundless, but they are

endlessly repeated. Let's take up some of your objections in the order in which you state them:

● 1. You charge that in large areas competition has in fact disappeared, and you give a number of supposed illustrations. Now competition has never been, is not now, and will never be "perfect." Economists cannot even agree with each other regarding what "perfect competition" would be like if it existed. The most frequent outcome of really vigorous competition, for example, is for the winners to put the losers out of business. You complain that there are now only four automobile companies in America. Actually, in the comparatively short history of the motor industry there have been scores of companies and makes—remember the Haynes, Duryea, Pierce-Arrow, Packard, Peerless, Hudson, Stutz, Studebaker, Nash, Willys, Maxwell, Essex, Edsel?—that lost out in the quality, price, or sales competition. Only two companies, if they really compete with each other, can provide sufficiently effective competition. In politics, most people even prefer only a two-party competition.

● 2. You complain about the inability of the consumer to assess the quality of many a commodity or service. Again, let me point out that

consumers never have been, and never will be, perfectly able to assess the quality of a given commodity or service until after they have bought and used it. Even after that they may only know how good or bad the particular example is that they bought or used.

● 3. You talk of the inability of the consumer to obtain the goods or services he may want. Of course not every consumer will be able to obtain at all times the exact product or service he may want, but under even our present "impure" private competitive system he obtains far more of what he wants than he can, or ever could, under a socialist system. The American consumer, in fact, has a greater range of choice than he or anyone else has ever previously obtained in history. One has only to think of today's average supermarket.

● 4. You talk of "the recent rediscovery of limitations in resources such as energy, raw materials, food, etc." There have always been and will always be such limitations. If there were no shortages, nobody would be able to sell anything at a price. Everything would be free as air and water are today. (What we pay for in water is chiefly the cost of bringing it from somewhere else into the home. Air, too, can have a price when it has to be purified or brought under pressure

into a mine.) The greater the shortage of anything, the higher its price. Increasing population, of course, tends to increase relative shortages. But increasing competition, new capital investment, and technological advance, still work to relieve shortages and to reduce the real cost of hundreds of commodities.

● 5. You talk about "planned obsolescence" as if it were an established fact. It is mainly if not entirely a myth. If one automobile company planned a car that would break down in a few years, it would soon find itself out of business. If the Big Four American motor companies secretly agreed to make cars that fell apart in a given time, consumer dissatisfaction and foreign competition would soon put all four of them out of business.

What is called "planned obsolescence" by anti-capitalist critics is something radically different. It is in fact vigorous competition, constantly introducing real improvements, that makes a consumer dissatisfied with his old car and more eager to buy a new one. The Ford Company kept building the Model-T for many years to avoid precisely what you call "planned obsolescence"; but competition forced it to change its ways. A socialist government would have continued endlessly to turn out Model-T's—after the

private industry it had taken over had developed them. It is odd how the anti-capitalists talk of free enterprise's greatest virtues as if they were great evils.

● 6. Competition leads industry to do exactly the opposite of what its critics charge it with doing. Over the years the tire industry has made continuous improvements in its product. Tires now last for incredibly more miles than they once did. Again and again firms in the industry have feared that this increased mileage would not only reduce sales but drive them out of business. But the individual tire manufacturer had no choice. Competition forced him to keep improving and improving. It is only a government-owned, socialized industry that could afford to keep its tires constantly unimproved. It is no coincidence that the industry that has improved least in this country in the last half century is the postal service. Whatever improvement it has had has consisted in making use of the inventions of private industry.

● 7. You attach to your letter a list of seventeen "innovations which are all possible with present technology—but have not been made." Let me point out that we do not have to wait for the existing big companies to make any of them. Anybody with moderate capital is free

to start making them if there really would be a sufficient demand for them, and if they could be made and sold at a cost that yielded a profit.

● 8. You express fears about the future world population. You say that if it continued to increase at the present rate, "the average population density over all land areas of the world, including Antarctica, would in the year 2350—only 375 years hence—be the same as that of Manhattan during a working day now." Without checking on that or other calculations you make, let me point out that the situation you envisage is simply impossible. Thomas Malthus noticed nearly 200 years ago that there had been a tendency of population to increase faster than the means of subsistence. But this would tend to bring a near-starvation that would in time bring the population growth to a halt. Modern society is increasingly aware of this,

and increasingly taking steps to keep the population down to avoid such a consequence. Contraception is more and more widely practiced. A recent story in *The New York Times* states that fewer people in Germany are having children, and that the birth rate there has already fallen even below the death rate.

* * *

Nearly all the criticisms of free enterprise in your letter are very fashionable at the present moment. As they are answered, new criticisms will be made. Partly this is the result of a healthy human desire for constant betterment, for a constant approach toward perfection. But partly, also, it is the result of chronic socialist thinking which overlooks the enormous progress that capitalism has already made possible, and demands that everybody else produce an instant Utopia framed in accordance with the critics' own dream world. (P)

Herbert Spencer

IDEAS ON



LIBERTY

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.

Ideologies and the World Struggle

LEE G. MADLAND



OUR WORLD, few would deny, is in the throes of a major political crisis, a result of a clash of basic and opposing political-economic ideologies. To denote these ideologies and systems in ordinary speech we casually throw around standard political and economic terms such as capitalism, socialism, communism, fascism, "left," and "right" with all the self-assurance and confidence of one to whom the meanings of the words he uses are elementary and obvious.

In any event, these terms bring an immediate picture to the minds of most of us, followed by a definite

mental reaction based on that image. For example, we think of socialism and communism as "leftist" systems or philosophies, while capitalism and fascism are commonly characterized as "rightist." Some influential writers and opinion makers go so far as to imply that fascism (including Naziism) is simply an extreme form of capitalism, or at least an outgrowth of it. Avowed socialists and communists, of course, find this view very congenial to their beliefs and do everything they can to encourage it, if indeed they did not originate it.

As a result, the very word "capitalism" has acquired a sort of vague disrepute in America and the other countries of the West—countries which, it is generally acknowl-

Dr. Madland, currently "between jobs" as professor of geography, finds time to free lance on matters of political economy which long have intrigued him.

edged, owe much of their progress and prosperity since before the Industrial Revolution to the ascendancy of capitalism, with its emphasis on the autonomy and worth of the individual human being. In any case, capitalism is today a word almost unused in polite society except in a derisive sense, to the point that even most defenders of Western values hesitate to use it in describing their ideals of free enterprise and freedom of thought.

Capitalism as a system is thus commonly thought of as decadent or at least *passe*, and the idea is prevalent that the alternatives to it lie in one of two presumably different directions: either fascism on the so-called "right," or socialism or communism on the "left." It is clear that of these alternatives socialism-communism has gained the upper hand today, with the horrors of Hitler's Naziism still relatively fresh in people's minds (although those who favor communism conveniently ignore the at least equal horrors committed in *its* name). And anyway, fascism was defeated in World War II, wasn't it?

Are Fascism and Communism at Opposite Poles?

How valid are these popular ideas? Do communism and fascism really represent opposite poles, with socialism being either an inter-

mediate stage on the road to communism or a less extreme product of leftist thinking which can be stopped short of communism and thus avoid its excesses? Certainly this is the impression unmistakably given by most segments of the American mass media, and such ideas are prevalent abroad as well. And where does capitalism fit in? Or, more concretely, where do *we* in America and other Western countries fit into the world political spectrum, and, even more important, in which direction are we heading?

In answering these questions, let us take the currently unusual step of defining our terms, using the most concise and to-the-point dictionary definitions available. This basic approach is warranted by the fact that these terms have been so consistently misused by well-meaning people unaware of their true implications. Also, a little reflection on them should make it clear to any thinking person on which side of the spectrum each of these political-economic systems lies, and thus help put them into a true perspective. It should then be clear that the issue being discussed here is far more than a matter of semantics or a debate over words, but a basic question involving the very lives of people and nations—the answer to which the future and even survival of Western civilization, and for that matter all civilization, may depend.

With this in mind let us first define capitalism along with a less-used but equally significant contrasting term, statism.

capitalism: An economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision rather than by state control, and by prices, production, and the distribution of goods that are determined mainly by competition in a free market.¹

statism: Concentration of economic controls and planning in the hands of a highly centralized government.¹

The principle or policy of concentrating extensive economic, political, and related controls in the state at the cost of individual liberty.²

Note that the above two terms are direct opposites. Capitalism, with its reliance on private decision unguided by government decrees, and statism, with its reliance on government authority in all spheres, are in the long run totally incompatible with each other. While statism as a term is not so widely used as the other terms being discussed here, it is nevertheless prob-

ably the best word available to describe the political-economic pole opposite capitalism, and ultimately the only alternative to it. Capitalism, with its emphasis on individual liberty, rests on a philosophic base of individualism—while statism, with its denial of individual rights and its vesting of effective control in a collective entity, the state, rests on a philosophic base of collectivism. Thus, insofar as the political terms “right” and “left” have any concrete meaning, capitalism represents the political right; statism the political left.

Let us now turn our attention to the three “ism’s” most discussed today, all of which have gained control of major nations in recent times, and at least two of which are continuing to extend their area of overt control.

socialism: Theory or system of social organization by which the means of production and distribution are owned collectively and controlled through the government.³

communism: A system by which the means of production and distribution are owned and managed by the government, and the goods produced are shared by all citizens.³

¹ Webster's New Collegiate Dictionary, 1974.

² *The Random House Dictionary* (unabridged), 1973.

³ Thorndike-Barnhart *Comprehensive Desk Dictionary*, 1967.

fascism: Any system of government in which property is privately owned, but all industry and business is regulated by a strong national government.³

Note the close similarity in the meanings of the above three terms. All of these systems rely on government force to accomplish their ends, and deny individual rights whenever they conflict with those ends as determined by the collective—that is, by the state. Thus, *all three are simply forms of statism*, and politically represent the far left. One should not be misled by the nominal private “ownership” allowed by fascism, since ownership without control is a sham, a contradiction in terms. (That many people *have* been so misled, however, is shown by the common but unthinking designation of fascism as “rightist.”) Fascism and communism, far from being opposites, are both direct outgrowths of socialist thought and socialist doctrine. They not only share the same collectivist roots but amount to the same thing in actual practice. It is no coincidence that Hitler’s program for Germany was officially known as *National Socialism*, the Nazi party platform being clearly socialist in both form and content.

Yes, it is true that fascists, socialists, and communists have often been bitter enemies, even to

the point of bloodshed and warfare between them. But the special hatred they reserve for each other, sometimes superficially interrupted by temporary alliances, more resembles the rivalry of greedy brothers fighting over a large inheritance than that of parties disagreeing over basic principles. They share the same basic principle: the collectivist notion that the preferences of the mass, exercising control through the state, supersede the rights of the individual. In practice, this leads to only one thing: totalitarian dictatorship, exercised by the individual or small group most adept at manipulating crowd passions and not hesitating to use force against any who refuse to cooperate.

A Deliberate Deception

Statists of all denominations have spread the falsehood that the only alternative to fascism lies in the “opposite” direction represented by socialism-communism, in an attempt to steer public opinion in their direction through fear and hatred of the other. In this they have to a considerable degree succeeded. And since fascism, at least, is no longer fashionable in today’s world, the main beneficiaries of this notion have been the socialists and communists who have managed to bring huge segments of the Western public around to this view, including

many political scientists and economists who should know better. Thus a deliberately fostered misapprehension of words has, through reaction, helped tilt the scales toward a particular style of collectivism which, no less than the style reacted against, stands opposed to the most fundamental human values of Western civilization.

Between socialism and communism, it is clearly the more militant communism which is making greater gains today, more through force than persuasion—but the point here is that in the end it makes little difference which of the collectivist creeds may come out on top. If any of them do, the loser will be human freedom and human dignity, the right of an individual to live his own life in peace without fear of suppression of his abilities and desires and the regulation of his actions by an all-powerful state. In the words of former British Labourite Ivor Thomas: "From the point of view of fundamental human liberties there is little to choose between communism, socialism, and national socialism. They are all examples of the collectivist or totalitarian state. . . . In its essentials not only is completed socialism the same as communism but it hardly differs from fascism."⁴

⁴ Quoted by F. A. Hayek in the foreword to the American edition of his classic, *The Road to Serfdom*.

Almost forgotten in the melee of leftist ideologies is the fact that the real alternative, the true opposite of them all, the political-economic system in which the individual is sovereign and the role of government is specifically limited to the protection of its citizens from fraud, force and violence, which gives free scope to the common sense of the people and provides a climate of liberty and incentive for constructive social change, is capitalism.

Under any true capitalistic system the watchword is liberty, and man—individual man—is given his rightful place at the center of his universe, rather than being an indistinguishable speck in a uniform and controlled crowd. In a system based on individual liberty the main task of government is to insure that it remain so, guarding against state intervention into economic affairs in the knowledge that the worst type of economic power is state power, and that the most dangerous and uncontrollable form of monopoly is state monopoly!

While the key nation in the Western world, the United States, still describes itself as a nation of "free enterprise," in reality the American system today is a mixture of elements of freedom and statist controls, the latter having been introduced with increasing frequency in recent decades. It is a volatile mixture of elements fundamentally

incompatible with each other, which sooner or later must result in the victory of one side or the other. The currently popular political term "middle of the road" in this sense describes a state of continual internal warfare, ideological turmoil, and intellectual confusion. The same kind of mixture, in varying degrees, is present in all Western countries, which largely explains the West's lack of moral courage to vigorously oppose the spread of communism.

America today is at the center of the struggle between capitalism and statism, and in her present mixed economy the statist ingredients are becoming more and more conspicuous. The important question is not whether this statist

trend happens to be more particularly towards socialism, communism or fascism (though elements of each are present), or towards another collectivist "ism" yet to be named—since they all lead to the same end. The vital question is whether we shall continue in the direction we have been traveling which leads to tyranny and slavery, or turn around and move in the opposite direction which leads to freedom and dignity.

One thing is sure: we cannot stand still, as defenders of the status quo would have us believe. Let us, pausing only long enough to regain our bearings, choose the way of freedom while we still have the choice, and resolutely proceed in that direction with a clear view of the road ahead. 

A Fundamental Antagonism

IS IT A FACT of no significance that robbing the government is everywhere regarded as a crime of less magnitude than robbing an individual, or even a corporation? ... What lies behind all this, I believe, is a deep sense of the fundamental antagonism between the government and the people it governs. It is apprehended, not as a committee of citizens chosen to carry on the communal business of the whole population, but as a separate and autonomous corporation, mainly devoted to exploiting the population for the benefit of its own members ... When a private citizen is robbed, a worthy man is deprived of the fruits of his industry and thrift; when the government is robbed, the worst that happens is that certain rogues and loafers have less money to play with than they had before. The notion that they have earned that money is never entertained; to most sensible men it would seem ludicrous.

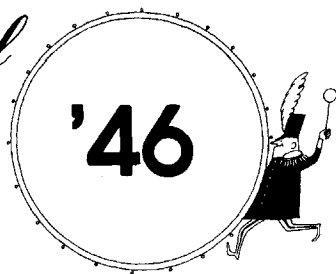
IDEAS ON



LIBERTY

The Spirit of

'46



EDWARD COLESON

NO, this isn't a misprint, a Bicentennial article that got the wrong label. There have been other spirits besides the "Spirit of '76"; the familiar German word "Zeitgeist" bears witness to this fact. Let us consider two greatly differing eras which were tied to '46—1846 and 1946.

In 1846 the free enterprise principles enunciated by Adam Smith in *The Wealth of Nations*, published in 1776, were finally, and with a mighty flourish, being put into practice in Victorian England. In 1946 the "Welfare State" became official in America, the "Land of the Free and the Home of the Brave." Both events fit the spirit of their age too, as we shall soon discover.

It is hard to imagine a greater contrast than the thinking and

political activities of 1846 as against those of 1946. Both developments were characteristic of their time, and both were the result of a long historical process. In 1846, with the "Repeal of the Corn Laws" and the subsequent change to free trade in the next few years, the freedom philosophy worked itself out to the consummation foreshadowed in *The Wealth of Nations*. With the passage of the Employment Act of 1946, Congress committed the federal government to the "continuing policy and responsibility" of maintaining "maximum employment, production and purchasing power," fulfilling an ancient socialist dream. In 1846 the "invisible hand" was in charge; in 1946 Big Brother had taken over.

One of the most misunderstood aspects of history is what Lord Keynes called "the gradual

Dr. Coleson is Professor of Social Science at Spring Arbor College in Michigan.

encroachment of ideas."¹ In 1846 the "academic scribbler of a few years back," to quote Keynes again, was Adam Smith. "Ideas have consequences," as the late Richard Weaver warned us a few years ago, but they are time bombs; it takes many years for the results to become apparent. Probably, in this case, free enterprise would have been tried much sooner if it had not been for the French Revolution which merged into the Napoleonic Wars. We tend to forget that Europe was at war from the Fall of the Bastille in 1789 to Waterloo in 1815, more than a quarter century of strife which even became global—not continuous warfare but too close to it. Then followed a tragic post-war depression. No doubt, this long series of misfortunes delayed a number of reforms, including the coming of free enterprise and free trade.

Fallacies and Famine

We fail to understand the background of nineteenth century British laissez-faire economics. Generations of Socialist propagandists have told us that a few greedy capitalists ganged up on the rest of us with the coming of the Industrial Revolution and reduced us to misery and want. Actually, the history of mankind has been punctuated with many famines and they were

perhaps as frequent in the West as among "the teeming millions of Asia" more recently. It is hard for us to comprehend such poverty. In the England of two centuries ago a bushel of wheat cost a common laborer five days' pay,² and the situation was going to get worse before it got better. During the difficult days of the Napoleonic Wars the price of grain would more than double.³ Just keeping food on the table was a major undertaking for ordinary folks.

Now part of this was inevitable, given the primitive state of the technology of the time. But it is interesting to note what Parliament did in this time of national emergency: they met, studied the question with care, and voted to raise the duty on foreign grain still higher. Even faced with disaster, they still clung to the old mercantilist notion that keeping things scarce and expensive is economic wisdom. Needless to say, the tariffs on imported foodstuffs, known to the English as the Corn Laws, took on the stigma one might expect in a hungry nation. But since the landlords ran the country, nothing much was done about the problem for a long time.

Now the Corn Laws were not the

² John Chamberlain, *The Roots of Capitalism*, p. 123.

³ Robert L. Heilbroner, *The Worldly Philosophers*, p. 79.

¹ John Maynard Keynes, *The General Theory of Employment, Interest and Money*, p. 383.

only interference with the market which led to widespread suffering in those days of war and depression before and after 1800. Another tragic intervention by government was no doubt made with much better intentions, if with no better results. After all, the Corn Laws sound like selfish legislation foisted off on a helpless public by a powerful pressure group. But this other intervention was an attempt to play Good Samaritan. This disastrous blunder was another Poor Law, the Speenhamland system inaugurated in 1795 under the stress of the Reign of Terror in France, just across the Channel. Sensible Englishmen of the ruling class felt that they needed to placate the poor lest they rise in wrath and set up the guillotine in London just as their neighbors had done in Paris. This new British strategy in the war on poverty was a wage supplement plan geared to provide a minimum standard of subsistence for everyone, no matter how poor. For instance, if a worker could make half a living, the government would make up the difference; if he earned nothing he was supported by welfare, as we would say.

In the beginning, as Karl Polanyi tells us, "No measure was ever more universally popular."⁴ The results were exactly what one would have

expected. If a laborer got his living whether he worked or not, why work? Polanyi, though a socialist who might be expected to approve Poor Laws, is severely critical of this one: "In the long run the result was ghastly." Self-respecting laborers were literally driven on welfare by the logic of the system, and were pauperized thereby. It was a calamity for rich and poor alike—a national disaster. Yet, neither Corn Laws nor Poor Laws were "Acts of God"; both were man-made, the consequence of bad economics driving out the good, an example of Gresham's Law operating in the realm of ideas. It would not be worth mentioning these ancient blunders if we were not making essentially the same mistakes today.

Unscrambling the Omelet

Although a multitude of people believe today that welfare has become an impossible burden and that government intervention in the economy is strangling business and has become a luxury we can no longer afford, few believe we can do anything about it. They meekly concede that these are arrangements we simply have to learn to live with. Yet, Englishmen in the early decades of the last century corrected tragic blunders much like our own.

In 1820, with the war and post-war depression behind them, Lon-

⁴ Karl Polanyi, *The Great Transformation*, pp. 77-85.

don merchants and manufacturers petitioned Parliament urging that restrictions on trade be repealed. The same year a similar group from Edinburgh protested also. A committee of the House of Commons investigated the situation and reported "that no less than 1100 restrictive laws were in force, regulating trade in various ways..." The committee urged their repeal. "The doctrines of Adam Smith were at last beginning to be carried out."⁵

Actually, of course, Pitt had started to do this back before the French Revolution but the Napoleonic Wars spoiled everything and made a new attempt necessary a generation later. It would take still another generation to achieve this purpose. The repeal of the Speenhamland Poor Law came in the meantime. Eventually, the British also dramatically reduced income taxes as well as duties on imports. They had accomplished what we do not even consider possible. Let us briefly examine how they performed these miracles.

The first of the victories was the Poor Law Reform of 1834. This was certainly a reaction to welfare abuses of nearly four decades, and it may be fair to allow that the pendulum swung too far the opposite direction, as critics from then until

now have insisted. According to Polanyi, "Never perhaps in all modern history has a more ruthless act of social reform been perpetrated..." G.D.H. Cole and Raymond Postgate,⁶ distinguished Fabian Socialists, think that "after a brief interval of acute misery" agricultural laborers were actually better off, but that in the industrial areas it was an unmitigated disaster, particularly because its introduction coincided with another depression.

Herbert Spencer tells quite a different story. He describes how his uncle, charged with the task of enforcing the New Poor Law in his parish, found that "Those who had hitherto loitered at the corners of the streets, or at the doors of the beer-shops, had something else to do, and one after another they obtained employment..."⁷ The poor rates (welfare costs) for that area dropped from seven hundred pounds a year to a mere two hundred "while the condition of the parish was greatly improved." It is well to remember that poor relief was not abolished but was made available only to those who simply could not support themselves, which was quite a contrast to the previous period of very lax standards.

⁶ G.D.H. Cole and Raymond Postgate, *The British Common People*, p. 278.

⁷ Herbert Spencer, *The Man Versus the State*, pp. 84-85.

⁵ Vernon A. Mund, *Open Markets*, pp. 91-92.

A Lesson for America

Since an unresolved welfare problem—"bread and circuses"—contributed much to the decline and fall of the Roman Empire, the British experience, even if marred with some needless suffering, should be of interest. We in the United States are getting to the point where we will have to do something. Whether we decide to abolish our outmoded welfare system or it collapses under its own weight, we will need to find alternatives to public assistance. Our minimum wage laws, excessive wage rates, and the exclusive admission policies of nearly every trade and profession so limit the labor market that there are not the job openings there could and should be. In the name of humanity and fair play, both the "haves" and "have nots" in our society will need to make adjustments to resolve our present problem. It is true that a lot of loafers will have to relearn "the work ethic," and those who are affluent must learn to keep open the door of opportunity for other people. We need a revival of simple honesty, of personal responsibility, of consideration for others and of a sense of fair play. A proper social concern need not lead to socialism.

The next great British breakthrough for freedom was the Repeal of the Corn Laws in 1846. Just as England was beginning to

adjust to the opportunities and responsibilities involved in the new labor situation (demand and supply in the market place rather than a pauperizing paternalism), an enthusiastic group of free traders organized the Anti-Corn Law League. Since I have long been interested in this theme and have covered several aspects of the subject in previous articles in the *Freeman*,⁸ I shall briefly summarize the accomplishments of the League. After a spirited campaign which seemed to have reached the entire English population, the Corn Laws were repealed in 1846 during the administration of Prime Minister Robert Peel. This was only the beginning. Having disposed of the hated grain tariffs, the "bread tax" as it was called, they then went on to abolish the remaining import duties. Quoting Cole and Postgate again, "By 1860 Gladstone had completed Peel's work and Free Trade was . . . in full operation."⁹

Economy in Government

Now William E. Gladstone was also a distinguished statesman in his own right. If Gladstone was Mr. Conservative, as has often been

⁸ *The Freeman*, November, 1971 "Economics and Ethics," pp. 646-660; June 1972 "When Men Appeal from Tyranny to God," pp. 323-335; October, 1973 "Capitalism and Morality," pp. 625-633.

⁹ Cole and Postgate, *op. cit.*, p. 336.

observed, he was also the embodiment of economy-in-government. Under his leadership the administration found ways to reduce expenditures and also cut taxes. This was in addition to the less obvious, but no less real, saving to the average Englishman because of the abolition of import duties. With growing prosperity and a declining government budget, Gladstone even managed to reduce the income tax from five percent to two percent over a five-year period.¹⁰ Queen Victoria's government was well on the way to becoming the "simple, frugal affair" that Thomas Jefferson once said a government should be. And one should not forget that England was then a great nation, not a pioneer settlement on the frontier. Evidently genuine tax reductions are a possibility, not a Utopian dream.

One final remark should be made about Victorian statesmen before we move on to the modern period. Whether we are speaking of Sir Edwin Chadwick who engineered the New Poor Law that put multitudes off the dole after 1834, or that devout Quaker John Bright who derived from his Bible the principles of economics that led to the Repeal of the Corn Laws in 1846, or that penny-pinching Chancellor of the Exchequer and later

Prime Minister William E. Gladstone who regarded his political career as a Christian calling, we find in them and so many others of that era the same moral earnestness. In an age when many people took their Bibles very seriously this ethical approach to public policy was convincing.

This may seem quaint to a generation of pragmatists in today's world, mostly concerned with pleasure and profit. The Victorian practice of operating on principle and their habit of viewing issues in terms of right and wrong, led to a directness and simplicity which is not characteristic of our age of relativism. We tend rather to institute some expensive and complicated arrangement that is intended to please everybody but can accomplish nothing. The contrast between Victorian politics and our present variety is startling, as we shall now discover.

The Economic Consequences of Socialism

If free enterprise, free trade, limited government and gold were in vogue back in 1846, they were hardly in fashion in 1946, here or elsewhere. Sir Winston Churchill's conservative administration, which had come to power in England's darkest hour early in World War II, was replaced by the Labor Party's socialist government in 1945, even

¹⁰ Walter L. Arnstein, *Britain, Yesterday and Today*, p. 114.

before the guns stopped booming in the Far East.

In America there was a deep concern that peace would mean a return to widespread unemployment and poverty which had plagued us from the Crash of '29 until war had brought a prosperity of sorts. During the Depression we had become accustomed to massive government interventions in the economy and what seemed like large budgets for what one might call welfare schemes for everyone, from big business to the poor on relief. Many ordinary Americans back then were afraid the government would go bankrupt. Even Mr. Roosevelt had campaigned for the presidency on an economy platform in 1932, accusing President Hoover of reckless extravagance in the early years of the Depression. When war came, budgets beyond our wildest dreams brought victory, jobs for everyone and a boom we could not have imagined a decade earlier. Why not let the government continue to keep us all prosperous? If we didn't go as far as the British, at least we were not returning to traditional laissez-faire economics.

The consequences of our post-war urge for security and continuing prosperity was what Paul Samuelson called the "momentous Employment Act of 1946,"¹¹

approved by both parties and dedicated to the task of preventing another tragedy like the Great Depression, then still a recent and traumatic memory. The law provided that the President should have a Council of Economic Advisers who should watch business trends and keep the President and Congress informed, so that future disasters could be avoided. If we fell into a recession, as economic slowdowns were now called, the government would simply stimulate business by easy money and increased spending. This, of course, was just another chapter of the New Deal, reinforced by the "Keynesian Revolution" which followed the publication of *The General Theory* in 1936.

For years, it seems, ordinary folks had a great deal of faith in the system whether they understood it or not, and felt that at last the government was capable of keeping us all prosperous. As the saying went, "Depressions have been abolished by popular vote." That faith, it now appears, has been shattered by the recent severe recession, by widespread unemployment, by national budgets that are out of control and inflation which threatens to get out of control. One of the serious aspects of this loss of confidence in the Keynesian system, the welfare state, is a lack of general agreement as to where we

¹¹ Paul A. Samuelson, *Economics*, second edition, p. 418.

go from here. At least, the Prodigal Son, who had "wasted his substance" and then woke up in the pig pen, knew his way home.¹²

Where Do We Go From Here?

Fortunately, the solution to our problems is not that difficult, once we clear our minds and recover our sanity. When Lenin tried to install the Marxist system in Russia after the October Revolution of 1917, the collapse was complete and millions starved. (Stalin later bludgeoned the Soviet Union into the communist mold, but the attempt cost even greater casualties.) By contrast, when Ludwig Erhard abolished rationing and controls in Germany on that historic Sunday in June back in 1948, the "German Economic Miracle" rather spontaneously followed. That war-torn nation was in a state in '48 that would make our Great Depression look like prosperity, but freedom proved to be the key to recovery. One is reminded of Adam Smith's classic remark, published in 1776:

All systems either of preference or of restraint, therefore, being thus com-

¹² Luke 15: 11-32.

pletely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. . . .¹³

It is true that Germany had to suffer total defeat in a total war before she discovered this secret, but the English found freedom and prosperity in 1846 by using their heads and consulting their consciences. May we be able to rediscover our heritage without going through the dark valley the Germans did. If we would become once again the nation that our Fathers intended us to be in 1776, we need to remember the words of America's great English friend, Edmund Burke, during our days of Revolution:

Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites . . . 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 is without. It is ordained in the eternal constitution of things that men of intemperate minds cannot be free. Their passions forge their fetters. 

¹³ Adam Smith, *The Wealth of Nations* (Modern Library Edition), p. 651.

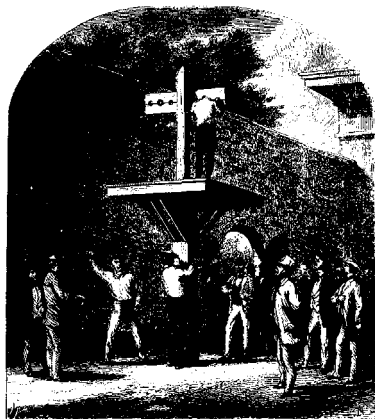
IDEAS ON

Maxwell Anderson



LIBERTY

LIFE is infinitely less important than freedom . . . Those who are not willing to sacrifice their lives for their liberty have never been worth saving.



Punishing Criminals

ERNEST VAN DEN HAAG'S *Punishing Criminals: Concerning a Very Old and Painful Question* (Basic Books, \$11.50) is a wonderfully hard-headed book. Its hard-headedness is of a most enlightened sort: it is devastatingly critical of the latter-day disciples of Rousseau, who still insist that "society" rather than "original sin" is always to blame for the criminal actions of an individual, but it does not completely reject the argument that some crimes are "socially determined." And it is skeptical about statistics that purport to prove one thing or another about the efficacy of punishments. Its sense of paradox keeps it rigorously honest, which is unsatisfactory to those who insist

on categorical answers to all perplexing questions. Despite its tentativeness, however, *Punishing Criminals* leaves one with no doubt that "men must act," even though there must be considerable guesswork when it comes to the predictive value of one's decisions.

The big headline question of the day is, of course, the desirability of reimposing the death penalty for premeditated murder. Professor van den Haag approaches this thorny matter with a most commendable impartiality. Aside from the moral considerations of justice, the main argument for capital punishment is that it is more effective as a deterrent than such an alternative as life imprisonment. Dr. van den Haag

admits the fragmentary nature of statistical research bearing on the question of deterrence, but he cites Professor Isaac Ehrlich's "simultaneous equation regression model" to show, in Ehrlich's words, that "an additional execution per year ... may have resulted on the average in seven or eight fewer murders."

Personally, I put my own trust in logic more than in simultaneous equations. Since Dr. van den Haag says "it remains to be seen if further research will support or refute" the Isaac Ehrlich mathematical demonstration, I rather guess that logic is van den Haag's preference, too.

Logic tells us that if killers are hanged or electrocuted, they will not be around to commit further crimes. Without the possibility of a death penalty, anyone threatened with a life term for hijacking a plane or kidnaping a child or shooting a man in the course of armed robbery would have no reason for refraining from murdering a third person (a policeman or an informer) in order to make a getaway.

Dr. van den Haag quotes the instance of two case-hardened prison inmates, jailed presumably for life, who stabbed the warden and his deputy to death with mess-hall knives. Since one can only be imprisoned for a lifetime once, the prisoners had nothing to lose.

A Risk Either Way

The case for or against the death penalty as a deterrent rests on a preference for one of two risks. If capital punishment does not increase deterrence, we lose the life of an executed convict without saving anyone else. But if the death penalty does add deterrence, and we refrain from pronouncing it, we run the chance of losing the lives of victims who might run foul of murderers in the future.

Dr. van den Haag, who is always willing to look at both sides of a question, admits that there can be miscarriages of justice. Capital punishment is irrevocable, and if a man is hanged he won't be there to take terrestrial advantage of new evidence proving his innocence. The logical case for the death penalty must rest on the presumption that despite an occasional miscarriage of justice, more innocent lives will be saved than lost by invoking it.

Dr. van den Haag marshals the arguments against the death penalty in a perfectly fair way. But, even in the middle of the chapter called "Arguments Against," he can't resist interjecting that "the murder rate in the U.S.—always a multiple of that in Western Europe and Japan—has risen terrifyingly in the last decades." So what are we to conclude? We turn back to van den Haag's previous chapter on "Arguments For" in which he

observes that "life becomes cheaper as we become kinder to those who wantonly take it." Latter-day "liberals" who prate about the "sanctity of life" can't get around this paradox. Oddly enough, many of the people who reject capital punishment on humanitarian grounds have no prejudice against abortion or, in some cases, against euthanasia.

How Much Deterrent?

As a libertarian who could not possibly face incarceration for a lifetime without contemplating suicide, I would be prepared to argue that the prospect of life imprisonment is enough of a deterrent in itself. But the trouble, as Dr. van den Haag says, is that, "as a sentence, 'life' today means not life but some years of it." Murderers are frequently released, for one reason or another, before they have completed their "mandatory" prison sentences. And the modern convict, no matter what his crime, "is entertained by TV" and has access to social workers who may obtain sufficient freedom for him to commit additional crimes.

Dr. van den Haag does not go deeply into questions of ethos. He is just as willing as anybody to admit that crimes are, in many instances, "socially conditioned." But his lively sense of paradox impels him to turn this argument against the

followers of Rousseau. The idea of deterrence, if it becomes part of the expectations of a community, can be part of a "general determinism." If a criminal can't help what he is doing, other members of society are equally "determined" in punishing culprits who menace their rights. Says van den Haag, "deterministic views of all kinds are entirely consistent with theories of deterrence, which actually require a causal (though not necessarily 'deterministic') view of human behavior."

A Presumption of Responsibility

The truth is that a free society must rest on the presumption that men are moral agents who are responsible, despite their genes or their "social conditioning," for what they do. Morality has no relevance if all things are fated by environment on the one hand, or by heredity on the other. Some poor people commit crimes; some don't. Some rich people are responsible; some aren't. Responsible people can only act on the theory that criminals must be incapacitated if society, in general, is to live in peace.

Unfortunately, the Rousseauists among us have made it more and more difficult to incapacitate thieves and cheaters and murderers. Much of van den Haag's book is concerned with ways of speeding justice, keeping potential

"recidivists" under control, and preventing juveniles from becoming hardened adult criminals. He has ideas about utilizing fines as punishment. Why not, he suggests, state fines "in days or years of earnings." This would mean the rich would suffer commensurately with the poor when convicted of a crime carrying less than a prison sentence.

As a final word to the Rousseauists, Dr. van den Haag remarks that if "somehow bad social institutions always seem to corrupt naturally good men," none has ever satisfactorily explained "why naturally good men create bad institutions, and by what means revolutionaries manage to remain uncorrupted so as to lead us into the millennium." The possibility is rarely considered that "naturally bad men corrupt good institutions."

Knowing human nature, van den Haag says we can only reduce, not eliminate, crime. The task is not to dream up a social order that can do without punishment but, rather, to make the punishment it uses more just and effective.

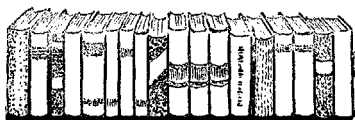
►IN OUR TIME by Eric Hoffer. (New York: Harper and Row, Publishers, 1976) 114 pp., \$7.95.

Reviewed by Allan C. Brownfeld

WHEN his first book, *The True Believer*, was published in 1951, Eric Hoffer was unknown. Readers recognized, however, that a powerful and original talent had made its appearance and were astonished to learn that Hoffer was a common laborer who had been virtually blind in childhood, who had recovered his eyesight, and who had educated himself entirely by his own efforts.

In *The True Believer* and the many books which have followed, Eric Hoffer has been an eloquent spokesman for individualism, freedom, and free enterprise. Part of his view is that when individualism dies, tyranny becomes possible and, often, probable. He wrote that, "Faith in a holy cause is to a considerable extent a substitute for lost faith in ourselves . . . A man is likely to mind his own business when it is worth minding. When it is not, he takes his mind off his own meaningless affairs by minding other people's business. . . . In running away from ourselves we either fall on our neighbor's shoulder or fly at his throat."

Now, Eric Hoffer has presented us with another volume of his



thoughts on the state of the American society and the prospects for the future of freedom. *In Our Time* is filled with astute observations and insights and represents the approach we have come to expect from Eric Hoffer—one which always begins with a healthy dose of common sense.

The free enterprise system has produced great material abundance in the United States but, in the very height of this accomplishment, faith in the market economy and in freedom itself seems to be diminishing. Society, in many respects, appears to be in a state of dissolution. "Up to now," Hoffer writes, "in free societies social discipline has been a by-product of scarcity, and the turbulent 1960s have shown us that the most urgent need of an affluent society is a new source of discipline. ... It was a shock to a materialist civilization to discover that the most important facts about a human entity are its illusions, its fictions, its unfounded convictions. A society without illusions is without vigor and without order and continuity. It took a triumphant technology to demonstrate that 'things which are not are mightier than things that are.'"

Part of the reason for the collapse of values and standards in our affluent society, Hoffer believes, is the abandonment of its proper role by the middle class. He notes that,

"... when the middle class is no longer immersed in a struggle with nature, when it has solved the problems of production ... it becomes unsure of its footing and seems to have nowhere to go. Its values, based on scarcity, begin to disintegrate and it no longer feels itself in possession of the true and only view possible for sensible people. The middle class is unprepared and unequipped to lead people to Eden, and it cannot find a substitute for the social automatism induced by unfulfilled needs and fear of want."

While some have argued that "money is the root of all evil," Eric Hoffer challenges such a view. He states, instead, that, "... the passage from the nineteenth to the twentieth century saw a shift from a preoccupation with money to a preoccupation with power. ... It is part of the sickness of our time that money has lost its magic power. What ails societies at present is not that everybody wants as much money as possible but that everybody wants to do as little as possible. We used to wonder how in the nineteenth century it was possible for so few to have so much at the expense of the many. Now the wonder is that so many get so much at the expense of the few."

Contrasting free enterprise and collectivism, Hoffer declares that, "Capitalism can produce abun-

dance. It gives full scope to the energies of the individual, and is an optimal milieu for people who can help themselves and want to be left alone . . . Communism cannot create abundance, and it cannot release a copious flow of spontaneous energies. It cannot utilize the energies of enterprising people who are at their best when left to themselves."

The dilemma of capitalism at the present time, he writes, is that it has succeeded too well: "Capitalism's disconcerting predicament is that it gets in trouble when it achieves abundance. Capitalist society is strained to the breaking point not, as Marx predicted, by ever-increasing misery, but by affluence. Once scarcity has been eliminated, capitalism does not know how to induce people to work. Moreover, the erosion of the pre-capitalist authorities of family, church and school leaves capitalism helpless in the face of social anarchy."

The American welfare system—paying people to do nothing—could learn a lesson, Hoffer points out, from the experience of the Soviet collective farm system and the incredible productivity of the private plots which farmers are permitted to work. He writes that, "an America that has been spending billions on unsuccessful poverty programs would do well to send delega-

tions to Soviet Russia to learn from the lesser peasants how to turn millions of chronically poor Americans into enterprising human beings."

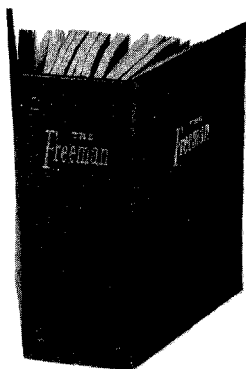
The intellectuals dislike capitalism, he writes, not because it is inequitable but because they are not in charge: "Where the trader is in power, the scribe is usually kept out of the management of affairs, but is given a free hand in the cultural field. By frustrating the scribe's craving for commanding action, the trader draws upon himself the scribe's scorn, but he also releases the scribe's creative powers. It was not a mere accident that the Hebrew prophets, the Ionian philosophers, Zoroaster, Confucius and Buddha made their appearance at a time when the trader was ascendant. . . . Where the scribe is in power, the trader is regulated and regimented off the face of the earth. In scribe-dominated Communist countries the legitimate trader has been liquidated."

Unfortunately, the intellectuals who bid for power by attacking the system of free enterprise and the moral values of the majority, are skilled in the use of language and the communication arts. "The adversary intellectual," Hoffer writes, "savors power not by building or wrecking but by discomfiting and denigrating, and by rubbing the noses of the majority in dirt."

There is much more in this volume than its length would indicate. Eric Hoffer is an eloquent defender of freedom and free enterprise. He has been a gold

miner, migratory field worker, and longshoreman. He is also a scholar. No one can read his words without being dramatically affected by them. 

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the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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TEL: (914) 591-7230

LEONARD E. READ

*President, Foundation for
Economic Education*

PAUL L. POIROT

Managing Editor

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CARTELS: *Conspiracies in Restraint of Trade*



BRIAN SUMMERS

AFTER LOSING MONEY for 17 straight years, in 1976 California orange grower Jacques Giddens finally sent a bumper crop to market. He was immediately hauled into court, charged with shipping too many oranges.

Giddens had exceeded a marketing quota set by the Navel Orange Administration Committee and enforced by the federal government. When Giddens exceeded his quota—less than 66 per cent of his crop—he was breaking the law.

“Right now I’ve got 13 acres of unpicked oranges sitting out there,” Giddens said, “but I won’t get anything for them because they’re beginning to freeze. I can’t pick them because I’ve already filled my quota, and there’s no way to store

oranges except leave them on the trees. In three more weeks they’ll be junk.

“The law is crazy. I’m growing perfectly good food in a hungry world and throwing it away so some fat cats in Los Angeles can make a housewife pay more for her oranges in the supermarket.”¹

Jacques Giddens has to throw away perfectly good oranges because the orange industry is controlled by a cartel of merchandisers who act as middlemen between the farmer and the supermarket. The cartel decides how many oranges will be shipped to the fresh fruit market, and the federal government enforces the cartel’s quotas.

Cartels—conspiracies to limit

Mr. Summers is a member of the staff of the Foundation for Economic Education.

¹“Orange Grower Hits Waste of Food in Quota System,” *Los Angeles Times*, April 25, 1976.

competition in order to charge monopoly prices—control large portions of the American economy. Before considering further examples, let us see how cartels are formed.

In a free market, it is extremely difficult to form an *effective* cartel—one that restricts competition to the point that the participants gain more from selling at monopoly prices than they would from selling more goods at competitive (lower) prices. The difficulties are:

1. Competition from substitute goods and services. A cartel that restricted the output of, say, aluminum would find its customers turning to steel, brass, plastics, and other substitutes. The losses of sales to these substitute products could more than offset the cartel's monopoly gains.

2. Agreeing on a monopoly price. Higher prices are more advantageous to high-cost, low-output firms than to low-cost, high-output firms. Deciding on a single monopoly price might not be easy.

3. Cheating. A cartel member who secretly lowers his price—say by kickbacks—can reap large gains through increased sales. In addition, a cartel member can try to undercut the other members by altering his product's quality or improving his credit, delivery, trial, or refund procedures.

4. Competitors who refuse to join the cartel. A producer who doesn't join can undersell the cartel, grow in size, and thus take more and more customers away from the cartel.

5. Potential competitors. The cartel's monopoly gains will attract new competitors who may refuse to join the cartel, and proceed to undersell its members.

These are some of the obstacles to forming an effective cartel in a free market—a market in which the government's powers are limited to protecting people from fraud and coercion. In a free market, a cartel has no legal means to force producers to join the cartel and to charge the cartel's monopoly price.

A cartel can impose its will on producers only when the government fails to protect producers from the cartel or, even worse, when the government itself enforces the cartel's edicts. The latter is the case in the United States today.

The dairy industry is an example of government-created cartels. When private attempts to cartelize the industry fell apart in the early 1930's, the government stepped in, as described by Michael McMenamin:

Faced with the free market's reassertion of competition in the face of private attempts to cartelize the raw milk industry, the Federal government resorted to direct intervention, i.e., the

policy of government coercion to direct a market in a manner different from that dictated by supply and demand. First under the Agricultural Adjustment Act of 1933, and subsequently under the Agriculture Marketing Agreement Act of 1937, the Federal government moved to "stabilize" prices in fluid milk markets throughout the country. . . . In practice, what the government created was the framework for establishing local and regional milk cartels.

McMenamin concludes that "government price fixing, combined with monopoly power, has raised the price of a gallon of milk some 20 cents higher than if competitive conditions prevailed."²

The peanut cartel is another example. Since 1940 the cultivation of peanuts has been restricted by the federal government to 1.6 million acres. To further restrict supplies—and thus drive up prices—peanuts are subject to strict import controls. To make the cartel airtight, the federal government guarantees a minimum support price. In 1975 this price was \$394.50 a ton, about \$150 a ton over the world price. This artificially high price encourages intensive cultivation of the allotted 1.6 million acres, resulting in a waste of resources (such as fertilizers) and a surplus of peanuts. In 1975 the government bought some 600,000 tons of

peanuts—about a third the nation's crop—at the \$394.50 support price. Every year the peanut cartel costs the American public hundreds of millions of dollars in terms of taxes, higher prices, and the misuse of land, labor, and capital.³

Jacques Giddens can't sell all his oranges because the orange cartel's quotas are converted into marketing orders by the U.S. Department of Agriculture and enforced by the Justice Department. There are, in fact, 109 Federal marketing orders in effect in 25 states for fruits, vegetables, nuts, and dairy products. In 1972, for example, growers left 14,000 tons of cherries to rot in orchards because of a Federal marketing order.

The trucking industry is also controlled by cartels. Brooks Jackson and Evans Witt describe how these cartels collude with the Interstate Commerce Commission:

The ICC tells truckers precisely what kinds of goods they can carry, precisely what highways they can use and what they can charge.

The ICC also limits competition by denying thousands of applications each year by truckers desiring to offer new services.

The major trucking firms band together in "rate bureaus" that decide what to charge for hauling. These cartels, exempt from antitrust prosecution,

² Michael McMenamin, "Milk, Money and Monopoly," *Reason*, March 1976.

³ *Wall Street Journal*, June 3, 1976.

then challenge any attempts to have lower rates approved by the ICC.

This keeps shipping prices higher than they could be.

An Agriculture Department study found that shipping rates for frozen fruits and vegetables dropped 18 per cent when the courts ruled those products exempt from ICC oversight. Another Agriculture study showed rates for dressed poultry plummeted 33 per cent when ICC regulation was lifted.⁴

The waste wrought by ICC regulations is enormous:

For example, a Department of Transportation study discovered that a big manufacturer of building materials in New Jersey ships three truckloads of goods a week from its main plant to Tampa, Florida. The trucks make the return trip empty.

This company has a subsidiary in southern Florida that sends three truckloads of goods a week to eastern Pennsylvania. But the subsidiary's trucks make the return trip south empty—because the ICC will not let a subsidiary's trucks carry goods for the parent company or vice versa.

The DOT study, which did not name the firm, concluded that this one company could save 360,000 miles of useless travel and 90,000 gallons of fuel a year just by running trucks in a circuit from New Jersey to Tampa to southern Florida to eastern Pennsylvania.⁵

According to a report co-authored

⁴ "Washington's Reach: Inflated Prices, Waste, Delay—Americans Paying for Regulation," *El Cajon Californian*, March 17, 1976.

⁵ *Ibid.*

by Robert Fellmeth and members of the Ralph Nader research staff, regulated truckers travel empty an estimated 30 per cent of their miles—three times the percentage for unregulated truckers. Empty trucks, ICC-mandated roundabout routes, and artificially high rates cost the American public tens of millions of gallons of fuel and billions of dollars every year.⁶

The airline cartel is also costing the public immense sums of money. It is about the same distance from Chicago to Minneapolis as it is from Los Angeles to San Francisco, yet the air fare from Chicago to Minneapolis is almost twice as much. Why? The California route is intrastate and thus exempt from Civil Aeronautics Board regulation. The CAB, created in 1938, assigned all interstate routes to a cartel of 16 airlines. Six of the original carriers have since disappeared, but the CAB has assigned all their routes to the ten surviving members. Not a single new carrier has been permitted to operate on these routes.⁷

Jackson and Witt report:

The Civil Aeronautics Board refused to allow a British firm, Laker Airways, to fly regular New York-to-London flights for \$270 round trip. Existing

⁶ Mark Frazier, "Highway Robbery—Via the ICC," *Reader's Digest*, January 1975.

⁷ James Nathan Miller, "Government Airline Regulations—Needless Risk at High Rates," *Reader's Digest*, June 1975.

airlines fly the same route for \$626 for a roundtrip economy-class ticket.⁸

Government-created cartels control large segments of the American economy. And their influence will extend if the advocates of National Economic Planning have their way. Consider this statement from the Initiative Committee for National Economic Planning (*The Case for Planning*). The Planning Office "would indicate the number of cars, the number of generators, and the quantity of frozen foods we are

likely to require in, say, five years, and it would try to induce the relevant industries to act accordingly."

Thus, under National Economic Planning, the government would "induce" the production of a given number of automobiles and other products. The only way to produce a given number of automobiles (no more, no less) is to assign quotas to the producers and exclude all potential producers from the market. That is, the only way to meet the goals of National Economic Planning is for the government to create even more cartels. 

⁸ "Regulators Have Stranglehold on Lives," *El Cajon Californian*, March 15, 1976.

The Chimera of Monopoly

WITH and because of the growth of capitalism, competition has in our day become intense and swift and sure beyond all previous human experience.

What do we mean by competition? We ought to mean the ready movement of the factors of production — labor or productive instruments — toward those employments in which prices are exceptionally high and profits large. That is, competition is substantially "mobility." Two things are necessary for this mobility: (a) knowledge, among persons outside of the high-priced employment, that it is profitable; (b) the possibility of increasing the use of capital and productive energy in employments whose superior attractiveness has become known. In both respects the tendency of recent industrial evolution has been toward making competition more prompt.

AMBROSE PARE WINSTON, from an article in
Atlantic Monthly, November 1924.

IDEAS ON

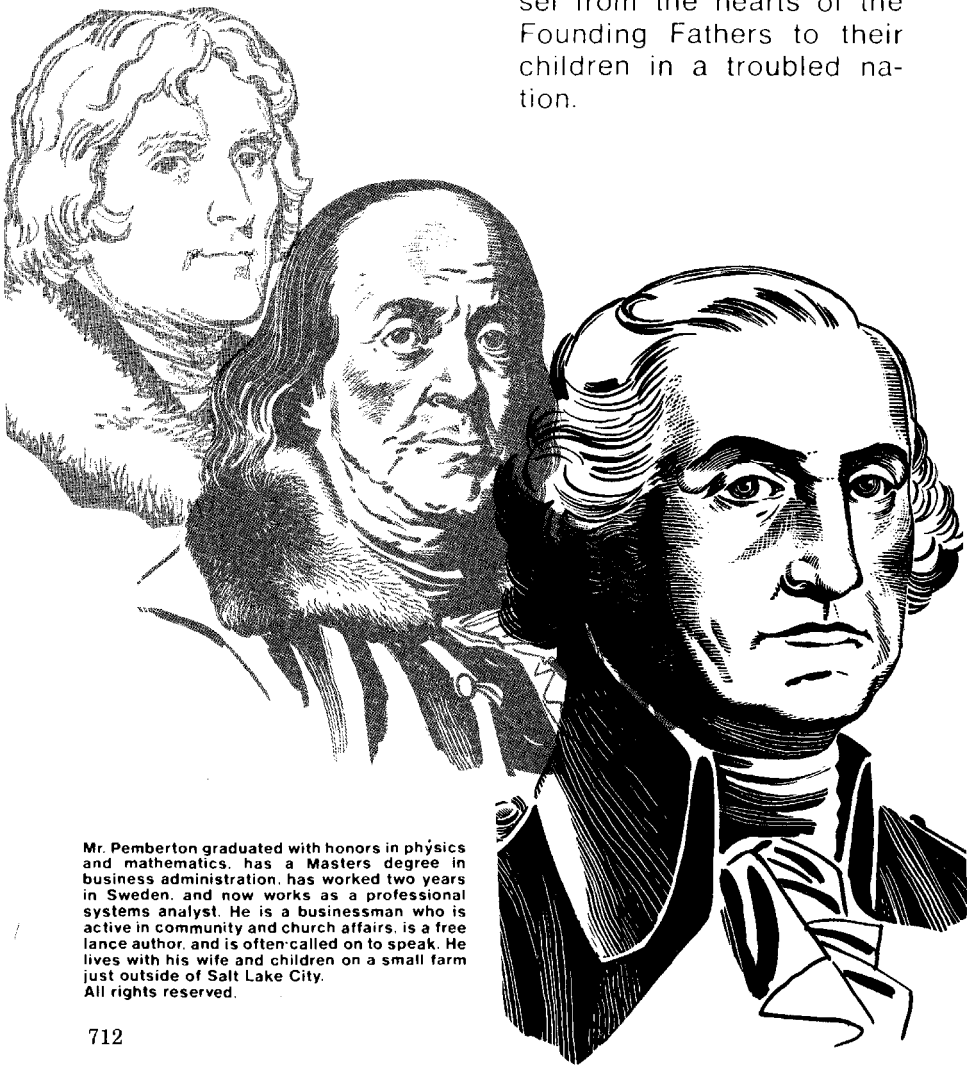


LIBERTY

A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City. All rights reserved.

VIII. On the Destiny of Liberty

This concludes a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

THE CREATOR endowed man with the power to perceive and to understand his world, the ability and the will to act upon it, and the liberty to choose his actions. His discernment and freedom stretches from the center of his secret heart to the outermost stars of his celestial world, and his decisions determine his destiny.

Man is a mighty being, capable of unthinkable feats, and that wondrous capacity coupled as it is with freedom of his will, favors him with the most awesome potentialities. A man may, by learning and energy, make himself a god or a devil, to build or to destroy, to experience exquisite joys or perverted pleasures. The choice is left to each to decide from which cup he shall drink. To make the wise choice is to make him more powerful and more free, for that places him in harmony with the laws of all Nature

and releases his capacity to create, which together provide an enduring happiness; but to make the choice elicited by the sirens of pleasure and pride is to bind him down with the chains of enslaving habit, an afflicted mind, and a weakened body. Thus he reaps the just reward of the use of his liberty.

Every man bears in his breast a spark struck from the soul of Almighty God, and in that spark glows the light of love and liberty. Every man yearns to be good and to be great, to be a blessing to all within the circle of his society; yet there are those who, intoxicated with the lust for power and wealth, turn from that divine inheritance for the corrupt pleasure of control over their fellows, and gain by their loss. Thus has the vanity of kings and despots devoured the lives of their poor subjects, and thus began

the King of England to feed upon our toils and treasures. We repulsed his intrusions and gave you the Constitution to protect you from such, for we knew the history of man to be overflowing with the tyranny of bad governments.

In our day the tyrant came to us in open defiance of our rights, with hostility and violence, with sword and cannon. Through tears, prayer, and blood we threw him off and drove him out.

Now he is among you again, but not in open war upon your houses and lands, but in subtle disguise, bearing gifts of free money, free food, free houses, and free security; trading them to you in the name of equality, rights, and liberty: offering the goods he took from you by heavy taxes and a deliberate inflation. With flattering words he coddles your vanity, legalizes your selfishness, and leads you through a political mirage into his fool's paradise where he has appointed himself the Grand Regulator. Yet, your greatest danger lies in none of those things, but in your failure to recognize the pattern he follows, for it is ancient; what he cannot accomplish by force and violence he will attempt by lure and deceit.

You are now engaged in a mighty conflict; a contest between freedom and "free-loading," between liberty and license, and between govern-

ment by the people and government by the government: a struggle testing whether you can stand tall enough amidst the turmoil to see above the trappings of your proud affluence and catch the vision of your own sons of liberty a hundred years hence, moving as free beings in a world where free men can labor and draw to themselves a portion of this world's blessings and work and live in the safety and liberty of their own self-discipline; or whether your appetite and passion for the transitory pleasures of your opulence will propel you on into the enslaving security of the oppressive government you are allowing to grow up around you as an angry bramble about the feet of the last free people on the planet.

But for all this, you must be careful to understand me, for I have not come to discourage you or to prepare the grave of liberty, but to warn and encourage you to be about the work which is to be done before all mankind may enjoy the fullness of the rights with which the Creator endowed them. For the perfection of human governments was conceived in this nation and has been carried in its womb these many years, and you now enter into the time of the last travail before it is brought forth to all the world; a time in which conspiring men seek to destroy it that they might own the glory and riches of the world for themselves.

I have come to you in humility, and I speak from my heart. I have raised the cry of freedom and the alarm of oppression in your minds. Do not be troubled that I think your lot is destruction, or that you will not awake in time to save yourselves. Nay, not that, for I know you, and I know you will act in time. The cause of my great concern is my love for my children and the knowledge that the slower you act the more you will pay for your liberty: a lesson we learned in fear.

Contrary to your many doubts, it is not inevitable that you must go down. Was it inevitable that we should have won our struggle for freedom? Nay, 'twas the natural consequence of the pouring out of our purses and our blood, and the intervention of Divine Providence in the affairs of His children. You may act in the same faith, with the same courage, with the same determination, and with the same assurance of the same glorious result.

And I am consoled, for even now the nation is stirring, the desire for liberty wells up in the nation's bosom, and the cry of freedom whispers in its mind. Nay, I have no fear for your destiny, but I fear the price you may pay for it if you hesitate another decade.

I challenge you to set a noble cause: to set your face, your hand,

and your heart to the restoration of the Constitution. If you harbor any doubt as to the correctness or worthiness of that aim, then search for a better goal until you are convinced. Study my words, for I have brought you the fundamentals of good government and laid them before you in earnestness and simplicity. Then set about to apply those principles; first in your own lives, then in your towns and cities, then your counties and states. Thus you will gain by experience the wisdom necessary to fully restore the most effective protector of human rights, and the most skilled artisan of noble human progress ever given to man for his general government.

More than any other institute of governments, the Constitution has guided the virtue of man, discouraged his baseness, and given full release to the productive capacity of his talents and energies. When you have restored those three functions to your government, you will have set the stage for the fulfillment of the manifest destiny of the nation. You will have displayed the proper example before the world, you will have gone back into an era of social and technical progress far beyond your fondest dreams, and thus you will be empowered by wealth and wisdom to instruct a jealous planet in the way of true progress.

But you live in a day when selfishness is glorified, benevolence belittled, and the government enthroned as the patriarchal source of all blessings, the healer of all wounds, the savior of society, a singular entity to which one prays for his share of his neighbor's goods. And there are many who promote the deception, unwittingly moved by a lazy conscience and a selfish habit. And all are partakers in the delusion; all are tainted by the hypocrisy of public distribution of private production.

Those who seek to rule you promise to make you happy by capturing you in their private utopia; and while their desires may sometimes be honorable, their theory is dross; and while they know it unjust for one to thrust his will upon another or to revel in the fruits of another's toil, yet they refuse to confess the immorality of their politics. Yet, notwithstanding their false theories, they will succeed in your capture if you allow them to spoil you with promises of wealth without labor and security without honor.

You stand now as at the wye of time. Your mind feels the two alternatives before you; you may trade your respect and your freedom for a short-lived security and sell your children to the aristocracy, or you may work and strive for liberty with honor. In your heart you know the

right, while the comforts of government welfare and the narcotic of a lazy morality woo you to carelessness in the choice.

How long my children will you halt between? For decades you have stood, hoping you might be spared the price of liberty, hoping all would be well with you while the ambitious and the vain have framed the laws to enforce your happiness. Now as their work nears completion, the urgency of their success strikes fear in your hearts while their soft promises urge you to sleep.

How long will you halt between? How high must the cost of freedom ascend ere you appreciate its worth and determine to pay its price? Can you not perceive that we once made the self-same error: Must each generation stumble in the same road? Must the cycles of history ever turn full round?

Nay my children! Not so! This time you may break the ancient pattern, for this is the first time and the last time the cycles in the nations have all been brought together in step and in time, for now the whole world lies in bondage, save a few. But the seeds of liberty germinate quickly under the tyrant's heel, and the embers of freedom glow brightest in the dark winds of oppression. Now those seeds grow and those embers glow, and the people of the earth peer out of darkness and look for *your light!*

Now you, being free, may lead yourselves and them also into the full light of liberty.

Oh America! America! May the Almighty look upon you with the tenderness of a loving Father. May you look to Him with the faith of a chosen child. If you will reach for Him, He will touch you. If you will serve Him, He will lift you up. Can you hear my voice? This is the message I have come to deliver: I challenge you, each and every one of you to listen to the humility of your own heart, for it will guide you back to the glorious liberty which is your rightful inheritance if you will but qualify yourself by obedience to the voice of your own conscience. If you

will listen and follow, the light of liberty will shine again in your face, and the nation will shine forth in a world darkened by the tyranny of despots and evil politicians. Rise up my people! Take your proper place in the progress of freedom!

If you will be faithful to your own hearts and the blood of your fathers, you may have the privilege of being the political saviors of the world, not by coercion or conspiracy but by example and precept. That is your challenge and your duty, your opportunity and your blessing. And that is the true destiny of liberty. I know it; and there is not one of you who does not in his own heart know it also. Then—my Sons of Liberty—be true to it! Farewell!



The Day's Demand

God give us men! A time like this demands

Strong minds, great hearts, true faith, and ready hands;

Men whom the lust of office does not kill;

Men whom the spoils of office cannot buy;

Men who possess opinions and a will;

Men who have honor; men who will not lie;

Men who can stand before a demagogue

And damn his treacherous flatteries without winking;

Tall men, sun-crowned, who live above the fog

In public duty and in private thinking;

For while the rabble, with their thumb-worn creeds,

Their large profession and their little deeds,

Mingle in selfish strife, lo! Freedom weeps,

Wrong rules the land, and waiting Justice sleeps.

IDEAS ON



LIBERTY

Lessons of the German Inflation

HENRY HAZLITT

WE LEARN from extreme cases, in economic life as in medicine. A moderate inflation, that has been going on for only a short time, may seem like a great boon. It appears to increase incomes, and to stimulate trade and employment. Politicians find it profitable to advocate more of it—not under that name, of course, but under the name of “expansionary” or “full employment” policies. It is regarded as politically suicidal to suggest that it be brought to a halt. Politicians promise to “fight” inflation; but by that they almost never mean slashing government expenditures, balancing the budget, and halting the money-printing

presses. They mean denouncing the big corporations and other sellers for raising their prices. They mean imposing price and rent controls.

When the inflation is sufficiently severe and prolonged, however, when it becomes what is called a hyperinflation, people begin at last to recognize it as the catastrophe it really is. There have been scores of hyperinflations in history—in ancient Rome under Diocletian, in the American colonies under the Continental Congress in 1781, in the French Revolution from 1790 to 1796, and after World War I in Austria, Hungary, Poland, and Russia, not to mention in three or four Latin American countries today.

But the most spectacular hyperinflation in history, and also the one for which we have the most adequate statistics, occurred in Germany in the years from 1919 to the

Henry Hazlitt, noted economist, author, editor, reviewer and columnist, is well known to readers of the *New York Times*, *Newsweek*, *The Freeman*, *Barron's*, *Human Events* and many others. Best known of his books are *Economics in One Lesson*, *The Failure of the "New Economics,"* *The Foundations of Morality*, and *What You should Know About Inflation*

end of 1923. That episode repays the most careful study for the light it throws on what happens when an inflation is allowed to run its full course. Like every individual inflation, it had causes or features peculiar to itself—the Treaty of Versailles, with the very heavy reparation payments it laid upon Germany, the occupation of the Ruhr by Allied troops in early 1923, and other developments. But we can ignore these and concentrate on the features that the German hyperinflation shared with other hyperinflations.

Convertibility Suspended

At the outbreak of World War I—on July 31, 1914—the German Reichsbank took the first step by suspending the conversion of its notes into gold. Between July 24 and August 7 the bank increased its paper note issue by 2 billion marks. By November 15, 1923, the day the inflation was officially ended, it had issued the incredible sum of 92.8 quintillion (92,800,000,000,000,000,000,000) paper marks. A few days later (on November 20) a new currency, the *rentenmark*, was issued. The old marks were made convertible into it at a rate of a trillion to one.

It is instructive to follow in some detail how all this came about, and in what stages.

By October 1918, the last full

month of World War I, the quantity of paper marks had been increased fourfold over what it was in the pre-war year 1913, yet prices in Germany had increased only 139 per cent. Even by October 1919, when the paper money circulation had increased sevenfold over that of 1913, prices had not quite increased sixfold. But by January 1920 this relationship was reversed: money in circulation had increased 8.4 times and the wholesale price index 12.6 times. By November 1921 circulation had increased 18 times and wholesale prices 34 times. By November 1922 circulation had increased 127 times and wholesale prices 1,154 times, and by November 1923 circulation had increased 245 *billion* times and prices 1,380 *billion* times.

These figures discredit the crude or rigid quantity theory of money, according to which prices increase in proportion to the increase in the stock of money—whether the money consists of gold and convertible notes or merely of irredeemable paper.

And what happened in Germany is typical of what happens in every hyperinflation. In what we may call Stage One, prices do not increase nearly as much as the increase in the paper money circulation. This is because the man in the street is hardly aware that the money supply is being increased. He still has

confidence in the money and in the pre-existing price level. He may even postpone some intended purchases because prices seem to him abnormally high, and he still hopes that they will soon fall back to their old levels.

Later Stages of Inflation

Then the inflation moves into what we may call Stage Two, when people become aware that the money stock has increased, and is still increasing. Prices then go up approximately as much as the quantity of money is increased. This is the result assumed by the rigid quantity theory of money. But Stage Two, in fact, may last only for a short time. People begin to assume that the government is going to keep increasing the issuance of paper money indefinitely, and even at an accelerating rate. They lose all trust in it. The result is Stage Three, when prices begin to increase far faster than the government increases, or even than it can increase, the stock of money.

(This result follows not because of any proportionate increase in the "velocity of circulation" of money, but simply because the value that people put upon the monetary unit falls faster than the issuance increases. See my article, "What Determines the Value of Money?" in *The Freeman* of September, 1976.)

But throughout the German

inflation there was almost no predictable correspondence between the rate of issuance of new paper marks, the rise in internal prices, and the rise in the dollar-exchange rate. Suppose, for example, we assign an index number of 100 to currency circulation, internal prices, and the dollar rate in October 1918. By February 1920 circulation stood at 203.9, internal prices at 506.3, and the dollar rate at 1,503.2. One result was that prices of imported goods then reached an index number of 1,898.5.

But from February 1920 to May 1921 the relationship of these rates of change was reversed. On the basis of an index number of 100 for all of these quantities in February 1920, circulation in May 1921 had increased to 150.1, but internal prices had risen to only 104.6, and the dollar exchange rate had actually fallen to 62.8. The cost of imported goods had dropped to an index number of 37.5.

Between May 1921 and July 1922 the previous tendencies were once more resumed. On the basis of an index number of 100 for May 1921, the circulation in July 1922 was 248.6, internal prices were 734.6, and the dollar rate 792.2.

Again, between July 1922 and June 1923 these tendencies continued, though at enormously increased rates. With an index number of 100 for July 1922, circulation

in June 1923 stood at 8,557, internal prices at 18,194, and the dollar rate at 22,301. The prices of imported goods had increased to 22,486.

The amazing divergence between these index numbers gives some idea of the disequilibrium and disorganization that the inflation caused in German economic life. There was a depression of real wages practically throughout the inflation, and a great diminution in the real prices of industrial shares.

How It Happened

How did the German hyperinflation get started? And why was it continued to this fantastic extent?

Its origin is hardly obscure. To pay for the tremendous expenditures called for by a total war, the German government, like others, found it both economically and politically far easier to print money than to raise adequate taxes. In the period from 1914 to October 1923, taxes covered only about 15 per cent of expenditures. In the last ten days of October 1923, ordinary taxes were covering less than 1 per cent of expenses.

What was the government's own rationalization for its policies? The thinking of the leaders had become incredibly corrupted. They inverted cause and effect. They even denied that there was any inflation. They blamed the depreciation of the

mark on the adverse balance of payments. It was the rise of prices that had made it necessary to increase the money supply so that people would have enough money to pay for goods. One of their most respected monetary economists, Karl Helfferich, held to this rationalization to the end:

"The increase of the circulation has not preceded the rise of prices and the depreciation of the exchange, but it followed slowly and at great distance. The circulation increased from May 1921 to the end of January 1923 by 23 times; it is not possible that this increase had caused the rise in the prices of imported goods and of the dollar, which in that period increased by 344 times."¹

Of course such reasoning was eagerly embraced by Germany's politicians. In the late stages of the inflation, when prices rose far faster than new money could even be printed, the continuation and even the acceleration of inflation seemed unavoidable. The violent rise of prices caused an intense demand for more money to pay the prices. The quantity of money was not sufficient for the volume of transactions. Panic seized manufacturers and business firms. They were not able to fulfill their contracts. The rise of prices kept racing ahead of the

¹ *Das Geld* (sixth edition, Leipzig, 1923.)

volume of money. The thirty paper mills of the government, plus its well-equipped printing plants, plus a hundred private printing presses, could not turn out the money fast enough. The situation was desperate. On October 25, 1923 the Reichsbank issued a statement that during the day it had been able to print only 120,000 *trillion* paper marks, but the demand for the day had been for a *quintillion*.

One reason for the despair that seized the Germans was their conviction that the inflation was caused principally by the reparations burden imposed by the Treaty of Versailles. This of course played a role, but far from the major one. The reparations payments did not account for more than a third of the total discrepancy between expenditure and income in the German budget in the whole four financial years 1920 through 1923.

A False Prosperity

In the early stages of the inflation German internal prices rose more than the mark fell in the foreign exchange market. But for the greater part of the inflation period—in fact, up to September 1923—the external value of the mark fell much below its internal value. This meant that foreign goods became enormously expensive for Germans while German goods became great bargains for foreig-

ners. As a result German exports were greatly stimulated, and so was activity and employment in many German industries. But this was later recognized as a false prosperity. Germany was in effect selling its production abroad much below real costs and paying extortionate prices for what it had to buy from abroad.

In the last months of the German inflation, beginning in the summer of 1923, internal prices spurted forward and reached the level of world prices, even allowing for the incredibly depreciated exchange. The exchange rate of the paper mark, calculated in gold marks, was 1,523,809 on August 28, 1923. It was 28,809,524 on September 25, 15,476,190,475 on October 30, and was “stabilized” finally at 1,000,000,000,000 gold marks on November 20.

One change that brought about these astronomical figures is that merchants had finally decided to price their goods in gold. They fixed their prices in paper marks according to the exchange rate. Wages and salaries also began to be “indexed,” based on the official cost-of-living figures. Methods were even devised for basing wages not only on the existing depreciation but on the probable future depreciation of the mark.

Finally, with the mark depreciating every hour, more and more

Germans began to deal with each other in foreign currencies, principally in dollars.

Placing The Blame

Viewed in retrospect, one of the most disheartening things about the inflation is that no matter how appalling its consequences became, they failed to educate the German monetary economists, or cause them to re-examine their previous sophisms. The very fact that the paper marks began to depreciate faster than they were printed (because everybody feared still further inflation) led these economists to argue that there was no monetary or credit inflation in Germany at all! They admitted that the stamped value of the paper money issued was enormous, but the "real" value—that is, the gold value according to the exchange rate—was far lower than the total money circulating in Germany before the war.

This argument was expounded by Karl Helfferich in official testimony in June 1923. In the summer of 1922 Professor Julius Wolf wrote: "In proportion to the need, less money circulates in Germany now than before the war. This statement may cause surprise, but it is correct. The circulation is now 15-20 times that of pre-war days, while prices have risen 40-50 times." Another economist, Karl Elster, in his book

on the German mark, declared: "However enormous may be the apparent rise in the circulation in 1922, actually the figures show a decline"!

Of course all of the bureaucrats and politicians responsible for the inflation tried to put the blame for the soaring prices of everything from eggs to the dollar on to a special class of selfish and wicked people called the "speculators"—forgetting that everybody who buys or sells and tries to anticipate future prices is unavoidably a speculator.

Effect on Production

There is today still an almost universal belief that inflation stimulates trade, employment, and production. For the greater part of the German inflation, most businessmen believed this to be true. The depreciation of the mark stimulated their exports. In February and March of 1922, when the dollar was rising, business seemed to reach a maximum of activity. The *Berliner Tageblatt* wrote in March of the Leipzig Fair: "It is no longer simply a zeal for acquiring, or even a rage: it is a madness." In the summer of 1922 unemployment practically disappeared. In 1920 and 1921, on the other hand, every improvement in the mark had been followed by an increase of unemployment.

The real effect of the inflation,

however, was peculiarly complex. There were violent alternations of prosperity and depression, feverish activity and disorganization. Yet there were certain dominant tendencies. Inflation directed production, trade, and employment into different channels than they had previously taken. Production was less efficient. This was partly the result of the inflation itself, and partly of the deterioration and destruction of German plant and equipment during the war. In 1922 (the year of greatest economic expansion after the war) total production seems to have reached no more than 70 to 80 per cent of the level of 1913. There was a sharp decline in farm output.

High prices imposed "forced saving" on most of the German population. High paper profit margins combined with tax considerations led German manufacturers to increase their investment in new plant and equipment. (Later much of this new investment proved to be almost worthless.)

There was a great decline in labor efficiency. Part of this was the result of malnutrition brought about by high food prices. Bresciani-Turroni tells us: "In the acutest phase of the inflation Germany offered the grotesque, and at the same time tragic, spectacle of a people which, rather than produce food, clothes, shoes, and milk for its own babies, was

exhausting its energies in the manufacture of machines or the building of factories."

There was a great increase in unproductive work. As a result of changing prices and increased speculation, the number of middlemen increased continually. By 1923 the number of banks had multiplied fourfold over 1914. Speculation expanded pathologically. When prices were increasing a hundredfold, a thousandfold, a millionfold, far more people had to be employed to make calculations, and such calculations also took up far more time of old employees and of buyers. With prices racing ahead, the will to work declined. The production of coal in the Ruhr, which in 1913 had been 928 kilograms per miner, had decreased in 1922 to 585 kilograms. The "dollar rate" was the theme of all discussions.

Chaotic Business Conditions

Inefficient and unproductive firms were no longer eliminated. In 1913 there had been, on the average, 815 bankruptcies a month. They had decreased to 13 in August 1923, to 9 in September, to 15 in October, and to 8 in November. The accelerative depreciation of the paper mark kept wiping out everybody's real debt.

The continuous and violent oscillations in the value of money made it all but impossible for manufacturers and merchants to know

what their prices and costs of production would be even a few months ahead. Production became a gamble. Instead of concentrating on improving their product or holding down costs, businessmen speculated in goods and the dollar.

Money savings (e. g., in savings bank deposits) practically ceased.

The novelist Thomas Mann has left us a description of the typical experience of a consumer in the late stages of the inflation:

"For instance, you might drop in at the tobacconist's for a cigar. Alarmed by the price, you'd rush to a competitor, find that his price was still higher, and race back to the first shop, which may have doubled or tripled its price in the meantime. There was no help for it, you had to dig into your pocketbook and take out a huge bundle of millions, or even billions, depending on the date."²

But this doesn't mean that the shopkeepers were enjoying an economic paradise. On the contrary, in the final months of the inflation, business became demoralized. On the morning of November 1, 1923, for example, retail traders fixed their prices on the basis of a dollar exchange rate of 130 billion paper marks. By afternoon the dollar rate had risen to 320 billion. The paper

money that shopkeepers had received in the morning had lost 60 per cent of its value!

In October and November, in fact, prices became so high that few could pay them. Sales almost stopped. The great shops were deserted. The farmers would not sell their products for a money of vanishing value. Unemployment soared. From a figure of 3.5 per cent in July, 1923, it rose to 9.9 per cent in September, 19.1 per cent in October, 23.4 per cent in November and 28.2 per cent in December. In addition, for these last four months more than 40 per cent of union members were employed only part time.

The ability of politicians to profit from manufacturing more inflation had come to an end.

Effect on Foreign Trade

Because the paper mark usually fell faster and further on the foreign exchange market than German internal prices rose, German goods became a bargain for foreigners, and German exports were stimulated. But the extent of their increase was greatly overestimated at the time. The relationship between the dollar rate and the internal price rise was undependable. When the mark improved on the foreign exchange market, exports fell off sharply. Germans in many trades viewed any improvement of the mark with alarm. The main

² Lecture in 1942, published in *Encounter*, 1975.

long run effect of the inflation was to bring about a continuous instability of both imports and exports. Moreover, the two were tied together. German industry largely worked with foreign raw materials; it had to import in order to export.

Germany did not "flood the world with its exports." It could not increase production fast enough. Its industrial output in 1921 and 1922, in spite of the appearance of feverish activity, was appreciably lower than in 1913. As I have noted before, because of price and foreign exchange distortions, Germany was in effect giving away part of its output.

But this loss had one notable offset. In the earlier stages of the inflation, foreigners could not resist the idea that the depreciated German mark was a tremendous bargain. They bought huge quantities. One German economist calculated that they probably lost seven-eighths of their money, or about 5 billion gold marks, "a sum triple that paid by Germany in foreign exchange on account of reparations."

The Effect on Securities

Those who have lived only in comparatively moderate inflations will find it hard to believe how poor a "hedge" the holding of shares in private companies provided in the German hyperinflation. The only

meaningful way of measuring the fluctuation of German stock prices is as a percentage of changes in their gold (or dollar) value, or as a percentage of German wholesale prices. In terms of the latter, and on the basis of 1913 = 100, stocks were selling at an average of 35.8 in December 1918, 15.8 in December 1919, 19.1 in December 1920, 21 in December 1921, 6.1 in December 1922, and 21.3 in December 1923.

This lack of responsiveness is accounted for by several factors. Soaring costs in terms of paper marks forced companies continually to offer new shares to raise capital, with the result that what was being priced in the market was continually "diluted" shares. Mounting commodity prices, and speculation in more responsive "hedgies" like the dollar, absorbed so large a proportion of the money supply that not much was left to invest in securities. Companies paid very low dividends. According to one compilation, 120 typical companies in 1922 paid out dividends equal, on the average, to only one-quarter of 1 per cent of the prices of the shares.

The nominal profits of the companies were frequently high, but there seemed no point in holding them for distribution because they would lose so much of their purchasing power in the period between the time they were earned and the day the stockholder got them. They

were therefore ploughed back into the business. But people desperately wanted a return, and they could make short-term loans at huge nominal rates of interest. (High interest rates, also, meant low capitalized values.)

Moreover, investors rightly suspected that there was something wrong with the nominal net profits that the companies were showing. Most firms were still making completely inadequate depreciation and replacement allowances, or showing unreal profits on inventories. Many companies that thought they were distributing profits were actually distributing part of their capital and operating at a loss. Finally, over each company hung an "invisible mortgage"—its potential taxes to enable the government to meet the reparations burden. And over the whole market hung, in addition, the fear of Bolshevism.

Yet it must not be concluded that stocks were at all stages a poor hedge against inflation. True, the average of stock prices (in gold value on the basis of 1913 = 100) fell from 69.3 in October 1918 to 8.5 in February 1920. But most of those who bought at this level made not only immense paper profits but real profits for the next two years. By the autumn of 1921 speculation on the German Bourse reached feverish levels: "Today there is no one," wrote one financial newspaper, "—

from lift-boy, typist, and small landlord to the wealthy lady in high society—who does not speculate in industrial securities."

But in 1922 the situation dramatically changed again. When the paper index is converted into gold (or into the exchange rate for the dollar) it fell in October of that year to only 2.72, the lowest level since 1914. The paper prices of a selected number of shares had increased 89 times over 1914, but wholesale prices had increased 945 times and the dollar 1,525 times.

After October 1922, once again, the price of shares rapidly began to catch up, and for the next year not only reflected changes in the dollar exchange rate, but greatly surpassed them. The index number in gold (1913 = 100) rose to 16.0 in July 1923, 22.6 in September, 28.5 in October, and 39.4 in November. When the inflation was over, in December 1923, it was 26.9. But this meant that shares ended up at only about a fourth of their gold value in 1913.

The movement of share prices contributed heavily to the profound changes in the distribution of wealth brought about in the inflation years.

Interest Rates

In an inflation, lenders who wish to protect themselves against the probable further fall in the purchas-

ing power of money by the time their principal is repaid, are forced to add a "price premium" to the normal interest rate. This elementary precaution was ignored for years by the German Reichsbank. From the early days of the war until June 1922 its official discount rate remained unchanged at 5 per cent. It was raised to 6 per cent in July, to 7 per cent in August, 8 per cent in September, 10 per cent in November, 12 per cent in January 1923, 18 per cent in April, 30 per cent in August, and 90 per cent in September.

But even the highest of these rates did nothing to deter borrowing by debtors who expected to pay off in enormously depreciated marks. The result was that the Reichsbank's policy kindled an enormous credit inflation, based on commercial bills, on top of the enormous government inflation based on Treasury bills. After September 1923, a bank or private individual had to pay at a rate of 900 per cent per annum for a loan from the Reichsbank. But even this was no deterrent. At the beginning of November 1923 the market rate for "call money" rose as high as 30 per cent per day—equivalent to more than 10,000 per cent on an annual basis.

The Monetary Reform

There is not space here for an adequate summary of the

redistribution of wealth, the profound social upheaval, and the moral chaos brought about by the German inflation. I must reserve them for separate treatment, and move on to discuss the monetary reform that ended the inflation.

On October 15, 1923, a decree was published establishing a new currency, the rentenmark, to be issued beginning November 15. On November 20 the value of the old paper mark was "stabilized" at the rate of 4,200 billion marks for a dollar, or one trillion old paper marks for a rentenmark or gold mark. The inflation came to a sudden halt.

The result was called "the miracle of the rentenmark." Indeed, many economists find it difficult to this day to explain exactly why the rentenmark held its value. It was ostensibly a mortgage on the entire industrial and agricultural resources of the country. It was provided that 500 rentenmarks could be converted into a bond having a nominal value of 500 gold marks. But neither the rentenmarks nor the bond were actually made convertible into gold.

Moreover, the old paper marks continued to be issued at a fantastic rate. On November 16 their circulation amounted to 93 quintillions; it soared to 496 quintillions on December 31, and continued to rise through July of the following year.

Bresciani-Turroni is inclined to

attribute the "miracle" of the rentenmark to the desperate need for cash (more and more people had stopped accepting paper marks), and to the word "wertbeständig" (constant value) printed on the new money. The public, he thinks, "allowed itself to be hypnotized" by that word.

There is a more convincing explanation. Though paper marks continued to be issued against *commercial* bills, from November 16 on the discounting of *Treasury* bills by the Reichsbank was stopped. This meant that at least no more paper money was being issued on behalf of the government to finance its deficits. In addition, the Reichsbank intervened in the foreign exchange market. In effect it pegged the rentenmark at 4.2 to the dollar and the old marks at 4.2 trillion to the dollar. Germany was now on a dollar exchange standard!

The Stabilization Crisis

The effect was dramatic. In the last months of the inflation the German economy was demoralized. Trade was coming to a standstill, many people were starving in the towns, factories closed. As we have seen, unemployment in the trade unions, which had been 6.3 per cent in August, rose to 9.9 per cent in September, 19.1 per cent in October, 23.4 per cent in November, and 28.2 per cent in December. (The inflation

technically came to an end in mid-November, but its disorganizing effects did not.) But after that, confidence quickly revived, and trade, production, and employment with it.

Bresciani-Turroni and other writers refer to the "stabilization crisis" that follows an inflation which has been brought to a halt. But after a hyperinflation has passed beyond a certain point, any so-called "stabilization crisis" is comparatively mild. This is because the inflation itself has brought about so much economic disorganization. When it is said that unemployment rose after the mark stabilization, the statement is true at best only as applied to one or two months. Bresciani-Turroni's month-by-month tables of unemployment end in December 1923. Here is what happened in the nine months from October 1923 through June 1924:³

October 1923	534,360
November 1923	954,664
December 1923	1,473,688
January 1924	1,533,495
February 1924	1,439,780
March 1924	1,167,785
April 1924	694,559
May 1924	571,783
June 1924	401,958

³ The figures do not include part-time workers or employees in public emergency projects, but only unemployed workers eligible for unemployment compensation. I am indebted to Prof. Günther Schmolders for supplying them.

Thus by June of 1924 unemployment had returned to a normal figure.

There was a real stabilization crisis, but it showed itself in a different way. One of the things that happens in an inflation, and especially in a hyperinflation, is that labor is employed in different directions than the normal ones, and when the inflation is over, this abnormal demand disappears. During an inflation labor is drawn into luxury lines—furs, perfumes, jewelry, expensive hotels, nightclubs—and many essentials are comparatively neglected. In Germany labor went particularly into fixed capital, into the erection of new plant, and into the overexpansion of industries making “instrumental” goods. And then, suddenly, as one industrialist bluntly put it, many of these factories were found to be “nothing but *rubbish*.” In many cases it was soon found to be a mistake even to keep them closed down in the hope of reopening later. The mere cost of maintenance was excessive. It was cheaper to demolish them.

In brief, when the inflation ended, the distortions and illusions to which it had given rise came to an end with it. Parts of the economy had been overdeveloped at the expense of the rest. The inflation had produced a great lowering of real wages. In the first months of

1924 a big increase took place in the average incomes of individual workers as well as in employment. The index of real incomes rose from 68.1 in January 1924 to 124 in June 1928. This led to a great increase in the demand for consumption goods, and to a corresponding fall in the production of capital or instrumental goods. There was suddenly recognized to have been a great overproduction of coal, iron and steel. Unemployment set in in these industries. But once again, careful attention was paid to production costs, and there was a return to labor efficiency.

There was apparently a great shortage of working capital, if we judge by interest rates. In April and May of 1924 the rate for monthly loans rose in Berlin to a level equivalent to 72 per cent a year. But a large part of this reflected continuing distrust of the stability of the new currency. At the same time loans in foreign currencies were only 16 per cent. And in October 1924, for example, when rates for loans in marks had fallen to 13 per cent, loans in foreign currencies were down to 7.2 per cent.

It would be difficult to sum up the whole German inflation episode better than Bresciani-Turroni himself did in the concluding paragraph of his great book on the subject:

“At first inflation stimulated production because of the divergence

between the internal and external values of the mark, but later it exercised an increasingly disadvantageous influence, disorganizing and limiting production. It annihilated thrift; it made reform of the national budget impossible for years; it obstructed the solution of the Reparations question; it destroyed incalculable moral and intellectual values. It provoked a serious revolution in social classes, a few people accumulating wealth and forming a class of usurpers of national property, whilst millions of individuals were thrown into poverty. It was a distressing preoccupation and constant torment of innumerable families; it poisoned the German people by spreading among all classes the spirit of speculation and by diverting them from proper and regular work, and it was the cause of incessant political and moral disturbance. It is indeed easy enough to understand

why the record of the sad years 1919-23 always weighs like a nightmare on the German people."

These lines were first published in 1931. There is only one thing to add. The demoralization that the debasement of the currency left in its wake played a major role in bringing Adolf Hitler into power in 1933.

Author's Note—For most of the statistics and some of the other information in this article I am indebted to two books: chiefly to *The Economics of Inflation*, by Costantino Bresciani-Turroni (London: George Allen & Unwin, 1937), and partly to *Exchange, Prices, and Production in Hyper-Inflation: Germany, 1920-1923*, by Frank D. Graham (Princeton University Press, 1930, and New York: Russell & Russell, 1967). These authors in turn derived most of their statistics from official sources. 

Hans F. Sennholz

IDEAS ON



LIBERTY

IT IS RARELY UNDERSTOOD that inflation generates a vast redistribution process. It shifts wealth and income from the pockets of creditors to those of debtors. It reduces the standards of living of people with fixed incomes, in particular, the aged and handicapped. And it diminishes the value of savings bonds and savings accounts, mortgages and life insurance policies, pensions and other savings. It causes the economic instabilities of the trade cycle. And, above all, the losses which inflation inflicts on millions of people breed a political and economic radicalism that tends to destroy our private property order.



Faith of Our Fathers

CLARENCE B. CARSON

HISTORY, it has been said, is a seamless cloth. The thought is apt. You cannot clip a thread within it and attempt to extricate it without unraveling the whole. There have been efforts to tell the history of the United States with the role of religion either excised from it or altered within it. One common alteration occurs in those textbooks which claim that the Pilgrims and Puritans came to America for freedom of religion.

They did not. They came in order to be able to practice their religion. The difference is by no means merely a quibble. Freedom of religion, as

it is now understood, is a secular concept. It is probably even more highly valued by those who have no religious faith than by active believers. To be able to practice one's faith is only of value to him who has a faith to practice. It is a sacred, not a secular, value. The Puritans at the time of settlement could no more conceive of the desirability of freedom of religion than Treasury officials today can conceive of the desirability of freedom of counterfeiting.

My point is that books on American history often either secularize religious values, treat them as alien, or leave them out of account. Yet, without these religious foundations there could have been no United States as it was and is. There is no knowing American history without grasping its underpinnings in Judeo-Chris-

Dr. Carson has written and taught extensively, specializing in American intellectual history. His most recent book, *The Rebirth of Liberty: The Founding of the American Republic 1760-1800* is now available in a 350-page attractive Bicentennial paperback at \$3.00 from the Foundation for Economic Education, Irvington-on-Hudson, N.Y. 10533.

tian faith. America as it was and is cannot even be successfully imagined without the thread of faith woven into the cloth of history.

Biblically Based and Christian Settlement of America

American history cannot be imagined without the powerful evocative phrases of the King James Version of the Bible, or without the story of our origins in Genesis:

In the beginning God created the heavens and the earth. The earth was without form, and void; and darkness was on the face of the deep. And the Spirit of God moved upon the face of the waters.

Genesis 1: 1-2.

Or, without the account of man's place in the creation:

And God said, Let us make man in our image, after our likeness: and let them have dominion over the fish of the sea, and over the fowl of the air, and over the cattle, and over all the earth, and over every creeping thing that creepeth upon the earth.

So God created man in his *own* image, in the image of God created he him; male and female created he them.

Genesis 1: 26-27.

The fundamental character of all proper law is revealed in the Ten Commandments. Though two of them do command appropriate affirmative action, the remainder are

prohibitive in nature. They are brief, concise, and are readily understood. A United States without the Ten Commandments in its background would have been a United States without transcendent law upon which to build:

1. Thou shalt have no other gods before me.
2. Thou shalt not make unto thee any graven image.
3. Thou shalt not take the name of the Lord thy God in vain.
4. Remember the sabbath day, to keep it holy.
5. Honour thy father and thy mother.
6. Thou shalt not kill.
7. Thou shalt not commit adultery.
8. Thou shalt not steal.
9. Thou shalt not bear false witness against thy neighbor.
10. Thou shalt not covet.

Excerpted and numbered from Exodus 20: 3-17.

Most of those who settled in the New World were Christian, nominally or devoutly as the case might be. Their attitude toward life had been winnowed through and conditioned by the Christian perspective. This meant many things, but one of its meanings is never to be ignored by the historian: That good ultimately triumphs over evil, that life is not necessarily tragic but that it is potentially triumphant when it is in accord with God's will. America without the assurance of this Revelation could not have been as it has been:

In the beginning was the Word, and the Word was with God, and the Word was God. He was in the beginning with God; all things were made through him, and without him was not anything made that was made. In him was life, and the life was the light of men. The light shines in the darkness, and the darkness has not overcome it.

John 1: 1-5 (RSV)

This assurance comes through in the beautiful promises of the Beatitudes:

Blessed are the poor in spirit, for theirs is the kingdom of heaven.

Blessed are those who mourn, for they shall be comforted.

Blessed are the meek, for they shall inherit the earth.

Blessed are those who hunger and thirst for righteousness, for they shall be satisfied.

Blessed are the merciful, for they shall obtain mercy.

Blessed are the pure in heart, for they shall see God.

Blessed are the peacemakers, for they shall be called the sons of God.

Blessed are those who are persecuted for righteousness' sake, for theirs is the kingdom of heaven.

Blessed are you when men revile you and persecute you and utter all kinds of evil against you falsely on my account. Rejoice and be glad, for your reward is great in heaven, for so men persecuted the prophets who were before you.

Matthew 5: 3-11 (RSV)

Roman Catholicism

The Christian religion was for a thousand years of its history represented primarily by the Roman Catholic Church. Within that fold many doctrines were shaped and many great preachers and teachers held forth. While the Catholic Church was suspect to some of the Founders of the United States, it is nonetheless the case that the Faith of Our Fathers found many of its underpinnings in that faith. Here is a statement from the monastic ideal of the Middle Ages:

This treasure, then, namely Christ, our God and Lord, who was made for us as both redeemer and reward, He Himself both the promiser and the prize, who is both the life of man and the eternity of the angels—this, I say, store away with diligent care in the recesses of your heart. On Him cast the anxiety of any care whatsoever. In Him delight through the discourse of zealous prayer. In Him refresh yourself by the nightly feasts of holy meditation. Let Him be your food, and your clothing no less. If it should happen that you lack anything of external convenience, do not be uncertain, do not despair of His true promise in which He said "Seek ye first the kingdom of God, and all things shall be added unto you...."

Peter Damiani (Eleventh Century)

Protestant Reformation

Even more, however, is the United States inconceivable without the Protestant Reformation. Most of

the colonies were settled by one or more offshoots of this movement. The emphasis upon reason, Scripture, and decision by the individual—hallmarks of the Reformation—was never more dramatically stated than by Martin Luther at the Diet of Worms in his refusal to recant:

Since your Majesty and your lordships ask for a simple reply, I shall give you one without horns and without teeth; unless I am convinced by the evidence of Scriptures or by plain reason . . . I am bound by the Scriptures I have cited and my conscience is captive to the Word of God. I cannot and will not recant anything, for it is neither safe nor right to go against conscience. I can do no other.

Martin Luther (Diet of Worms, 1521)

The tendency in Protestant lands, however, was to have one established church. Those who did not want such an establishment, or wanted a different one, were often persecuted in their home lands. Some of these sought refuge in America. The Pilgrims were the first of such English groups to do so. The character of the faith of one of their leaders, William Bradford, comes through in this selection from his writing:

What could now sustain them but the Spirit of God and His grace? May not and ought not the children of these fathers rightly say: "Our fathers were Englishmen which came over this great

ocean, and were ready to perish in this wilderness; but they cried unto the Lord, and He heard their voice and looked on their adversity;" etc. "Let them therefore praise the Lord because he is good: and His mercies endure forever." Yea, let them which have been redeemed of the Lord, shew how He hath delivered them from the hand of the oppressor. When they wandered in the desert wilderness out of the way, and found no city to dwell in, both hungry and thirsty, their soul was overwhelmed in them. Let them confess before the Lord his lovingkindness and His wonderful works before the sons of men.

William Bradford,
Of Plymouth Plantation.

The Great Awakening

At the outset, many of those who settled in the New World were divided from one another by religious differences. The fact that most of them were Protestant served at first more to divide than to unite them. Over the years, doctrinal antipathies moderated. Perhaps the single most important of the moderating influences was the Great Awakening. In the middle of the eighteenth century a great revival spread through the colonies. Though it did provoke some divisions within denominations, its tendency was to shift the emphasis from points of doctrine to the experience of conversion and a spiritual attitude toward life. Denominations continued to

proliferate but their differences became more a matter of modes of organization and tastes as to ritual than of dogma and doctrine. The Great Awakening provided a widely shared evangelistic base for Protestant Christianity. The tenor of this evangelism appears in this excerpt from a sermon by Jonathan Edwards:

I invite you now to a better portion. There are better things provided for the sinful miserable children of men. There is a surer comfort and more durable peace: comfort that you may enjoy in a state of safety and on a sure foundation: a peace and rest that you may enjoy with reason and with your eyes wide open; having all your sins forgiven . . . ; being taken into God's family and made his children; and having good evidence that your names were written on the heart of Christ before the world was made. . . .

Jonathan Edwards

The God of Creation

In the great documents of the American Revolution there is often an explicit reliance upon natural law and an implicit underlying dependence on the inherited religious faith. The God of nature and the God revealed in Scripture was the same God. There were, however, differences in the interpretation of Scripture, differences which did not extend to the natural law. Hence, the appeal in the Decla-

ration of Independence was to the God of Creation:

When in the Course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the Powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness. . . .

Declaration of Independence, 1776

The practice of having a written constitution is American in origin. It was grounded in their British heritage and colonial experience, but it was particularly informed by their Christian and Protestant religion. The Founders were people of the Book, the Bible, the recorded word. As Protestants mainly, they attached an unusually high importance to Scripture and to its careful exposition. It was, to them, the highest authority. The United States Constitution became for them, out of this tradition, the highest authority within the country. It was written, precise, and was to be carefully interpreted and observed.

A Subtle Parallel

One part of the Constitution has been especially revered over the years. It is the first ten amendments, commonly called the Bill of Rights. Some of its antecedents are generally understood to be the Magna Carta and the English Bill of Rights. But its most profound antecedent is usually ignored. It is more difficult than it may at first appear to imagine that the First Ten Amendments have played the role they have without the prior position of the Ten Commandments in the Judeo-Christian religion. It is not just that each of them numbers ten, though they do. It is considerably more. They are similar in form. The Ten Commandments usually begin with "Thou shalt not." The First Ten Amendments are equally prohibitive in their language: "Congress shall make no law . . . , No Soldier shall . . . , shall not be violated . . . , Excessive bail shall not be required . . . ," and so forth. More, the Ten Commandments forbid individuals to do acts that would be harmful to anyone. The First Ten Amendments forbid *government* to do acts arbitrarily detrimental to our life, liberty, and property. The Ten Commandments proceed from our Maker to us. The First Ten Amendments proceed from the makers of government to it. Can it be doubted that they draw subtle force from the parallel?

The Faith of Hamilton

The Founding Fathers were not particularly renowned for their piety. But the springs of religious faith often ran deep within them, to break forth only on extraordinary occasions. So it was with Alexander Hamilton. It was his fate to meet his death in a duel with Aaron Burr. Perhaps "fate" is the wrong word; he took a course which exposed him to such a death if Burr so chose. Hamilton believed that dueling was wrong and knew that it was against the law. Yet, when challenged he felt that he must participate. The last note to his wife written on the night before the duel contained these thoughts, among others:

...The scruples of a Christian have determined me to expose my own life to any extent, rather than subject myself to the guilt of taking the life of another. This much increases my hazards, and redoubles my pangs for you. But you had rather I should die innocent than live guilty. Heaven can preserve me, and I humbly hope will; but, in the contrary event, I charge you to remember that you are a Christian. God's will be done! The will of a merciful God must be good. . . .

On the day of the duel both Hamilton and Burr raised their pistols to the ready position on command. Burr then aimed and fired directly at Hamilton. Hamilton fired into the air, as he had said he would do. Hamilton died

from the wounds inflicted on him. It is difficult to imagine America without men devoted to principles founded upon their faith.

Washington's Farewell

Nor should we imagine an America without the guidance of Washington's Farewell Address. Nor would that address have been the same without its references to religious underpinnings:

Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. In vain would that man claim the tribute of patriotism who should labor to subvert these great pillars of human happiness—these firmest props of the duties of men and citizens. The mere politician, equally with the pious

man, ought to respect and cherish them. A volume would not trace all their connections with private and public felicity. Let it simply be asked, Where is the security for property, for reputation, for life, if the sense of religious obligation *desert* the oaths which are instruments of investigation in courts of justice? And let us with caution indulge the supposition that morality can be maintained without religion. Whatever may be conceded to the influence of refined education on minds of peculiar structure, reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle.

George Washington, *Farewell Address*

But, then, the United States of America could hardly be conceived without the Faith of Our Fathers.



Sacred Rights of Mankind

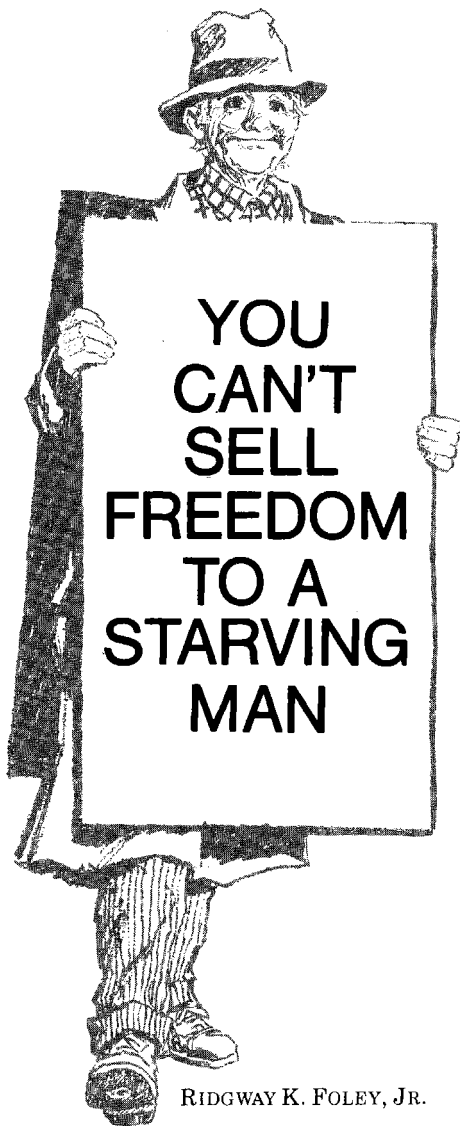
IDEAS ON



LIBERTY

THE SACRED RIGHTS of mankind are not to be rummaged for among old parchments or musty records. They are written as with a sunbeam, in the whole volume of human nature, by the hand of Divinity itself, and can never be erased or obscured by human power. This is what is called the law of nature, which being coeval with mankind and dictated by God himself, is, of course, superior in obligation to any other. No human laws are of any validity if contrary to this. It is binding over all the globe, in all countries, and at all times.

ALEXANDER HAMILTON



RIDGWAY K. FOLEY, JR.

Mr. Foley, a partner in Souther, Spaulding, Kinsey, Williamson & Schwabe, practices law in Portland, Oregon.

OF ALL THE CLICHES denigrating liberty, the most pernicious consists of the comment, designed in any of its varying forms to terminate the conversation entirely, that "your ideals and ideas may be laudable, but you can't talk liberty to a man with an empty belly or whose children want for food and clothing." This essay proposes to investigate the validity of that response.

* * * *

Freedom consists of the absence of organized, coercive restraint against individual human action.¹ It is indivisible in two respects: (1) restraint in one aspect of life affects creative action in other categories; (2) restraint of one member of society adversely affects all other men.

Consider the first postulate. One cannot enjoy meaningful liberty of association or freedom of speech while suffering under economic or political bondage. Freedom of speech or press offers an illusory value if the potential speaker or writer cannot purchase air time on radio or television, or a soap box, or newsprint from the governmentally-controlled factory, or a sound truck,

¹ For a detailed discussion see Foley, Ridgway K., Jr., "Individual Liberty and the Rule of Law," 21 *Freeman* 357-378 (June 1971), 7 *Will. L.J.* 396-418 (Dec. 1971), and Foley, Ridgway K., Jr., "A Rationale For Liberty," 23 *Freeman* 222-229 (April 1973).

either because of restrictive regulatory laws preventing free entry into the market, or by virtue of discriminatory norms against producers by means of economic controls, or because of debasement by means of state monopoly of the medium of exchange. The right to vote means little if the government apparatus counts results for but a single candidate, or if the state limits the access to the polling booth or ballot box by enactment and enforcement of civil and criminal penalties.

Recur to the second proposition. Simply put, *my freedom depends on yours*. Deprivation of the rights of the slave affects the master in several discrete ways:

- First, the predator must expend a portion of his creative energy in the destructive pursuit of constraining his fief. Absent coercion, he could devote his entire energy resources to creative endeavors. Wars provide an apt example of squandered creativity: Witness the millions of barrels of oil (which could have heated homes and propelled automobiles) wasted in recent violence.

- Second, looters lose the chance to thrive upon the created value which the slave, if free, would produce and trade for other goods, services and ideas. The material well-being of any society depends upon the aggregate of creative out-

put from each member, the proficiency of each individual producer, and the velocity of exchange (a factor of the voluntary channels of communication). Slaves produce only the amount necessary to maintain life in a barely acceptable station and to avoid or reduce pain.

- Third, masters lose qualitatively, since the *quality* of output diminishes with the introduction of compulsion. A coercive society enjoys fewer goods, begrudging services and less exciting ideas and culture than a free society.

- Fourth, and perhaps most saliently, a slave state loses *moral* force as well as material largess, a subject discussed hereafter.

We may define liberty, then, in Leonard Read's felicitous phrase, as the absence of man-concocted restraints upon creative human action.² At the ideal, each man should be entitled to manage his own life and to seek his own destiny as he sees fit, so long as he observes the equal and reciprocal freedom deserved by every other man. Such a concept limits the role of the state—the official restraining force imposed upon society—to prevention of aggression and coercive settlement of disputes by rules of common justice.

² Read, Leonard E., "Justice versus Social Justice." *Who's Listening?* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1973) 93 et seq.

The Morality of Theft

Observation of the passing scene reveals many instances of looting and theft. One unschooled in the philosophy of freedom might immediately conclude that such a statement refers to the rapid increase in violent or deceitful crimes such as forgery, robbery, burglary, obtaining money by false pretenses, and shoplifting penalized by the several state or national governments. In fact, I refer to the unpenalized, officially-sanctioned, state-favored instances of theft which appear in guises too numerous to mention. Every occasion when the state takes property from an unwilling donor and gives it to some other individual affords an example of legalized plunder. Food stamps, subsidies to Penn Central and Lockheed Aircraft, social security, inflation, mandatory automobile insurance, civil tort rules which "diffuse" risks by imposing liability without fault—the list is truly endless, limited only by the ingenuity of men abusing power conferred upon them by the political system. Appellations of "transfer payments," "negative income taxation," "redistributive liability," and the like cannot cloak the true nature of the act: *Theft*.

Why decry the concept of theft, if performed by the pure of heart for a commendable purpose? After all, most proponents of these many and

varied legislative or judicial enactments seek grand and deserving goals of preventing hunger, illness, and alienation or providing "necessary" goods and services. Few of them, despite their arrogance and predilection to power, really exemplify consummate evil.

The answer to the moral question lies in contemplation of ends and means. Few men of virtue and good will dispute the ideal of dispelling poverty, illness and loneliness, or of providing everyone with food for thought and body. Most observers agree upon goals—they diverge upon the means to the end. Those imbued with the freedom philosophy recognize that the end pre-exists in the means,³ that filthy means will defile innocent and praiseworthy ends.

Theft deserves disdain because it conflicts with fundamental morality, with the right to life, and with the precept of justice. A seminal moral rule commands treatment of individual human beings as ends, not as means—as persons of worth, not as objects to be molded. The thief treats the victim as a means to his own ends. The legally-protected thief performs a greater iniquity for he refuses to acknowledge the moral opprobrium necessarily attached to

³ 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.

his crime; he treats the victim as unworthy to manage his own affairs.

Again, theft contradicts the concept of a human being's right to live his life in accordance with the dictates of his conscience. Property consists of the value which man creates by the application of his being and his talents to natural resources; it can only be viewed rationally as an extension of a life. One lives by creating; one dies by stagnating. Thus, deprivation of property amounts to a partial taking of human life. Moreover, the act of thievery devastates the fundamental precept of justice: Respect for free individual choice.⁴ Approval of the power to forcibly or deceitfully deprive another of a part of his life necessarily contradicts a respect for the human right to choose between alternatives.

In essence, comprehension of the moral questions associated with theft devolves to an inquiry: Why doesn't might make right? Theft, after all, can only be accomplished by the application of stealth and trickery or by employment of personal or political force. The fact and the scale of legally-sanctioned plunder renders this inquiry no mere philosopher's debating point. It is all too real and affects each of us in striking and personal fashion.

⁴ Foley, Ridgway K., Jr., "In Quest of Justice," 24 *Freeman* 301-310 (May 1974).

Immanuel Kant⁵ provided some insight into the moral question of whether "might makes right" when he suggested the "silver rule" as a measuring rod: Individuals should shun actions which they would not will as universal rules of conduct. Few rational beings would voluntarily choose to live in a world governed by force, without moral constraint of any kind. Chaos necessarily reigns; personal planning becomes impossible; life terminates early and after an unpleasant duration. Such conditions would forestall even rudimentary exchange or growth of capital, relegating mankind to the cave and the forests from which it so recently and hesitatingly emerged. Merely imagining a world where theft, or rape, or murder occurred on a daily basis without official reprisal registers shock on the minds of most human beings. Such conduct would invite retaliation in the form of blood feuds, vigilante justice or civil war.

One could refute the contention that "might makes right" on three bases,⁶ any one of which would

⁵ Kant, Immanuel, *Fundamental Principles of the Metaphysic of Morals* (The Liberal Arts Press, New York, 1949) 21.

⁶ Obviously, this essay does not purport to deal with the questions of why might does not make right or with the nature and scope of an alternative postulate for mankind in great detail. Such an undertaking requires more extensive development than is requisite for the topic under discussion.

serve as sufficient justification for a contrary rule.

● First, experience dispels any necessary correlation between force and propriety. Recorded history imparts example after example of the use of violence to accomplish improper goals—propriety measured by the subjective values of those deprived of life, liberty or property. The neighborhood bully may be stronger than you, but that doesn't mean he possesses any greater native intelligence, charm, wit, cultural accomplishments or other attributes more or less universally desirable. Indeed, the contrary is more often true: The bully, be he individual, corporate or national in scope, often possesses a low, mean and not particularly endearing character.

● Second, a related pragmatic reason flows from the Kantian silver rule: Force and power tend to breed more aggression, and man can not exist as well (or at all) spiritually or materially in a chaotic world regularly visited by coercion. Might-makes-right just plain fails to work as well as the alternative. A better material and spiritual life with happier men and more abundant goods and services flows from cooperation, not coercion.

● Third, common morality, denoted as natural law, the theory of natural rights, Christianity,

rationality, or some other similar phrase suggests that men should not treat other men inhumanely. All three reasons interrelate, but the third or moral concept differs from its siblings in one important respect: It constitutes an appeal to faith rather than provable, empirical fact. However, this feature does not deprive the tenet of validity. History manifests a growing recognition that each individual human being possesses inalienable natural rights merely because of his humanity, and that no other individual should trespass upon such rights in the absence of prior personal aggression. If this precept be relegated to the status of a mere value judgment, it certainly has gained ascendancy in recent years although it still falls far short of universal acceptance. Since theft of private property involves the deprivation of an extension of one's life—our essential humanity derives in part from the value we create—theft violates the principle of common morality or natural rights.

Therefore, one can say with the confidence undergirded by logic and natural law that theft in general constitutes an immoral act because might does not make right and power tends to deprive men of a portion of their life. It remains to consider whether theft can ever be justified under any circumstances.

The admonition, "you can't sell freedom to a starving man," possesses two root assumptions denying the universality of the normative rule that theft constitutes immorality. If freedom varies, directly or inversely, with the visceral satisfactions of the human being, it follows that (1) hungry people need not abide by rules of common morality while productive people must follow such rules and, (2) freedom can not provide the precondition necessary to prevent want and poverty. Neither assumption can withstand rigorous analysis.

The Universality of Moral Conduct

No accepted ethical or religious code exempts starving men from adherence to established or accepted standards *except* if that code be based upon the doctrine of might-makes-right. The Marxian tenet "from each according to his ability, to each according to his need" presupposes a social agency which will forcibly compel transfer from "producers" to "needy," as well as perform the concomitant function of determining "ability" and "requirement." Every other system dependent upon transfer payments or social redistribution of income relies upon *force*. Only these systems justify the use of violence by hungry, ill-clothed, or other "needy" folk in order to satisfy their

wants. Contrast the known axiological precepts handed down through history: Do the Judeo-Christian heritage, the Islamic tradition, Hindu teachings or the like differentiate between producers and consumers insofar as their normative conduct is concerned? Merely to state the question elicits a negative response.

One should not confuse the assertion that the poor as well as the producer should obey the same rules with the question of whether the creator of goods, services, and ideas should share his abundance with others less fortunate on an individual and voluntary basis. The two concepts, while related, state two entirely different principles: (1) all men regardless of status should respect the lives, liberties, properties, choices, and subjective values of all other individuals who do not commit aggression; (2) one blessed with a surfeit of material or spiritual goods should share with less fortunate individuals on a mutually-satisfying voluntary basis. A violation of the first axiom deserves human reprisal to revenge the breach, protect others similarly situated, and deter like conduct. No human sanction should attend a violation of the second axiom because no human being possesses the right, the insight, or the ability to enforce their ethical norm since the norm itself depends upon subjective

views of the Eternal Truth of the Universe.

Unjustifiable Intervention

In essence, the suggestion that hungry men can not appreciate liberty results from a confusion of these two separate postulates. Similarly, most justification of government intervention into private lives stems from a perversion of these two distinct rules, each touching a specific aspect of human action. The canard that an ill-fed individual can not comprehend freedom springs from a belief that it is proper to invade or destroy the human rights of others in order to secure a "good" end, such as the prevention of poverty or ill health.

In simple words, one should not destroy another's right to choose except where that actor would not willingly select the course of action which would lead to sharing with others whom the party possessing power perceives as appropriate beneficiaries. This commingling of the two moral precepts renders each of them nugatory. The first axiom suffers because the exception guts the entire meaning. The second axiom falls because voluntarism becomes coercion and thus obviates the entire concept. A sense of wrongdoing clouds the whole transaction, leaving producer-victim, the transferring power, and poor recipient-beneficiary each with a per-

vasive recognition of evil inherent in their affair which does not accord with moral law.

In like manner, the belief that moral rules need not be universally applied partakes of the corruption of the two separate axioms: You can't sell freedom to a starving man because he is first justified in invading the rights of others in order to satisfy his wants because they ethically should assist him.

Several reasons, each sufficient alone, support the proposition that moral conduct applies universally.

- First, separate treatment betrays the egalitarian ideal, the subject of so much current prattle. Yet it is in this precise context that equality deserves meaning, for true juristic equality means equality before the law—equal rights, equal responsibilities.

- Second, relative morality, on whatever basis, necessarily results in disillusionment, bitterness, hatred, envy, and other unlovely human attributes: In short, such a dichotomy will bring the sinister side of human nature to the fore. The taker will take even when the justification disappears, coming to believe that taking constitutes a personal right; the victim will resent this invasion of his life and fight back in many and myriad ways including the use of force and cunning, the production of shoddy goods, or a transfer to the taker

class. Power and violence naturally tend to breed similar offspring.

• Third, definition of terms renders application of the distinction impractical if not impossible. Who shall define "production" and "need" (or who "starves"), and how shall these terms be defined? Starvation and need vary by the minute; they represent highly subjective decisions, for almost every individual "needs" something he does not possess, given a world full of insatiable subjective wants and blessed with limited resources. Acceptance of a dual standard dependent upon hunger pangs would reduce morality to an ephemeral and transitory discipline subject to endless debate and a chaotic result: Victims who honestly believe that they fall within the taker class will take umbrage; they may even fight back, leading to unending aggression.

Thus, common sense makes manifest that moral rules must apply in an evenhanded manner. Starving men possess no right to invade the persons or property of others, nor are they justified or exempt from ethical rules precluding such action. Freedom attaches equally to all men: It includes the freedom to fail as well as succeed. Life's losers cannot vent their spleen on those who are more successful, and thereby receive moral approval.

Freedom Disperses Want

One who claims that "you can't sell freedom to a starving man" really means "freedom is all right in its place, but these people are starving and they will receive sustenance only if I coerce you into giving them food." This proposition fails on two counts.

• First, the near-universal acceptance of the second axiom (the obligation to share) and mankind's natural empathy for fellow human beings in trouble virtually guarantees that no one shall starve in a free society. Strangely enough, the acceptance of the second axiom and man's sympathetic response become heightened the more open society becomes; statism and compulsion cultivate ugliness, alienation and a lack of camaraderie. The guarantee against starvation does not insure against want of material things; mankind will always experience unfulfilled desires, given his nature of a being possessing insatiable wants in a world of limited resources.

• Second, the statement seems to contend that a free society cannot produce and distribute those goods, services, and ideas required to alleviate starvation. The converse is true. A free market, operating without restraints upon human creative output, produces a greater abundance of material value than any other method known to mankind

because the free market or voluntary exchange system accords with the basic nature of man. The market reflects the competing subjective values of each member of society and thus more nearly approximates the sum of all those desires.

This assertion of the material productiveness of the market does not rest merely upon unproved theory; it gains support from empirical and historical fact. The freer the culture, the better clothed, fed and housed its citizens. The rapid improvements in the standard of living of all Americans during the nation's first century derived from the relative freedom of the citizenry. Compare the average life span in medieval England (5 years) with that of the present day United States (70 years) and one immediately perceives that we heard relatively little about the "starving man" in history because he died so young. Few of the wealthy in merrie olde England lived as well as the average high school dropout today.

Stripped to its essence, the cliché "you can't sell freedom to a starving man" exemplifies a brazen demand by the one uttering the response that he be accorded the power to impose his will upon unwilling human beings—all in the good name of the elimination of poverty. Logic, common sense, empirical

fact, and history demonstrate that just the contrary effect will take place, that coercion results in fewer individuals enjoying fewer goals which they subjectively value.

The Curse of Gradualism

One can interpret the phrase under discussion in yet another manner. It could mean that a hungry man will not listen to, or understand, the esoteric discussion of liberty and will voluntarily choose an aggressive society to alleviate his suffering. Thus, runs the argument, someone in power must appease the voracious masses before educating them to the virtues of liberty.

Insofar as the question depicts a communication problem, believers in liberty must hone their tools of expression to fit every need. Relative freedom helped restore conflict-ravaged West Germany after the Second World War; the Germans, hungry as they were, accepted the ideas and responsibilities of freedom from Mr. Erhard. The concept of freedom and its relation to prosperity bear retelling because all of us need constant reminders, but conveyance of the idea to everyone, hungry or not, does not present difficult, let alone insolvable, problems.

Insofar as the inquiry poses a question of consistency, libertarians must remain steadfast against the

importunings of gradualism which would betray the ideal by imposing coercive tactics as a means of filling stomachs "temporarily."⁷ The "temporary" in this situation tends to become ingrained and immutable, misleading the unknowing into the assumption that coercion (1) has always been there and (2) is necessary to accomplish the end. The

⁷ Read. Leonard E., "Right Now!", *Notes From FEE* (Foundation for Economic Education, Inc., Irvington-on-Hudson, New York) May 1975 discusses the problems inherent in gradualism.

result: An inefficient and uneconomic United States Postal Service which has never been able to compete with private enterprise save for its monopolistic protections, which constantly raises rates and reduces the quality of service, and which has incurred budget deficits almost every year for the past two centuries. It requires little imagination to appreciate the results if "feeding starving men" were left to the tender mercies of compulsive bureaucracy: The nation would perish within five years! ☸

Lost Liberty

IDEAS ON



LIBERTY

THOSE WHO CONTEND in this day that the government of the United States owes a living to any citizen, or group of citizens, are forfeiting their own liberty and that of their fellowmen to a grasping government which can and will make beggars of men otherwise able to care for themselves and naturally inclined to be charitable toward others. Much of the apparent need for governmental aid today is strictly a product of too much government, not the other way around. When government forcibly deprives productive men of a third or more of their earnings, as it does now in this country, it has seriously reduced their opportunity to care for either the aged or the youthful unproductive members of their own families. The cure for this situation lies in less government — not more; in greater individual opportunity — not less.

PAUL L. POIROT, *The Pension Idea*

The Free Market

and the "Tyranny of Wealth"

DAVID OSTERFELD

LIBERTARIANS believe that the substitution of a completely laissez faire economic system for the political system of government intervention would largely eliminate the problem of power in society. While government claims a monopoly on the use of force in society, the market is nothing more than the nexus of exchanges. Since no exchange can occur unless all parties can mutually agree to the conditions, voluntarism is the requisite of an exchange economy; the market, therefore, is characterized by the absence of power relationships.

The credibility of libertarianism, however, has been consistently damaged by its alleged naivete regarding the problem of monopolies. The absence of a governmentally imposed antitrust policy, runs the popular argument, would permit

either voluntary cartelization or "cut throat" competition which, in turn, would result in the emergence of a few giant corporations able to use their monopolistic positions to tyrannize over society.

The libertarian response to this critical question is that, *provided they are voluntary*, mergers, price-fixing agreements, cartelizations, and the like, do not harm the consumer. On the contrary, like all voluntary actions on the market, they help to find the most value-productive point for the allocation of resources; so, they are positively beneficial from the point of view of maximizing the satisfaction of all members of society. Assume, for example, that firms A, B and C find that by merging they can increase their profits by restricting production. The "restriction" of production means, of course, that some of the factors of production will now become idle. But so long as there is

Mr. Osterfeld is an Instructor in Political Science at the University of Cincinnati.

price flexibility, as there will always be on the free market, resources cannot long remain idle; and their employment in other areas will expand production in those areas. But if this is so then production has not, in fact, been restricted at all.

What has occurred was a shifting of factors from one area to another. But the merger would take place only if the merger participants believed that it would increase their profits. Since the market correlates profits and consumer satisfaction, the merger will—provided the expectations of the merger participants are correct—actually increase consumer satisfaction. That is, while physical output will have remained about the same, the *value* of that output, from the standpoint of the consumers, has been augmented.

It is further argued that the larger the firm in relation to the size of its market, the more limited it is in its ability to calculate and therefore the more susceptible it is to losses that would preclude further expansion. Since a monopoly or cartel eliminates the market in the area of its operations, it has no economic signals to guide it in allocating its resources or making investment decisions. Since this means that the decisions of the monopoly would be economically arbitrary, and therefore inefficient, it would suffer severe losses. There

is, in other words, no economic difference between a monopoly and a socialist economy and both would collapse for the same reason: the absence of economic calculation.

Consequently, the libertarian believes that the size of the firm is limited by the limits of calculability and denies that the market confers any power on any firm, regardless of size, to exploit the consumer or victimize society. The popular fear of the “tyranny of wealth” under the free market is therefore seen as an illusion.¹

Monopolies and the Progressive Period

The period between the Civil War and World War I was a period of massive business consolidation and is commonly cited as proof that the unregulated market results in powerful monopolies and concentrations of great wealth. This view has, perhaps, received its most uncompromising statement in the writings of Fritz Redlich, who contends that in the late 1860's, while “the belief in laissez-faire was declining in Europe... the American businessmen became adherents to that creed without any reservations whatsoever” Business has a “distinctly negative attitude toward government” and the latter half of the nineteenth century was a period of unrestrained laissez faire. In the resulting brutal competitive strug-

gles only the fittest survived, and by the 1880's the economy was dominated by a "generation of Robber Barons" with monopolistic control over nearly all markets.

According to Redlich, "The check which competition had exerted before, disappeared... while government as a regulator, had not entered the scene as yet." Consequently, the "Robber Barons," "lacking a sense of social and national responsibility," were able to set high prices for their merchandise and low wages for their employees. "Only in reaction to the increasing power of business leaders, underprivileged strata in America, such as were farmers at the time and labor, forced first the states and later the national government to assume protective functions." The result was the emergence of such regulations of business as the Interstate Commerce Commission, the Sherman Antitrust Act, and the Food and Drug Administration, among a host of others.²

This interpretation has been called into serious question by recent historical investigations. Interestingly enough, the primary figure in this reinterpretation has been the prominent New Left historian, Gabriel Kolko. Far from *laissez faire*, contends Kolko, the inter-war period was characterized by massive government intervention and regulation of the economy.

Kolko points out that the prevailing belief that American industry was monopolized and centralized to the extent that it was able to free itself from the dictates of the market was an "illusion." The reverse was true. As the economy expanded in the post-Civil War period, businessmen found themselves unable to control their own markets. Competition, far from dying out, was increasing. This view is supported by the following empirical evidence supplied primarily by Kolko:

- **1. Steel.** Between 1901 and 1911 prices charged by U.S. Steel fell by an average of 11 per cent. Yet, its percentage of the nation's steel production declined precipitously from 61.6 per cent in 1901 to 39.9 per cent by 1920. Even at the height of U.S. Steel's "market domination" its competitors flourished. By 1911 there were over 80 firms in direct competition with U.S. Steel and producing over 60 per cent of all iron and steel products sold in the United States.³

- **2. Oil.** Between 1880 and 1895 Standard Oil did maintain a high (85%) share of the market. But it could do this only because it reduced prices from 9.12 cents per gallon of refined oil in 1880 to 5.91 cents by 1897. Despite this, Standard's competitors increased from 37 independent refineries in the United States in 1899 to 147 by 1911, and Standard's share of the market declined

noticeably during this period. This was prior to the Supreme Court decision on May 15, 1911 ordering the dissolution of the "monopoly."⁴

● **3. Agricultural Implements.**

Between 1903 and 1911 International Harvester's share of the binder market declined from 96 per cent to 87 per cent; its share of the mower market declined from 91 per cent to 75 per cent; its share of the harvester market from 85 per cent in 1902 to 80 per cent in 1911 and 64 per cent in 1918. While the number of manufacturers of agricultural implements declined slightly over this period, there were still 640 in the United States in 1909. Moreover, this decline was reversed in 1915 when the auto manufacturers began diversifying into tractors.⁵

● **4. Communications.** A.T. & T.

had a complete monopoly between its foundation in 1877 and 1894. This, however, was based on its control of crucial patents, which lapsed in 1894. By 1895 there were 27 companies in competition with A.T. & T.; by 1902 this number had risen to 9,100 and by 1907 to 22,000. A.T. & T.'s control of the market declined to 50 per cent by 1907 (3.1 million telephones controlled by A.T. & T.; 3.0 million controlled by the independents). The effect was to force A.T. & T.'s subsidiaries, such as Bell, to lower their rates. In 1895 Bell received \$88 of revenue per

station. By 1914 it had fallen to \$41.⁶

● **5. Copper.** Monopolistic control was never in question in the copper industry. The combined production of the nation's four largest producers of copper declined from 76 per cent of the market in 1890 to 39 per cent in 1920.⁷

● **6. Meat Packing.** The three largest meat packers' share of the market declined from a combined total of 35 per cent in 1905 to only 22 per cent by 1909, while the number of competitors rose from 1,080 in 1899 to 1,641 in 1909.⁸

● **7. Automobile.** The absence of monopolistic control in the automobile industry is indicated by the turnover of companies in the top ten. Between 1903 and 1924 there were 180 companies in the business of making and selling automobiles. Of the ten leading producers in 1903, only one was still in the top ten by 1924.⁹

Clearly, monopolistic control was not present during this period and competition was actually increasing, not declining. But competition was the last thing that owners of these giant corporations desired. Since their firms were already dominant in their respective industries, competition could only hurt them. Hence, they desired to "rationalize" the economy, i.e., to preserve the status quo and therefore their own socio-economic positions. To insu-

late themselves from their competition, price-fixing agreements and divisions of the markets were negotiated, but quickly broke down in every case. "Voluntary agreements among corporations in the form of pools and agreements of every kind usually failed," says Kolko. "Consolidations and mergers were the next logical step, and also failed."¹⁰

The extent of the failure of the merger movement is vividly demonstrated in the study by the former Harvard economist A.S. Dewing. Dewing studied 35 industrial consolidations which were chosen at random from those mergers taking place no later than 1903 and in existence for ten years. Dewing arrived at two significant conclusions. First, the average aggregate earnings of the separate competing firms in the ten years prior to merger were a fifth greater than the average earnings of the consolidated firms in the ten years following the merger. Second, in only four of the 35 cases did the earnings during the first year after consolidation equal or exceed the expected returns of the promoters. And yet, as Dewing notes, "The earnings of the first year after consolidation were greater—by a little less than a tenth (7%)—than the earnings of the tenth year."¹¹

As the attempts at voluntary control of competition failed dis-

astrously, "it became apparent to many important businessmen," says Kolko, "that only the national government could rationalize the economy." Thus, he continues, "crucial big business support could be found for every major federal regulatory movement. . . . Progressivism was not the triumph of small business over the trusts. . . . but the victory of big businesses in achieving the rationalization of the economy that only the federal government could provide."¹² The following are some of the areas receiving big business support:

● **1. Interstate Commerce Act.**

Prior to the inception of the Interstate Commerce Commission the railroads had attempted to maintain high rate levels by means of price-fixing agreements. These were constantly being undercut, however, and resulted in price wars between railroads. Consequently, in the 17 years prior to the ICC, railroad rates declined from an average of \$19 per 1,000 ton-miles to \$8.50. The main impact of the ICC was to eliminate undercutting by establishing minimum rates and compelling compliance. Price competition was eliminated. Due largely to deflationary conditions during the 1890's rates continued to decline slightly (from \$8.50 per ton-mile to \$7.80). The decline was effectively slowed, however, by the existence of the ICC, and after that period rates began a

sharp increase. Thus Kolko comments that "the railroads were the leading advocates of increased government regulation after 1887."¹³

● **2. The Department of Commerce Act.** Numerous businesses and financial organizations, including the House of Morgan, had long been pushing for the establishment of a Department of Commerce which would establish comprehensive federal legislation which not only would take precedence over the varied and often contradictory state legislation but could also be used to control competition. Thus, "Agitation for a Department of Commerce had been carried on by business organizations throughout the 1890's."¹⁴

● **3. The Meat Inspection Act of 1906.** The European export market was vital to the major American meat packers. In the 1880's European nations began to ban American meat imports allegedly for health reasons, which was no doubt at least partially true; but the influence of the European meat packers who were losing business to American importers also played a part. "And since the six largest packers slaughtered and sold less than 50 per cent of the cattle, and could not regulate the health conditions of the industry, government inspection was their only means of breaking down European barriers to the growth of American exports."

The major packers also felt that strict regulation would serve to "bring the small packers under control." Thus, "it was the large meat packers who were at the forefront of the reform movement."¹⁵

● **4. The Pure Food and Drug Act of 1906.** Many of the larger food companies felt that their interests were being damaged by unscrupulous competitors selling cheap products and that federal regulation of food not only would end such practices but could be used to discriminate against their competitors as well. Thus, business support for federal regulation of food began as early as the 1880's, and received the endorsement of the National Association of Manufacturers, the Creamery Butter Makers' Association, the Retail Grocers' Association, and the American Baking Powder Association, to name just a few. "The food reform movement was essentially supported by the food industry itself..."¹⁶

● **5. The Federal Reserve Act of 1913.** "The bankers were the only significant group concerned with banking reform after 1897, and their problems and needs were the primary cause and motive behind the Act. For the Federal Reserve Act was the result of a movement led by bankers seeking rationalization, and hoping to offset the

decentralization of banking toward small banks and state banks. The expansion and domination of banking by big city bankers was possible only with the aid of the federal government, and although the Act solved many of the problems of the small bankers, it held out the promise of reversing those larger tendencies within the banking system running against the big bankers." The final version of the bill, it should be noted, bore a clear resemblance to the earlier Aldrich Bill which had been drafted by such big city bankers as Paul Warburg.¹⁷

● **6. The Federal Trade Commission Act of 1914.** This act was supported by every major business group in the nation with the exception of NAM, which remained neutral. Business felt that a Federal Trade Commission could do the same thing for general business as the Federal Reserve did for the big bankers and the ICC did for the transportation industry, i.e., stabilize business by eliminating or reducing competition. The FTC was invested with the power to outlaw "unfair methods of competition," but it was left up to the Board to determine what such practices were. This meant that the Board could, and was, used against small businesses that might be tempted to cut prices. In an interesting speech, Edward Hurley, who assumed the head of the FTC in 1916, remarked

that "In my position on the Federal Trade Commission I am there as a businessman... and I think that the businessmen of the country will bear me out when I say that I try to work wholly in the interest of business."¹⁸

In short, the corporate elite found themselves unable to control their markets in the expanding economy of the inter-war years. Since such efforts as voluntary price-fixing and consolidations failed to insulate them from the rigors of the market, their only recourse lay in the imposition of compulsory regulation through the aegis of the government.

Conclusion

The Kolko thesis is significant for, as a member of the New Left, Kolko certainly cannot be accused of being an apologist for the free market. Yet, his analysis persuasively indicates that the Progressive period, which is so often cited as "proof" that the unregulated market would result in a "tyranny of wealth," demonstrates just the opposite. Far from the market leading to monopolies, the Kolko analysis clearly demonstrates that it was precisely the market that effectively and continuously thwarted the monopolistic schemes of the corporate elite. It was in response to the failure of their attempts at voluntary control of the market

that the corporate elite turned to the state for the control of competition through compulsory regulation.

Thus, the Progressive period was certainly characterized by monopolistic control of many markets, but it is of crucial importance to realize that the source of these monopolies lay not in the market but in the government restrictions on the market. As Kolko pungently remarks elsewhere, "political power in our society after the Civil War responded to power and influence in the hands of businessmen, who have often had more leverage over political... than over business affairs—and they were quick to use it to solve business problems."¹⁹

This, of course, is precisely in conformity with the libertarian theory of monopoly. The specter of the market leading to the "tyranny of wealth" is clearly an illusion. The only effective antimonopoly policy lay not in government controls but in the unregulated market. 

—FOOTNOTES—

¹ On the libertarian theory of monopoly see, in particular, Murray Rothbard, *Man, Economy and State* (Los Angeles: Nash, 1970); Murray Rothbard, *Power and Market* (Menlo Park, Ca.: Institute For Humane Studies, 1970); and D.T. Armentano, *The Myths of Antitrust* (New Rochelle: Arlington House, 1972).

² Fritz Redlich, "The Robber Barons: Creative or Destructive," *The Robber Barons, Saints or Sinners?*, ed. Thomas Brewer (New York: Holt, Rinehart and Winston, 1970), pp. 88-100.

Also see Richard Hofstadter, *Social Darwinism in American Thought* (New York: Beacon Press, 1944); Richard Hofstadter, *The Age of Reform* and Harvey Buncke, *A Primer on American Economic History* (New York: Random House, 1969), pp. 117-18. This view is advanced in most history and political science texts. See, for example, William Ebenstein, *et al.*, *American Democracy in World Perspective* (New York: Harper and Row, 1973), pp. 388-89; James Burns and Jack Pelatson, *Government by the People* (Englewood Cliffs: Prentice-Hall, 1966), pp. 620-22; and John Garraty, *The American Nation* (New York: Harper and Row, 1966), pp. 58-59 and 648.

³ Gabriel Kolko, *The Triumph of Conservatism* (Chicago: Quadrangle Books, 1967), p. 37. Also see Armentano, pp. 102-05.

⁴ *Ibid.*, pp. 40-41; and Armentano, pp. 77-79.

⁵ Kolko, pp. 46-47.

⁶ *Ibid.*, pp. 47-49.

⁷ *Ibid.*, pp. 50-51.

⁸ *Ibid.*, pp. 52-53.

⁹ *Ibid.*, p. 43.

¹⁰ *Ibid.*, p. 56. For a detailed analysis of why these failed see Armentano, Chapter 7, "Price Fixing in Theory and Practice," pp. 132-63.

¹¹ A.S. Dewing, "A Statistical Test of the Success of Consolidations," *Quarterly Journal of Economics* (1921), pp. 84-101.

¹² Kolko, pp. 283-84.

¹³ *Ibid.*, p. 59. Much of this information is also drawn from Yale Brozen, "Is Government the Source of Monopoly?," *The Intercollegiate Review* (Winter, 1968-69), pp. 71-72.

¹⁴ Kolko, p. 69.

¹⁵ *Ibid.*, pp. 98-108.

¹⁶ *Ibid.*, pp. 108-110.

¹⁷ *Ibid.*, pp. 194-95 and 243.

¹⁸ *Ibid.*, pp. 267-75.

¹⁹ Gabriel Kolko, "Power and Capitalism in 20th Century America," *Liberation* (December, 1970), pp. 21-26.

Essays on Hayek

SUDDENLY, conservative—or traditional liberal—economics is becoming a fashion. In 1974 the invariably fashionable Nobel Prize committee bestowed one of its awards on Friedrich Hayek for work done a couple of generations ago. Now the same committee has honored a second conservative or true liberal, Milton Friedman, for work on monetary policy theory that was first elaborated in 1958. It's better late than never, even though one must be permitted the ironical reflection that if the Nobel people—and those who follow them—had waked up to the importance of Hayek and Friedman on time we might have been spared much of the damage wrought by the Keynesians in recent decades all through the western world.

Another irony is that the greater importance of Hayek and of Friedman derives from their transcen-

dence of economics as such. When the Mont Pelerin Society decided to honor Hayek at a special regional meeting at Hillsdale College in Hillsdale, Michigan, in the Summer of 1975, technical economics occupied just about one-seventh of the time allotted to a discussion of the Hayek contribution. Fritz Machlup, who has put together the Hillsdale proceedings in a book, *Essays on Hayek* (New York University Press, cloth, \$10.00; Hillsdale College Press, paperback, \$2.00) covered Hayek's work on such things as the theory of economic fluctuations and the theory of economic planning in masterly fashion. But, as Milton Friedman points out in his foreword to the book, Hayek's economics has been secondary in importance to his "influence in strengthening the moral and intellectual support for a free society."

The primary importance of Hayek's moral and intellectual influence comes through in this volume in many ways. George Roche, the President of Hillsdale College, says, patly, that "economic science is not enough." So he hails Hayek for realizing that the failures of collectivism, which strike at men's stomachs, "strike even more directly at men's souls." Arthur Shenfield speaks of the importance of Hayek's *The Pure Theory of Capital*, but what sets him tingling is Hayek's work on "scientism," defined as "the uncritical application of the methods, or the supposed methods, of the natural sciences to problems for which they are not apt."

Ronald Max Hartwell's essay recognizes that Hayek "is an economic and political theorist rather than an historian," but, as he says, "most of Hayek's writing since the publication of *The Road to Serfdom* in 1944 has been at least partly concerned with history." So the Hartwell accolade is bestowed on Hayek for his exposure of the impostures of Marx, Engels, the Hammonds, Tawney, the Webbs and Harold Laski for misrepresenting the history of early industrialism as a catalogue of horrors.

There were, indeed, horrors in Manchesterian England, but most of them were hangovers from the twenty-year period in which the

British had to defer the building of houses to give the making of ships and guns a first priority in order to defeat Napoleon.

A Failure of Leadership

Bill Buckley, in his essay, takes off from Hayek's "nontechnical writings" to chastise American capitalists for their failure to react to the warnings in Hayek's *The Road to Serfdom*. As Irving Kristol has said, the intellectual fight against socialism has been won, but "the stunning paradox" is that the socialists don't seem to know it. They go on winning the battle in parliaments that vote consistently for inflationary budgets that are making capitalism more and more inoperable. "The entrepreneurial class," says Buckley, "can only change its image by taking lusty joy from its achievements." But where is this joy? It was not apparent in a scene that Bill Buckley finds "symbolic of the triumphs of demagogic terror over productive enterprise: Senator Scoop Jackson, sitting high in his committee chair, addressing the twelve top officials of the oil and gas industry meekly astride their stools at the bar of justice, publicly chastising them on their obscene profits." How bracing it would have been, says Buckley, if "as one man they had risen to their feet early in the tirade and walked out, leaving

the Senator lecturing only the television cameras, which of course he was primarily addressing."

In their respective essays Gottfried Dietze and Shirley Robin Letwin come to the nub of Hayek's greatest importance, which is his recognition that economics, as Ludwig von Mises has put it, is part of a larger science of choice. Choice, of course, implies at least an "as if" acceptance of free will, and it can only function well in a society whose basic conventions and law keep men from invading each others' rights. Knowing that freedom, to be real in a practicable sense, requires a universally respected framework of moral certainties, Hayek, ever since *The Road to Serfdom*, has been devoting most of his time to determining what he calls "the constitution of liberty."

Law and Liberty

A tolerable society demands a subtle blend of order and spontaneity. Naturally the order which Hayek extols must be that of the "Rechtsstaat" which limits its legislation to the affirmation of ancient verities. The "good law" may, in the course of time, "develop in very undesirable directions" that require correction by "deliberate legislation." But when parliaments depart from the "corrective" function to indulge in arbitrary restric-

tions that limit the inventiveness of human beings, we all suffer.

Hayek prefers to be called an Old Whig. There must be "equality before the law," but that is where the case for egalitarianism stops. To think of equality as a matter of leveling entails robbing one man of the fruits of his work to support another. When societies embrace this type of Robin Hood egalitarianism the law becomes a most uncertain entity. What follows is the destruction of liberty. The monstrous injustice of the Robin Hood approach is that it deprives the poor of all the advantages they would otherwise get from both the spontaneous and the trained inventions and discoveries of more able men.

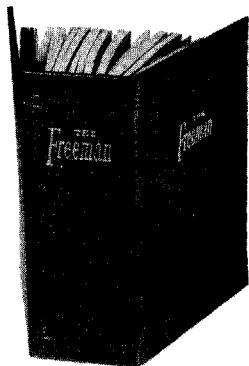
In what is perhaps the most challenging essay in the book Shirley Letwin makes a subtle distinction between the "spontaneous order" and what she calls the "fantasy of 'laissez faire.'" The spontaneous order of the market place is "not a mechanical process given by nature." It consists, as Hayek keeps reminding us in one fashion or another, "of men buying and selling, investing and managing under special historical conditions . . . these have to be set by us, in accordance with our purposes and our conceptions of how we can best achieve them. One of Hayek's greatest contributions to the de-

fense of liberty is his repeated assertion that belief in the free market and competition, far from absolving us of having to think of legal arrangements, obliges us to do so more carefully." The art of making good social arrangements consists in "attending with meticulous deliberation to some things while letting others arrange themselves."

To take some of the mystery out of it, it might be said that *laissez faire* is fine when it is practiced within the scope of the Ten Commandments. That is what "Old Whiggism" was about. It is all that Adam Smith, who was no anarchist, intended. Hayek pays his tribute to

the "Old Whig" mind when he notes, as Shirley Letwin says, that England "was famed for its individualism and liberty," and yet was disposed to conform in all externals to common usage rather than to go chasing after the development of "original personalities." The acceptance of "customary morals" was repudiated in the Bloomsbury of John Maynard Keynes, who as a young man "claimed to be our own judge in our own case."

To keep clear of the Bloomsbury mistake requires a "precarious balance." Hayek, says Shirley Letwin, has "provided the model." 



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